

Appendix 4E

(Rules 4.2A.3)

Name of Entity **PAPERLINX SPS TRUST**

ARSN **123 839 814**

For the period ended **30 June 2014**

(Previous Corresponding Period: 30 June 2013)

Results for announcement to the market	2014 A\$'000	2013 A\$'000		% Change
Total revenue for the period	342	469	down	27.08%
Net income / (loss) for the period	6,395	(45,526)	up	114.05%
Distributions	Amount per security	Franked Amount per security		
Final distribution – current period	Nil	N/A		
Final distribution – previous corresponding period	Nil	N/A		
Record date for determining entitlements to the distribution		N/A		
Date distribution paid		Distribution not paid		
Commentary on results for the period				
Refer to attached Directors’ Report for explanation of results				
	30 June 2014	30 June 2013		
Net tangible asset backing	\$9.25	\$7		
Net Assets	\$26,362,000	\$19,967,229		
Number of securities	2,850,001	2,850,001		
Details of Entities Over Which Control Has Been Gained or Lost				
Nil				

Information on Audit or Review

This report is based on accounts to which one of the following applies.

<input checked="" type="checkbox"/>	The accounts have been audited.	<input type="checkbox"/>	The accounts have been subject to review.
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have <i>not</i> yet been audited or reviewed.

A copy of the audit report is included in the financial accounts attached.

ANNUAL REPORT

&

FINANCIAL REPORT

OF

PAPERLINX SPS TRUST
(ARSN 123 839 814)

FOR

YEAR ENDED 30 JUNE 2014

ANNUAL REPORT & FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report

For the year ended 30 June 2014

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of PaperlinX SPS Trust (the "SPS Trust") present their report together with the financial report of the SPS Trust for the year ended 30 June 2014 and the independent auditor's report thereon.

Responsible Entity

The Trust Company (RE Services) Limited (the "Responsible Entity") has acted in the capacity of responsible entity of the SPS Trust since it was established under the SPS Trust constitution dated 7 February 2007.

The registered office and principal place of business of the Responsible Entity is Level 15, 20 Bond Street, Sydney, NSW, 2000.

On 28th November 2013, the shareholders of The Trust Company Limited (the then ultimate parent of the Responsible Entity of the SPS Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company Limited by way of a Scheme of Arrangement. On 18th December 2013, the Scheme of Arrangement was formally implemented and The Trust Company Limited became wholly owned by Perpetual Limited.

The names of the Directors of the Responsible Entity holding office during the year ended 30 June 2014 and until the date of this report, unless otherwise stated, were:

John Atkin	Resigned as Director on 18 December 2013
David Grbin	Resigned as Director on 7 March 2014
Rupert Smoker	Appointed as Director on 18 December 2013 and resigned as Director on 7 March 2014.
Andrew Cannane	
Christopher Green	Appointed as Director on 7 March 2014
Gillian Larkins	Appointed as Director on 7 March 2014
Anna O'Sullivan	Appointed as Alternate Director for each of Andrew Cannane and Christopher Green on 7 March 2014
Glenn Foster	Appointed as Alternate Director for Gillian Larkins on 7 March 2014
Joanne Hawkins	Appointed as Alternate Director for Gillian Larkins on 7 March 2014

Principal activities

The SPS Trust was established for the purpose of issuing a security called PaperlinX Step-up Preference Securities (PSPS). The PSPS are perpetual, preferred units in the 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 quoted on the Australian Securities Exchange ("ASX") under "PXUPA".

The SPS Trust issued 1 ordinary unit at an issue price of \$100 per unit to PaperlinX Limited ("PaperlinX").

The SPS Trust is a registered managed investment scheme domiciled in Australia.

The SPS Trust does not employ personnel in its own right.

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the year ended 30 June 2014

Review of operations

Results

The SPS Trust's net income from operations for the current year was \$6,395,271 (2013: loss of \$45,526,000). This increase reflects the increase in the fair value of the SPS Trust's investment based on the closing price of the SPS units at 30 June 2014.

The SPS Trust received no dividend income from its investment in PaperlinX SPS LLC ("LLC") during the year.

Distributions on the PSPS are at the discretion of the Responsible Entity and ultimately, the Directors of PaperlinX. Distributions also require the approval of the main lender (in Europe) to PaperlinX, and 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, PaperlinX 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 accordance with the SPS Trust Constitution which includes the SPS Terms.

The final distribution on step-up preference securities scheduled for 30 June 2014 was not paid.

The interim distribution on step-up preference securities scheduled for 31 December 2013 was not paid.

The Responsible Entity and ultimately the Directors of PaperlinX have decided to roll over the PSPS and begin paying discretionary distributions subject to the availability of funds at the step-up margin of 4.65% on the PSPS from the first periodic remarketing date (30 June 2012).

The distribution rate for the period 1 July 2014 to 31 December 2014 is 7.36% p.a. The distribution rate includes a step-up in the margin by 2.25% which applied immediately after the remarketing date of 30 June 2012. The distribution will be payable at the ultimate discretion of the Directors of PaperlinX. PaperlinX has indicated no distributions are likely to be paid until there is a significant improvement in trading conditions and PaperlinX's financial performance and any such distributions will also require the approval of the main lender (in Europe) to PaperlinX.

The distribution on the 1 ordinary unit for the year ended 30 June 2014 was \$nil (2013: \$nil).

The Directors of the Responsible Entity have determined the fair value of the investment in LLC preference shares as disclosed in note 11 to the financial statements. During the year, there has been a gain in the fair value of the SPS Trust's investment in the LLC for the amount of \$6,412,500 recorded in the statement of comprehensive income.

The Directors of the Responsible Entity determined that it was appropriate to base the 30 June 2014 valuation of the investment in the LLC on the market capitalisation of the SPS Trust based on the closing price of the SPS units at balance date. Valuation based on the market capitalisation was also utilised at 31 December 2013. The market price was considered to be the most appropriate basis for valuation due to the increased inherent difficulty associated with determining a valuation, given the Responsible Entity has limited insight into the likely future development of PaperlinX, a lack of broker coverage, and a lack of information around estimates.

Interests of the Responsible Entity

The Responsible Entity and its associates have not held any units in the SPS Trust during the financial year. Set out below are the fees paid or payable by the SPS Trust to the Responsible Entity, or any of its associates, during the year:

	2014 \$	2013 \$
Responsible Entity and associates		
• Management fees	131,907	156,141
• Custody Fees	19,510	19,227
	<hr/> 151,417	<hr/> 175,368

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the year ended 30 June 2014

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the SPS Trust that occurred during the financial year.

Likely developments

Further information on likely developments in the operations of the SPS Trust and the expected results of those operations in future financial years has not been included in this report given that the SPS Trust is economically dependent on PaperlinX and its controlled entities and the Directors of the SPS Trust have no insight into the likely future developments of PaperlinX.

Directors' interests

No Directors of the Responsible Entity have any relevant interest in the securities issued by the SPS Trust and other related body corporates as notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report.

Directors of the Responsible Entity are not entitled to any share based payments.

Environmental regulations

The SPS Trust's operations are not subject to any significant environmental regulations under either Commonwealth, State or Territory legislation.

Key Management Personnel

The SPS Trust has no employees and the Responsible Entity is considered the Key Management Personnel of the SPS Trust. As such, a remuneration report is not prepared.

PaperlinX Takeover Offer – PaperlinX SPS Units

PaperlinX made an off-market takeover offer ("offer") for all the units in the SPS Trust on 5th December 2013. The offer comprised of 250 PaperlinX shares for every SPS unit acquired, with no minimum acceptance requirement.

The offer closed, after extension, on 28th February 2014 and PaperlinX acquired acceptances for 223,602 PaperlinX SPS Units (7.845681% of the total Units on issue).

Going Concern basis of accounting

The SPS Trust's financial report has been prepared on a going concern basis as set out in Note 2(d). The considerations regarding PaperlinX's ability to continue as a going concern have flow on consequences for the SPS Trust's financial report in respect of the Directors' approach to determining fair value of the SPS Trust's assets. In determining the SPS Trust's going concern basis, the Directors of the Responsible Entity have relied on PaperlinX's assessment of its going concern status, as disclosed in the PaperlinX 30 June 2014 financial report (Note 2), which was released to the market by PaperlinX on 20th August 2014.

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the year ended 30 June 2014

Events subsequent to balance date

Given the SPS Trust's reliance on the performance of PaperlinX, the approach to determining fair value considers the profitability of the company.

PaperlinX, announced the following results to the market on the 20th August 2014:

- PaperlinX is confident that the company's cost out strategy has been getting results and that there is a turnaround evident from previous years;
- The company's progress to date has been positive but full cost benefits from restructuring will only start to take hold from second half FY15 and;
- PaperlinX is confident that the company will deliver on its vision for a sustainably profitable future.

As at 30 June 2014, the SPS units were trading on the ASX at \$9.25 per LLC preference share with a market capitalisation of \$26.36 million. As at 25 August 2014, the SPS units were trading at \$11.99 with a market capitalisation of \$34.17 million.

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, in the interval between the end of the financial year and the date of this report, no items, transactions or events of a material or unusual nature have arisen that have significantly affected, or may significantly affect the operation of the SPS Trust, the results of those operations, or the state of affairs of the SPS Trust, in future financial years.

Indemnities and insurance premiums for Officers or Auditors

Indemnification

Under the SPS Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the SPS Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the SPS Trust. The SPS Trust has not indemnified any auditor of the SPS Trust.

Insurance premiums

No insurance premiums are paid out of the SPS Trust's assets in relation to insurance cover for the Responsible Entity, its officers and employees, and the Compliance Committee or the auditors of the SPS Trust.

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 28 and forms part of the Directors' Report for the year ended 30 June 2014.

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the year ended 30 June 2014

Rounding off

The SPS Trust is of a 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 thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



Andrew Cannane

Director

Sydney, 27th August 2014

PaperlinX SPS Trust (ARSN 123 839 814)
Statement of Financial Position

	<i>Note</i>	As at 30 June 2014 \$000	As at 30 June 2013 \$000
Assets			
Current assets			
Cash and cash equivalents	11	9	13
Other receivables		43	111
Total current assets		52	124
Non current assets			
Investments	11	26,362	19,950
Total non current assets		26,362	19,950
Total assets		26,414	20,074
Liabilities			
Current liabilities			
Trade and other payables		52	107
Total current liabilities		52	107
Net assets		26,362	19,967
Equity			
Step-up preference securities	5	285,000	285,000
Ordinary units on issue	6	*	*
Accumulated losses		(258,638)	(265,033)
Total Equity		26,362	19,967
*\$100			

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 13 to 26.

PaperlinX SPS Trust (ARSN 123 839 814)
Statement of Comprehensive Income

For the year ended 30 June		2014 \$000	2013 \$000
	<i>Note</i>		
Revenue			
Other income (1)		342	469
Total revenue		342	469
Expenses			
Management fees	13	(132)	(156)
Custody fees	13	(20)	(19)
Auditors' remuneration (2)	7	(83)	(97)
Unit registry fees		(37)	(21)
Legal Fees		(50)	(29)
Consultant fees		(8)	(60)
Other operating costs		(30)	(13)
Total expenses (3)		(360)	(395)
Movement in the fair value of investments			
Movement in fair value of investments	11	6,413	(45,600)
Total movement in the fair value of investments		6,413	(45,600)
Income/(Loss) attributable to unitholders		6,395	(45,526)
Other comprehensive income		-	-
Total comprehensive income/(loss) attributable to unitholders		6,395	(45,526)

(1) Other income of \$342,165, relates to income received and accrued from PaperlinX Limited to cover SPS Trust expenses for the year ended 30 June 2014.

(2) Includes \$14,300 Compliance Plan Audit fee in the year ended 30 June 2013, relating to the 30 June 2012 financial year, paid to KPMG.

(3) All of the above expenses include applicable GST, which is not recoverable from the taxation authority. Only the Responsible Entity's management fees and custody fees are entitled to reduced input tax credits.

PaperlinX SPS Trust
Earnings per Unit

For the year ended 30 June		2014	2013
Basic and Diluted Earnings per Unit (\$)	10	2.2440	(15.9739)

The Statement of Comprehensive Income and the Earnings per Unit are to be read in conjunction with the notes to the financial statements set out on pages 13 to 26.

PaperlinX SPS Trust (ARSN 123 839 814)
Statement of Changes in Equity

For the year ended 30 June 2014

	Step-up preference securities \$000	Ordinary units on issue * \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2013	285,000	-	(265,033)	19,967
Income for the year	-	-	6,395	6,395
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	6,395	6,395
Transactions with unitholders				
Distributions paid	-	-	-	-
Balance at 30 June 2014	285,000	-	(258,638)	26,362

* \$100 par value

For the year ended 30 June 2013

	Step-up preference securities \$000	Ordinary units on issue * \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2012	285,000	-	(219,507)	65,493
Loss for the year	-	-	(45,526)	(45,526)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	(45,526)	(45,526)
Transactions with unitholders				
Distributions paid	-	-	-	-
Balance at 30 June 2013	285,000	-	(265,033)	19,967

* \$100 par value

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 26.

PaperlinX SPS Trust (ARSN 123 839 814)
Statement of Cash Flows

For the year ended 30 June 2014		2014	2013
	Note	\$000	\$000
Cash flows from operating activities			
Other income received		410	364
Payments to suppliers		(414)	(358)
Net cash flows (used in) / from operating activities	12	(4)	6
Net (decrease) / increase in cash and cash equivalents		(4)	6
Cash and cash equivalents at the beginning of the year		13	7
Cash and cash equivalents at the end of the year		9	13

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 26.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

1. Reporting Entity

PaperlinX SPS Trust (the "SPS Trust") is a registered for profit Managed Investment Scheme under the *Corporations Act 2001*. The financial report of the SPS Trust is presented as at and for the year ended 30 June 2014 and was authorised for issue in accordance with a resolution of the Directors on the 27th August 2014. The SPS Trust is quoted on the Australian Securities Exchange (ASX code: PXUPA).

2. Basis of Preparation

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the SPS Trust also complies with the International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial report has been prepared on a historical cost basis, except for equity investments which have been measured at fair value.

(b) Functional and presentation currency

Rounding

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

The SPS Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of a financial report in accordance with Australian Accounting Standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out on Note 3 (j) and relate to the valuation of the SPS Trust's investment in the preference shares issued by the LLC.

The accounting policies have been applied consistently.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

2. Basis of Preparation (cont.)

(d) Going Concern basis of accounting

The SPS Trust is a controlled entity of PaperlinX for accounting purposes, and has an investment in preference shares issued by PaperlinX SPS LLC. The income earned by the SPS Trust from this investment is ultimately sourced from PaperlinX.

In preparing the financial report, the Directors of the Responsible Entity made an assessment on the ability of the SPS Trust 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 operation of the SPS Trust is economically dependent on PaperlinX and its controlled entities (ASX: PPX). Payments made to third parties associated with the operations of the SPS Trust (including management fees, custody fees, ASX listing and share registry expenses) are funded through dividend income from the investment in PaperlinX SPS LLC. In the event that the SPS Trust does not receive dividend income, it has relied on income from PaperlinX and its controlled entities (under contractual obligations) to fund on-going expenses. A liability to pay distributions only arises once declared by the SPS Trust and this is only undertaken once sufficient cash distributions are received / receivable from the SPS Trust's investment in PaperlinX SPS LLC. As the SPS Trust is operated by the Responsible Entity, now a wholly owned subsidiary of Perpetual Limited, should PaperlinX be unable to discharge its contractual obligations to the SPS Trust, the Responsible Entity would be able to continue to operate the SPS Trust subject to cash being made available.

Therefore, PaperlinX's ability to continue as a going concern has flow on consequences for the SPS Trust's financial report. The Directors of the Responsible Entity have relied on PaperlinX's assessment of its going concern status to determine the SPS Trust's going concern status, as disclosed in the PaperlinX 30 June 2014 financial report (Note 2), which noted the following:

- (i) PaperlinX is primarily funded by receivables-backed and inventory-backed facilities. As disclosed in the PaperlinX 30 June 2014 financial report (Note 24), a number of key financing facilities in Europe have been recently extended by PaperlinX 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 PaperlinX expects these facilities to remain in place and to be available to be drawn for a period of at least greater than 12 months from the date of this report. This includes the main European facility that currently expires in September 2015.
- (ii) Notwithstanding that the majority of PaperlinX's lending facilities are classified as non-current, the ability of PaperlinX 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 PaperlinX. The forecasts, taking into account reasonably possible changes in trading performance, show that PaperlinX 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 PaperlinX.
- (iii) Should the ability of PaperlinX to realise sufficient cash flows from trading operations or existing facilities be restricted, PaperlinX 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.

On this basis and after making enquiries, and considering the uncertainties described above, the Directors of the Responsible Entity consider that it is appropriate for the SPS Trust to continue to adopt the going concern basis of accounting in preparing the financial report.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

2. Basis of Preparation (cont.)

(e) Changes in accounting policies and disclosures

The SPS Trust 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 SPS Trust include:

- AASB 13 *Fair Value Measurement* and related AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- 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 did not have any financial impact on the current reporting period or any prior period.

None of the other new and revised Standards and Interpretations issued by the AASB are considered relevant to the SPS Trust's results and disclosures for the year ended 30 June 2014.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

As at 30 June 2014, the Responsible Entity has decided against the early adoption of any new, revised or amended accounting standards issued by the AASB that have mandatory application dates for future reporting periods.

(a) Cash and cash equivalents

Cash and cash equivalents only comprise cash at bank.

(b) Interest income

Interest income is recognised on an accruals basis that takes into account the effective yield of the financial asset.

(c) Dividend income

Dividend income from PaperlinX SPS LLC is recognised on an accruals basis when the SPS Trust obtains the right to receive the dividend.

(d) Investments

The SPS Trust has invested in preference shares issued by PaperlinX SPS LLC, a controlled entity of the PaperlinX Group. Investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition investments are measured on the basis set out in Note 3 (j).

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont.)

(e) Other income and Expenses

All expenses, including management fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis. Included in other operating expenses are administrative expenses. Other income includes the reimbursement of expenses from PaperlinX and is recognised in the statement of comprehensive income on an accruals basis.

(f) Taxation

Under current legislation the SPS Trust is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

(g) Distributions

The SPS Trust fully distributes its distributable income, calculated in accordance with the SPS Trust Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution. Distributions are treated as distributions of equity, consistent with the recognition of the underlying units as equity (refer to note 3(i) below). The distributions are payable at the discretion of the Responsible Entity and ultimately, the Directors of PaperlinX Limited. Also, PaperlinX's main lender in Europe has included restrictions such that future distributions to PSPS unitholders require lender approval. Under the PaperlinX SPS Terms of the SPS Trust Constitution, unpaid distributions can be made as optional distributions at the discretion of the Directors of PaperlinX Limited within a period of 12 months from the scheduled distribution date.

(h) Goods and services tax

The SPS Trust is registered for Goods and Services Tax (GST) purposes and will receive input tax credits for GST paid. Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- For receivables and payables which are recognised inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis.

(i) Financial instruments issued by the SPS Trust

Step-up preference securities issued by the SPS Trust are classified as equity instruments, reflecting the terms and conditions attached to them and the substance of the underlying contractual arrangements.

(j) Financial instruments / investments

Classification

The SPS Trust recognises all its equity investments at fair value with movements in fair value being booked through the statement of comprehensive income.

The category of financial assets and financial liabilities at fair value through profit or loss comprises financial instruments / investments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These include investments in equity instruments and shares in unlisted entities. The fair value through profit or loss classification is in accordance with AASB 139: Financial instruments, recognition and measurement.

Recognition

The SPS Trust recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of comprehensive income.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont.)

(j) Financial instruments / investments (cont.)

Measurement

Financial instruments / investments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments / investments they are amortised.

Subsequent to initial recognition, all instruments / investments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Investment carrying value

The SPS Trust has invested in preference shares issued by PaperlinX SPS LLC, a controlled entity of PaperlinX Limited. Investments are initially recognised at fair value. Subsequent to initial recognition investments are measured at fair value with movements in fair value recorded in the statement of comprehensive income. The fair value of this investment is determined as outlined in Note 11.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

The SPS Trust's financial instruments / investments are carried at fair value on the statement of financial position. Usually the fair value of the financial instruments / investments can be reliably determined within a reasonable range of estimates.

Fair value estimates are made at a specific point of time, based on market conditions and information about the financial instrument / investment. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows, etc.) and therefore, cannot be determined with precision.

For other financial instruments, including other receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of all the SPS Trust's financial assets and liabilities at the balance sheet date approximated their fair values.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont.)

(k) New standards and interpretations not yet adopted

The following new accounting standards and amendments to an accounting standard have been identified as those which may be relevant to the SPS Trust and were available for early adoption at 30 June 2014 but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets and financial liabilities to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become applicable to annual reporting periods beginning on or after 1 January 2018.
- 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.

The SPS Trust has not yet finalised its assessment of the potential effect, if any, of the new and amending standards on the SPS Trust's Financial Report, but the SPS Trust believes there will not be any material impact.

4. Operating Segments

The primary activity of the SPS Trust is to invest in preference shares issued by PaperlinX SPS LLC, a wholly owned subsidiary of PaperlinX, domiciled in the USA. The SPS Trust is domiciled in Australia.

5. Step-up preference securities

All preference securities in the SPS Trust are of the same class and carry equal rights. Under the SPS Trust Constitution, each unit represents a right to the underlying assets of the SPS Trust.

	30 June 2014	30 June 2013
	\$000	\$000
Opening balance	285,000	285,000
Closing balance	285,000	285,000

The SPS Trust was established for the purpose of issuing a security called PaperlinX Step-up Preference Securities (PSPS). The PSPS are perpetual, preferred units in the 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 par value of the units is equal to the issue price. The PSPS are quoted on the ASX under "PXUPA".

The Responsible Entity has the discretion to pay distributions on the PSPS, which is economically dependent on the performance of the PaperlinX Group, and is paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. Distributions are therefore only paid after declaration by the Responsible Entity and ultimately at the discretion of the Directors of PaperlinX. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PSPS. If a distribution is not paid in full, PaperlinX 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. This is in accordance with the SPS Trust Constitution which includes the SPS Terms.

In February 2012, PaperlinX obtained an amendment to its debt facility from its main lender in Europe. On the 20th February 2014 this facility was extended to 30 September 2015. The amendment included restrictions such that future distributions to PSPS unitholders require lender approval.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

5. Step-up preference securities (cont.)

The first periodic remarketing date was 30 June 2012 and provided the following options:

- a remarketing process may be conducted to establish a new margin and add or adjust such other terms of the PSPS, which if successful would apply until the next remarketing date;
- PSPS may be realised (redeemed for cash, exchanged for PaperlinX ordinary shares or resold to a third party); or
- begin paying discretionary distributions subject to the availability of funds at the step-up margin on the PSPS. The step-up margin is the sum of the margin which applies immediately before the relevant remarketing date (the current 2.40%) and an additional 2.25% per annum.

The Responsible Entity and ultimately, the Directors of PaperlinX decided on the third option noted above (applying the step-up margin) on the first remarketing date of 30 June 2012. The distribution rate for future discretionary distributions will be 180 day bank bill swap rate plus a margin of 4.65%. The next remarketing date is 31 December 2014. The same options as above are applicable at the next remarketing date; however the additional step-up margin applies only once.

6. Ordinary units on issue

There is 1 ordinary unit authorised and issued by the SPS Trust to PaperlinX which represents a right to the underlying assets of the trust. The ordinary unit has a value of \$100.

7. Auditor's remuneration

Audit Services:	2014 \$	2013 \$
Audit and review of the financial reports		
• Ernst & Young	66,110	66,000
	<hr/> 66,110	<hr/> 66,000
Other Services:		
Other regulatory audit services		
• KPMG Australia (1)	-	14,300
• Ernst & Young	17,008	16,500
	<hr/> 17,008	<hr/> 30,800
Total auditor's remuneration	<hr/> 83,118	<hr/> 96,800

(1) Includes \$14,300 Compliance Plan Audit fee in the year ended 30 June 2013, relating to the 30 June 2012 financial year.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

8. Distributions on step-up preference securities	30 June 2014		30 June 2013	
	\$000	Dollar per unit	\$000	Dollar per unit
Distribution for period 1 July 2012 to 31 December 2012 not paid (Distribution rate 8.1933% p.a.)	-	-	-	-
Distribution for period 1 January 2013 to 30 June 2013 not paid (Distribution rate 7.5917% p.a.)	-	-	-	-
Distribution for period 1 July 2013 to 31 December 2013 not paid (Distribution rate 7.4550% p.a.)	-	-	-	-
Distribution for period 1 January 2014 to 30 June 2014 not paid (Distribution rate 7.2800% p.a.)	-	-	-	-
	-	-	-	-

9. Distribution on ordinary units	30 June 2014	30 June 2013
	\$000	\$000
Distribution for period 1 July 2012 to 31 December 2012	-	-
Distribution for period 1 January 2013 to 30 June 2013	-	-
Distribution for period 1 July 2013 to 31 December 2013	-	-
Distribution for period 1 January 2014 to 30 June 2014	-	-

10. Earnings per Unit	30 June 2014	30 June 2013
Net income / (loss) (\$)	6,395,271	(45,525,594)
Weighted average number of units	2,850,001	2,850,001
Basic and Diluted Earnings per Unit (\$)	2.2440	(15.9739)

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

11. Financial Risk Management

The SPS Trust has exposure to the following risks from their use of financial instruments / investments:

- * credit risk
- * market risk
- * liquidity risk

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

The SPS Trust was established for the purpose of issuing PaperlinX Step-Up Preference Securities (PSPS) as part of PaperlinX Limited Group ("Group") funding activities. As such, the Group Board of Directors acknowledges that the risk management function is carried out on a consolidated basis for the Group. The Group's financial risk management policies and procedures includes the establishment of management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems of the Group are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the SPS Trust if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the SPS Trust's cash balances and equity investment.

Credit risk is concentrated given the SPS Trust's investments are represented solely by an investment in unlisted securities in LLC preference shares issued by a controlled entity of the Group, which has in turn lent funds to other entities within the Group. Credit risk is therefore reflective of factors impacting the credit risk profile of the Group.

The carrying amount of financial assets recorded in the financial statements represents the SPS Trust's maximum exposure to credit risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the SPS Trust'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 SPS Trust is not exposed to foreign exchange risk. The investment in PaperlinX SPS LLC and its related cash flows are denominated in Australian dollars.

The SPS Trust is exposed to interest rate risk due to the SPS Trust's cash balances, but the exposure is not considered significant given the SPS Trust only holds short term cash balances. In respect of income earning financial assets, the following tables indicate their effective interest rates at the balance sheet date and the periods in which they reprice. The assets are variable rate instruments and the carrying amount approximates its fair value.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

11. Financial Risk Management (cont.)

30 June 2014	Floating interest rate (\$000)	Non-interest bearing (\$000)	Total (\$000)	Effective interest rate
Assets				
Cash and cash equivalents	9	-	9	0.01%
Investment in PaperlinX SPS LLC	26,362	-	26,362	0% *

* The average distribution rate for the year ended 30 June 2014 was 7.37%. However, as there was no distribution received during the year, the effective interest rate was nil.

30 June 2013	Floating interest rate (\$000)	Non-interest bearing (\$000)	Total (\$000)	Effective interest rate
Assets				
Cash and cash equivalents	13	-	13	0.01%
Investment in PaperlinX SPS LLC	19,950	-	19,950	0% *

* The average distribution rate for the year ended 30 June 2013 was 7.89%. However, as there was no distribution received during the year, the effective interest rate was nil.

Cash flow sensitivity analysis for the floating rate instruments

If a dividend was declared by PaperlinX SPS LLC to the SPS Trust, an increase of 100 basis points in interest rates at the reporting date would have increased profit by \$2.9m. A decrease of 100 basis points in interest rates at the reporting date would have had an equal but a decreasing effect by the same amount as above, on the basis that all other variables remain constant.

Liquidity risk

Due to the limited nature of operations, the SPS Trust is not significantly exposed to liquidity risk. A liability to pay distributions only arises once declared by the SPS Trust and this is only undertaken once sufficient cash distributions are received / receivable from the SPS Trust's investment in PaperlinX SPS LLC.

Capital management

The capital management policy of the SPS Trust is determined by the provisions of the SPS Trust's Constitution. The capital held by SPS Trust is the Step-up Preference Securities and the one ordinary unit.

Fair Value of financial instruments

The Directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models, and have been based on the market price of the SPS units at balance sheet date.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

11. Financial Risk Management (cont.)

Fair Value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those instruments valued based on inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(\$000)	Level 1	Level 2	Level 3	Total
30 June 2014				
<i>Financial assets held at fair value through profit or loss</i>				
Equity investments	-	26,362	-	26,362
<i>Total</i>	-	26,362	-	26,362

(\$000)	Level 1	Level 2	Level 3	Total
30 June 2013				
<i>Financial assets held at fair value through profit or loss</i>				
Equity investments	-	19,950	-	19,950
<i>Total</i>	-	19,950	-	19,950

As noted above, the equity investment has been valued using a Level 2 method as at 30 June 2014. The Directors of the Responsible Entity consider that the valuation technique (based on the market price of SPS units on the ASX) is a Level 2 method, being based on observable market prices.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

11. Financial Risk Management (cont.)

Valuation Methodology and Assumptions

In relation to the SPS Trust's investment in the LLC preference shares ("LLC investment") as at 30 June 2014:

- The Directors of the Responsible Entity determined it was appropriate to base the 30 June 2014 valuation of the investment in the LLC, on the market capitalisation of the SPS Trust based on the closing price of the SPS units at balance date. This methodology has been utilised since 30 June 2013 having been refined from the previous methodology used at 31 December 2012;
- The market price has been used as a proxy for the fair value of the LLC investment and is considered by the Directors of the Responsible Entity to be the best available evidence of value at balance sheet date for accounting purposes;
- The market price has been selected to be the most appropriate valuation basis due to the increased inherent difficulty associated with determining a valuation with a lack of information around key assumptions required to prepare a valuation, for example the amount and timing of future cash flows, decline in broker coverage and unreliability of estimates required for the preparation of a detailed valuation technique; and
- The fair value adopted at 30 June 2014 may differ significantly from the price that may arise as a result of any future corporate action. The Directors of the Responsible Entity are committed to ensuring the SPS Holders rights are appropriately recognised in any potential scrip-based merger or any other corporate action between PaperlinX and the SPS Trust. There is no certainty that such a proposal will be advanced or approved by PaperlinX shareholders or SPS Holders.

Results

Given the range of inputs and assumptions, the range of values that can be derived using different valuation methodologies, the uncertainties surrounding PaperlinX's operations and the fact that the Responsible Entity does not have access to the internal cash flow forecasts of PaperlinX, or the ability to require PaperlinX to fund distributions to the SPS Trust, fair value estimates under such circumstances are inherently subjective in nature.

A valuation of the investment in the LLC based on the market capitalisation of the SPS Trust was considered to be the most appropriate valuation methodology proxy in order to value the LLC investment as at 30 June 2014. The Directors determined that the fair value of the LLC preference shares can be reasonably estimated to be \$26.36 million (\$9.25 per LLC preference share) as at 30 June 2014 (30 June 2013: \$19.95 million; \$7 per LLC preference share).

Sensitivity analysis

Although the Directors of the Responsible Entity of the SPS Trust believe that its estimate of fair value of the SPS Trust's investment in PaperlinX SPS LLC is appropriate, the use of different assumptions could lead to different measurements of fair value.

The fair value of the investment has been determined based on the market capitalisation of the SPS Trust based on the closing price of the SPS units at balance date.

Based on the market price valuation methodology used for 30 June 2014, for every \$1 movement in the unit price of the SPS units the fair value of the investment and impact on profit and loss would be \$2.9m.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

12. Reconciliation of cash flows from operating activities

For the year ended 30 June 2014	2014 \$000	2013 \$000
Income / (Loss) from operating activities	6,395	(45,526)
Add/(Less) non-cash item:		
Movement in fair value of investments	(6,412)	45,600
Changes in assets and liabilities during the year		
Decrease / (increase) in receivables	68	(105)
Increase / (decrease) in payables	(55)	37
Net cash flows (used in) / from operating activities	(4)	6

13. Related parties

Parent entity and Responsible entity

The parent and ultimate parent entity of the SPS Trust is PaperlinX (incorporated in Australia).

The Responsible Entity for the SPS Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831) whose ultimate holding company is now Perpetual Limited.

Key Management Personnel

The SPS Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the SPS Trust, and accordingly the Directors of the Responsible Entity are deemed to be Key Management Personnel of that entity. Their names are listed in the Directors' Report.

No compensation is paid to Directors or directly by the SPS Trust to any Key Management Personnel of the Responsible Entity.

Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions.

Reimbursement of expenses from related parties

The SPS Trust has earned \$342,165 of other income from PaperlinX, due to its right to reimbursement for out of pocket third party expenses (2013: \$469,396).

There are additional out of pocket expenses from The Trust Company (RE Services) Limited, relating to the PaperlinX takeover offer being borne by PaperlinX, totalling \$51,513.

Related party investments held by the SPS Trust

The SPS Trust has no investment in The Trust Company (RE Services) Limited or its associates (2013: \$nil).

Units in the SPS Trust held by related parties

At 30 June 2014 neither the Responsible Entity nor any of its related entities held units in the SPS Trust (2013: nil).

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the financial statements

For the year ended 30 June 2014

13. Related parties (cont.)

Units in the SPS Trust held by other related parties

As at 30 June 2014, there was no Key Management Personnel of PaperlinX who held units in the SPS Trust (2013: nil).

Key Management Personnel loan disclosures

The SPS Trust has not made, guaranteed or secured, directly or indirectly, any loans to Key Management Personnel or their personally related entities at any time during the year (2013: nil).

Other transactions within the SPS Trust

Apart from those details disclosed in this note, no Director has entered into a material contract with the SPS Trust during the year and there were no material contracts involving Directors' interests existing at year end.

Investments

SPS Trust received no dividend income from its investment in PaperlinX SPS LLC during the year (2013: \$nil).

As announced by the Responsible Entity and ultimately at the discretion of the Directors of PaperlinX, there was no distribution paid for the period by the SPS Trust.

14. Contingent Assets and Liabilities

At the date of this report, the Directors of the Responsible Entity are not aware of any contingent liabilities or contingent assets that relate to the SPS Trust. The Directors of the Responsible Entity were not aware of any contingent liabilities or contingent assets that related to the prior financial year ended 30 June 2013.

15. Subsequent Events

Given the SPS Trust's reliance on the performance of PaperlinX, the approach to determining fair value considers the profitability of the company.

PaperlinX, announced the following results to the market on the 20th August 2014:

- PaperlinX is confident that the company's cost out strategy has been getting results and that there is a turnaround evident from previous years;
- The company's progress to date has been positive but full cost benefits from restructuring will only start to take hold from second half FY15 and;
- PaperlinX is confident that the company will deliver on its vision for a sustainably profitable future.

As at 30 June 2014, the SPS units were trading on the ASX at \$9.25 per LLC preference share with a market capitalisation of \$26.36 million. As at 25 August 2014, the SPS units were trading at \$11.99 with a market capitalisation of \$34.17 million.

In the opinion of the Directors of the Responsible Entity, other than the matters discussed above, in the interval between the end of the financial year and the date of this report, no items, transactions or events of a material or unusual nature have arisen that have significantly affected, or may significantly affect the operation of the SPS Trust, the results of those operations, or the state of affairs of the SPS Trust, in future financial years.

Directors' Declaration

1. In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of PaperlinX SPS Trust ("the SPS Trust"):
 - (a) the financial statements and notes, set out on pages 9 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the SPS Trust'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) there are reasonable grounds to believe that the SPS Trust will be able to pay its debts as and when they become due and payable; and
 - (c) the financial statements and notes, set out on pages 9 to 26, are in accordance with the provisions of the Constitution of the SPS Trust.
2. The Directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.
3. The Directors draw attention to note 2(d) regarding the going concern basis of preparation of the financial report.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors of the Responsible Entity:



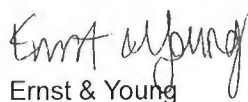
Andrew Cannane

Director

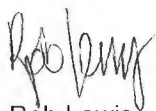
Sydney, 27th August 2014

Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

In relation to our audit of the financial report of PaperlinX SPS Trust for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Rob Lewis
Partner
27 August 2014

Independent auditor's report to the unit holders of PaperlinX SPS Trust

Report on the financial report

We have audited the accompanying financial report of PaperlinX SPS Trust, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Trust 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

Opinion

In our opinion:

- a. the financial report of PaperlinX SPS Trust is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Trust'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*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding the Fair Value of the Investment in PaperlinX SPS LLC

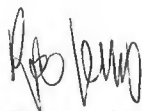
Without qualifying our opinion, we draw attention to the following matter:

Note 11 in the financial report which highlights that the Directors believe there is inherent uncertainty in determining a valuation of the PaperlinX SPS Trust's Investment in PaperlinX SPS LLC due to a lack of information, around key assumptions required to prepare a valuation using a detailed valuation technique. This inherent uncertainty materially impacts the assessment of the fair value of the Trust's Investment in PaperlinX SPS LLC.

As a result of this matter, there is significant uncertainty regarding the valuation of the Trust's investment in PaperlinX SPS LLC at 30 June 2014 and the ability of the Trust to realise the value of the investment in the ordinary course of business and at the amount stated in the financial report.



Ernst & Young



Rob Lewis
Partner
Sydney
27 August 2014

PaperlinX SPS Trust (ARSN 123 839 814)

Corporate Governance Statement

For the year ended 30 June 2014

Background

The Trust Company (RE Services) Limited ("Responsible Entity") is the responsible entity for the PaperlinX SPS Trust ("Trust"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("ASX").

The Responsible Entity is a wholly-owned subsidiary of Perpetual Limited (ASX: PPT) ("Perpetual").

On 28th November 2013, the shareholders of The Trust Company Limited ("The Trust Company") (the then ultimate parent of the Responsible Entity of the Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company by way of a Scheme of Arrangement. On 18th December 2013, the Scheme of Arrangement was formally implemented and The Trust Company became wholly owned by Perpetual Limited.

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. Since 18th December 2013 Perpetual has at all times made such resources available to the Responsible Entity, prior to that date. The Trust Company has made such resources available.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Scheme's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the *Corporations Act 2001* ("Act"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

In adhering to this overarching principle we observe a set of more specific principles that apply to all aspects of operating the Scheme.

These specific principles are outlined below:

1. *Investment mandate*

The Responsible Entity is vigilant in ensuring that the Trust's investments, including its assets and liabilities, are in accordance with the Trust's investment mandate.

2. *Debts and solvency*

The Responsible Entity is vigilant in monitoring the financial position of the Trust, in seeking to ensure that the Trust remains solvent and able to pay its debts as they fall due and that obligations are only entered into in accordance with the Trust documents.

3. *Good disclosure*

The Responsible Entity is vigilant in ensuring full, frank and timely disclosure of the Trust's affairs to relevant stakeholders including the Trust's unitholders. This includes financial reporting, continuous disclosure, offer documents and other material disclosures.

4. *Related party*

The Responsible Entity is vigilant in scrutinising any related party transactions to ensure they are allowed only on arm's length terms and in the best interests of the Trust's unitholders.

5. *Conflict management*

The Responsible Entity is vigilant in ensuring that any actual or potential conflicts in connection with the Trust are appropriately and transparently managed.

PaperlinX SPS Trust (ARSN 123 839 814)

Corporate Governance Statement

For the year ended 30 June 2014

6. *Fraud mitigation*

The Responsible Entity ensures that it operates the Trust in ways that are designed to mitigate the risk of fraud.

7. *Service providers*

The Responsible Entity engages and acts in alliance with external service providers as part of operating the Scheme in the best interests of unitholders. This includes appropriate selection, engagement, management and monitoring processes.

8. *Safe custody*

The Responsible Entity ensures that the Trust's assets are kept in safe and segregated custody.

9. *Effective administration*

The Responsible Entity ensures that the Trust's affairs are administered effectively and efficiently. This includes appropriate controls, systems, processes and record-keeping.

10. *Governance, risk and compliance management*

The Responsible Entity ensures that the Trust is operated in accordance with appropriate governance, risk and compliance management frameworks.

11. *Organisational competence*

The Responsible Entity's Compliance Committee, Directors, management, staff and service providers are comprised of professionals who hold and maintain appropriate qualifications and experience to discharge their responsibilities to the highest standards of excellence.

12. *Financial capability*

The Responsible Entity meets and maintains the adequacy of its capital, liquidity, insurance and other requirements in order to discharge its obligations under its AFS Licence in relation to the Trust.

13. *Unitholders' feedback*

The Responsible Entity respects and supports the rights of the Trust's unitholders to question the Responsible Entity through appropriate complaints handling processes and/or unitholders' meetings.

Corporate Governance

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("Schemes"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles below in relation to the Schemes, including the Trust, for the year ended 30 June 2014. This corporate governance statement is current as at the date of the Trust's financial report.

PaperlinX SPS Trust (ARSN 123 839 814)

Corporate Governance Statement

For the year ended 30 June 2014

Principle 1 – Lay solid foundations for management and oversight

The role of the Responsible Entity's Board ("RE Board") is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. To assist the RE Board in carrying out its functions it has regard to the Code of Conduct developed by Perpetual to guide the Directors, management and staff in the performance of their roles.

The RE Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of Perpetual's performance management process. The performance of all management and staff of Perpetual (which includes those staff involved in managing the Schemes) is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, as part of Perpetual, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with Perpetual's cultural values as set out in the Code of Conduct. The performance evaluation of the Responsible Entity's Directors, management and staff has taken place in accordance with the above process.

Principle 2 – Structure the board to add value

At present the RE Board consists of three executive directors. The names of the current Directors are set out in the directors' report which forms part of the Trust's financial report. The RE Board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Responsible Entity's business and to discharge their duties. The RE Board also ensures that it maintains independent judgement in board decisions. A chairman is selected by the Directors at the start of each board meeting. The RE Board may meet monthly and more frequently as required to consider matters in relation to any of the Schemes.

The Responsible Entity adds value in terms of the best interests of the Trust's unitholders through being completely independent of the Investment Manager it has engaged in relation to the Trust, being PaperlinX Limited. There are no common directors and no related party interests between the Responsible Entity and the Investment Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Investment Manager whenever discretionary decisions are required of either entity in their respective capacities.

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 4). The Committee consists of only non-executive members, has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

The nomination committee functions have traditionally been carried out by the RE Board. The RE Board makes an assessment in relation to the appointment of new directors and in relation to itself, and ensures that it complies with the Responsible Entity's constitution.

The RE Board is provided with regular detailed reports on the financial position, financial performance and business of the Responsible Entity and the Schemes to allow the Board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the Responsible Entity and Perpetual as necessary if they require additional information. The Directors also have access, as and when required, to the service providers engaged by the Responsible Entity, such as the Investment Manager. Further, Perpetual has entered into arrangements with the Responsible Entity's Directors in relation to access to information and advice as well as indemnity and insurance; these arrangements contemplate that the Directors are entitled to seek independent professional advice if required from time to time.

PaperlinX SPS Trust (ARSN 123 839 814)

Corporate Governance Statement

For the year ended 30 June 2014

Principle 3 – Promote ethical and responsible decision-making

The Responsible Entity, has a Code of Conduct and espoused Core Values within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

The Perpetual's Diversity Policy recognises the contribution of people with differences in background, experiences and perspectives. The policy encompasses but is not limited to gender, age, ethnicity and cultural background. Perpetual's Board has established a measurable objective related to gender diversity to achieve 38% representation of women in senior management roles by 2015.

Perpetual has a Share Trading Policy that applies to the Responsible Entity in relation to trading in units in any of the Schemes. Directors, management and staff of Perpetual, and the Responsible Entity, are required to seek prior approval of any trading in units in any of the Schemes. The RE Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed. The Responsible Entity maintains a declaration of interests register which is confirmed by the RE Board at the start of each board meeting.

Principle 4 – Safeguard integrity in financial reporting

The Responsible Entity has a Compliance Committee. The Compliance Committee is comprised of three members. The members of the Compliance Committee are John Richardson, Michelene Collopy and Virginia Malley. The Compliance Committee meets at least quarterly. The Compliance Committee may have such additional meetings as the Chairman may decide in order to fulfil its role. The Compliance Committee Charter sets out its role and responsibilities. The Compliance Committee reports both to Perpetual's Audit Risk and Compliance Committee (ARCC) and the board of the Responsible Entity after each meeting under its charter.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board in relation to each of the Schemes that are listed on the ASX (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Schemes, including the Investment Manager, which assists its staff in making the declarations provided under section 295A.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for each of the Schemes. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for each of the Schemes.

Principle 5 – Make timely and balanced disclosure

In relation to the Trust, the Responsible Entity, as part of Perpetual, has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Schemes, is disclosed to the market. The Responsible Entity's Company Secretary is responsible for assisting management and/or the Directors in making disclosures to the ASX after appropriate RE Board consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Schemes.

PaperlinX SPS Trust (ARSN 123 839 814)

Corporate Governance Statement

For the year ended 30 June 2014

Principle 6 – Respect the rights of unitholders

The Responsible Entity is committed to providing both unitholders and the market with timely information so that the market is continuously and sufficiently informed of all market sensitive information in relation to each of the Schemes. In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to the Schemes.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

Principle 7 – Recognise and manage risk

The Responsible Entity, values the importance of robust risk management systems. The Responsible Entity has established a Compliance Committee for each of the Schemes pursuant to part 5C of the Act, to assist the RE Board to discharge its risk management and compliance responsibilities.

As noted above, Compliance Committee is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity. It also reviews internal and external audit processes and reports. The Compliance Committee meets regularly with the Responsible Entity's Executive Team, senior management and external advisers. The Responsible Entity's management (as well as the risk and compliance function) regularly report any material business risks to the RE Board and to the Compliance Committee through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate.

Perpetual has a Risk Management Framework in place, which is supported by a Risk Appetite Statement. The framework includes policies and procedures to identify and address material financial and non-financial risks. The Perpetual Board and ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. Perpetual also historically maintained an independent 'internal' audit function which reported directly to Perpetual's ARCC and Perpetual's Board if necessary.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board to confirm that the financial statements of each of the Schemes that are listed on the ASX are founded on a sound system of risk management, internal compliance and controls which implement the policies adopted by the RE Board. In addition they confirm the Responsible Entity's risk management and control system is operating efficiently and effectively in all material respects. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Schemes, including the Investment Manager.

Principle 8 – Remunerate fairly and responsibly

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Schemes are set out in the constitution and offer documents, if applicable, for each of the Schemes. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Schemes are unrelated to the remuneration of the Responsible Entity's Directors, management and staff which is separately determined by Perpetual. As noted above, the Responsible Entity's Directors, management and staff are provided by Perpetual and are remunerated by Perpetual and not by the Responsible Entity or any of the Schemes operated by the Responsible Entity.

Perpetual has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of Perpetual.

Supplementary Information – ASX Listing Rule 4.10

1. ASX Listing Rule 4.10.3

Refer page 31 of the financial report

2. ASX Listing Rules 4.10.4 & 4.10.9

Twenty largest holders of the PaperlinX SPS Trust as at 21 August 2014

	NAME	No. of Units	%
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	546,000	19.16
2.	PAPERLINX LIMITED	223,602	7.85
3.	BLANN PROPERTIES PTY LIMITED	193,200	6.78
4.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	80,624	2.83
5.	CITICORP NOMINEES PTY LIMITED	77,886	2.73
6.	BERGER EQUITIES PTY LTD <BERGER SUPER FUND A/C>	76,786	2.69
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED	48,547	1.70
8.	TAVERNERS N PTY LTD	47,311	1.66
9.	NATIONAL NOMINEES LIMITED	35,245	1.24
10.	PAN AUSTRALIAN NOMINEES PTY LIMITED	34,963	1.23
11.	MANATEE PTY LTD <LONGWAVE SUPER FUND A/C>	31,650	1.11
12.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	30,448	1.07
13.	HALVA HOLDINGS PTY LTD <THE CHANT SERVICE A/C>	25,584	0.90
14.	MRS INGRID MCCONNELL	23,748	0.83
15.	TAVERNERS N PTY LTD	23,060	0.81
16.	MR ERROL BERTRAM GOLDSCHMIDT + MRS ZILLAH GOLDSCHMIDT <ACCUMULATED ACUMEN S/F A/C>	22,612	0.79
17.	DIMBULU PTY LTD	20,000	0.70
18.	EQUITY TRUSTEES LIMITED <ALLOCATED PENSION ACCOUNT>	20,000	0.70
19.	OPTIMAR PTY LTD <OPTIPLUS UNIT ACCOUNT>	18,352	0.64
20.	MCDONALD BROS HOLDINGS PTY LTD	18,000	0.63
	TOTAL: TOP 20 HOLDERS	1,597,618	56.06
	TOTAL: REMAINING HOLDERS BALANCE	1,252,382	43.94

3. ASX Listing Rules 4.10.4

The names of substantial shareholders of the SPS Trust as disclosed in the substantial shareholder notifications to the SPS Trust during the year ended 30 June 2014 and up to the date of this report are as follows:

NAME	No. of Units	Percentage held %
COASTAL CAPITAL INTERNATIONAL, LTD & ITS AFFILIATES	546,000	19.16
PAPERLINX LIMITED	223,552	7.84
BLANN PROPERTIES PTY LIMITED	193,200	6.78

Supplementary Information – ASX Listing Rule 4.10 (cont.)

4. ASX Listing Rule 4.10.5

Issued and quoted securities at end of current period

Category of +securities		Total number	Number quoted	Issue price per security A\$	Amount paid up per security A\$
4.1	+ Ordinary securities <i>(1 ordinary unit issued to PaperlinX Limited which represents a right to the underlying assets of the trust)</i>	1	-	100	100
4.2	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	- -	- -	- -	- -
4.3	+ Securities <i>(all preference securities are of the same class and carry equal rights, each unit represents a right to the underlying assets of the trust)</i>	2,850,000	2,850,000	100	100
4.4	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	- -	- -	- -	- -

5. ASX Listing Rule 4.10.6

Voting Rights

Each unit carries one vote at a meeting of unitholders of that unit class.

6. ASX Listing Rule 4.10.7

Analysis of number of security holders by size of holding as at 21 August 2014:

Holding Size	No. of Holders	No. of Units	% of Issue
1 – 1,000	1,227	401,690	14.09
1,001 – 5,000	184	438,636	15.39
5,001 – 10,000	36	279,333	9.80
10,001 – 100,000	27	767,539	26.93
100,001 & over	3	962,802	33.78
Rounding			0.01
Total	1,477	2,850,000	100.0

7. ASX Listing Rules 4.10.8, 4.10.14, 4.10.15, 4.10.20, & 4.10.21

Not applicable.

Supplementary Information – ASX Listing Rule 4.10 (cont.)

8. ASX Listing Rule 4.10.10

Responsible Entity –	The Trust Company (RE Services) Limited
Company Secretary –	Glenda Charles
	Thornton Christensen
	Joanne Hawkins
	Sylvie Dimarco

9. ASX Listing Rules 4.10.11 & 4.10.12

Registered Office	
Level 15	
20 Bond Street	
Sydney NSW 2000	
Telephone: (02) 8295 8100	
Facsimile: (02) 8295 8659	
Auditor	Share Registry
Ernst & Young	Computershare Investor Services Pty Limited
680 George Street	Yarra Falls
Sydney NSW 2000	452 Johnston Street
	Abbotsford VIC 3067
	Telephone: 1300 738 908
	Facsimile: (03) 9473 2500
	Online: www.investorcentre.com

10. ASX Listing Rule 4.10.13

Quotation of Securities

The PaperlinX SPS Trust's Step-up Preference Securities are quoted on the Australian Securities Exchange and are not quoted on any other exchange.

11. ASX Listing Rule 4.10.16

Unquoted Equity Securities

There is one ordinary unit on issue that is not quoted and which is held by PaperlinX Limited.

12. ASX Listing Rule 4.10.17

Refer page 4 of the Annual Report.

13. ASX Listing Rule 4.10.18

On-Market Share Buy Back

The PaperlinX SPS Trust does not have an on-market buy-back of units currently in operation.

14. ASX Listing Rule 4.10.19

Refer page 4 of the Annual Report.