Spicers
ideas to life

PaperlinX

PaperlinX Annual Report 2015

Contents

Forward Looking Statements

Certain statements in this Annual Report relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements. Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

PaperlinX, through its Spicers merchant businesses in Australia, New Zealand and Asia, offers a full suite of solutions to the printing, packaging and graphic arts industry.

Ideas to life

PaperlinX Limited owns Spicers Limited, a merchant group with market leading positions in Australia, New Zealand and Asia. Spicers has been meeting customers' needs in Australia and New Zealand for almost 100 years.

The Company has transformed from being a paper merchant and mill manufacturer to being a 'solutions provider' servicing a host of industries and customers in varied markets.

Spicers offers a full suite of solutions to the printing, packaging and graphic arts industry – incorporating sign and display, commercial print, industrial packaging, hardware, digital media, label and packaging products.

Spicers source, stock, market and distribute a broad range of quality products and services, while adding value through an impressive sales and distribution footprint and a sustainable supply chain.

Spicers sales professionals strive to bring in-depth technical knowledge and strong industry expertise to help customers and their changing needs in this digital age. For example, online web shops have been created to improve customer experience.

Asia

Spicers operations in Asia span China, Hong Kong, Japan, Malaysia, Singapore and Vietnam.

New Zealand

In New Zealand, Spicers operations are based in Auckland, Christchurch, Dunedin and Wellington.

Australia

In Australia, Spicers has a distribution network in Melbourne, Sydney, Brisbane, Townsville, Darwin, Perth, Adelaide, Canberra and Hobart.

Paper

Spicers offers an extensive selection of materials for commercial printing requirements. Choices include coated and uncoated papers, many containing recycled content, and specialty papers, synthetic substrates, carbonless and self-adhesive products. And, as technology changes, and digital printing requirements increase, we provide a range of small format media solutions, as well as new generation high-speed inkjet papers. Printing products are tested and approved to perform technically and aesthetically during all processes, and experienced teams offer guidance to help customers select the most suitable products.

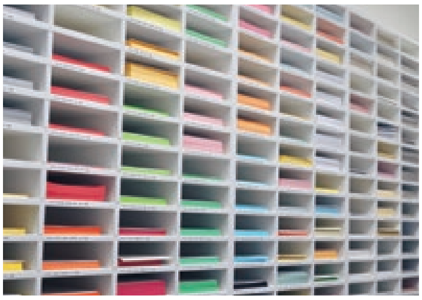
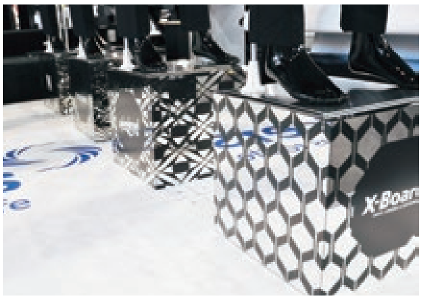
Sign and Display

Spicers is a leading supplier for screen, wide and grand format printing and finishing equipment, including consumables, hardware, software, service and support. From point-of-sale and vehicle graphics, through to exhibition stand construction and shop fit-out, the extensive range of sign and display substrates includes banners, papers and boards, synthetics, self-adhesives and rigid materials like polypropylene and aluminium composites.

Industrial Packaging

Spicers supplies a comprehensive line-up of industrial supplies and packaging materials range from cartons and adhesive tapes to protective packaging, shipping supplies, and tools and equipment. We offer well-recognised industry brands suitable for production, warehouse and despatch operations.







Chairman's Report

Following a turbulent year for PaperlinX, the Group has shifted its focus exclusively to the viable, well-managed Australian, New Zealand and Asian (ANZA) businesses. PaperlinX withdrew from Europe and divested its Canadian business. PaperlinX now has a smaller geographic footprint and a profitable platform from which to implement its strategy to diversify into new activities.

These changes were triggered by the decline in the performance of the European business in the December quarter of FY2015 following, amongst many other contributing factors, strategic market moves by some suppliers. The impact of this underperformance led to a sharp drop in European cash reserves and put pressure on credit terms and covenants. The Board and management's concern for the state of the European business prompted it to commence a Strategic Review.

Despite significant restructuring activities performed over a number of years, it became evident from the Review that the European business required further investment. This would have required the long-term support of the financially stable businesses in the Group with no guarantee of success given the distressed state of the industry in Europe. The provision of support would have put extreme pressure on the viability of the Company and this was considered too great a risk for Directors to take on behalf of shareholders.

Once the full impact of the financial position of the European businesses emerged from the Review, it was imperative to protect the interests of shareholders and preserve the stability and quality of the ANZA businesses. Decisions were required to be made and implemented with some urgency.

Consequently, unprofitable businesses in the UK, the Netherlands and Austria were placed into administration. Other businesses in the region were sold or the Company lost control of subsidiaries as a result of the PaperlinX Dutch Holding Company being placed into suspension of payments. The only remaining business in Europe, PaperlinX Germany, is currently up for sale. The Canadian business had been profitable for a number of years, but also required additional investment to diversify further, which, given the cash position of the Group, was not available and it was divested.

The full year results reflect the Group's substantial restructuring of its asset portfolio. PaperlinX reported a statutory loss after tax of $(392.3) million, largely made up of a loss after tax for discontinued operations of $(365.6) million. The operations in ANZA were profitable and supported by year-on-year revenue and margin growth in the diversified Sign and Display business. The Group commenced the new financial year with a positive net cash position of $43.0 million and extended funding facilities in Australia.

After the events of this year, I want to assure shareholders that the continuing ANZA businesses are profitable. The need to successfully diversify is an essential growth strategy for the viability of this Company, and it is the Board's priority to deliver a platform for future growth. The immediate focus is to develop the ANZA businesses through organic and bolt-on investments, subject to finding the right opportunities. The acquisition of a leading sign industry supplier in New Zealand during the year is a good example of the opportunities that exist for this Company in areas like Sign and Display.

The management team changed during the year, and the Board is pleased to be working with the newly appointed Managing Director and Chief Executive Officer, Mr Andy Preece, and Chief Financial Officer, Mr Wayne Johnston, who bring a wealth of industry and company experience to deal with the major issues at hand. Management has overseen an orderly wind down of the European business and are formulating a framework for the way ahead. At the Annual General Meeting in October, shareholders will be asked to support changing the corporate name to Spicers Limited to align the identity of the parent with the operating companies.

Activities to right-size the business and reduce costs will continue. The Board has realigned Directors' fees to reflect the smaller scale business, as have the senior management team, given the vast majority of the European matters are now resolved. Other corporate costs will be heavily reduced moving into this financial year to reflect the smaller business footprint.

Whilst we recognise that the current capital structure remains an issue for the Group, the success of any proposal must come with a mandate of support from ordinary shareholders and SPS unitholders.

I would like to thank my current fellow Board members and senior management for their dedication to resolving many of the issues that have held this Company back from achieving profitability for a number of years. This thank you extends to all our employees, past and present, who have been with us on this journey. I must also thank our shareholders, our suppliers and our customers for their ongoing support. Now, with a loyal and hardworking team, we will take this opportunity of a fresh start and begin to transform this Company into a broader wholesale and distribution business with sustainable profitability.

Robert Kaye SC
Chairman

Managing Director's Report

PaperlinX has come through a tumultuous year in 2015, withdrawing from its underperforming European operations and concentrating on a profitable Spicers group in Australia, New Zealand and Asia (ANZA).

The new executive team has worked tirelessly alongside the Board to tackle the challenges head on and now as we transition and evolve once again, we are making a fresh start by focusing all of our resources on profitable assets.

The Chairman has aptly explained the sequence of events that led to the Strategic Review and the consequent changes made to the asset portfolio, including the withdrawal from Europe and the sale of the business in Canada. Given this, I will focus my comments on the performance of the ANZA businesses.

The Spicers businesses in Australia, New Zealand and Asia are well-managed and securely funded, with a track record of delivering profit and strong cash flows. These businesses not only continue to enjoy market leadership in their core paper markets, but also have significantly expanded their diversified revenue streams through both organic growth and acquisition to become major players in non-paper in the Asia Pacific region.

During the financial year, underlying EBIT(1) for the ANZA business was $14.7 million ($15.3 million prior). Whilst total revenue was down five percent, in the main due to ongoing contraction of the Commercial Print market, gross revenue from diversified segments increased by a very pleasing 33 per cent. Diversified income now represents 15 per cent of total sales and this is growing significantly year-on-year, particularly through Sign and Display, fully supported by acquisition and enhanced strategic supplier relationships, such as the recent purchase and successful integration of a leading sign supplier in New Zealand.

The reality of the structural decline in paper consumption due to technological, generational and macro-economic factors is that it will continue unabated. The extraction of profit through all levels of the supply chain, from mills to printers, is becoming increasingly difficult and so the race to diversify becomes the real measure of ongoing sustainability to those remaining in the industry.

Key to mitigating the ongoing attrition of Commercial Print is to continue to right-size our paper operations by accepting this market dynamic and aligning the fixed cost base to match it. As an example, the Australian business relocated its largest distribution facility in Melbourne in June, securing ongoing cost savings and a more flexible property leasing arrangement.

Our leadership teams are now resolute in positioning the Group's Spicers businesses to take full advantage of growth opportunities in Sign and Display, Industrial Packaging and beyond and the year ahead will be one of continued transition.

To symbolise such evolution, we plan to change our corporate name from PaperlinX Limited to Spicers Limited, and I call on all shareholders to support this change.

It is important to me personally to recognise all of our employees around the world for their contribution to this Company, and I want to both acknowledge and thank those past and present for their service and loyalty. Whilst it was extremely difficult and challenging to see some of our companies fall into administration, it was pleasing to secure sales for Canada and some of the European operations, including management buy-outs in Ireland, Poland and Spain, and to each of these we wish every success for the future under their new ownership.

With the necessary and appropriate milestones behind us and with management fully engaged on a robust future, there is now both a profitable platform and a strategic direction from which to grow, in order to rebuild market confidence in the Group and to enhance shareholder value by delivering on our promise to achieve sustainable profitability.

Andy Preece
Managing Director and Chief Executive Officer

(1) Non-IFRS measure – refer page 14

Operating and Financial Review

Principal business activities

PaperlinX is a leading merchant of paper, industrial packaging, and sign and display materials.

During the financial year, PaperlinX withdrew from operations in Europe and sold its Canadian business. The Spicers businesses in Australia, New Zealand and Asia (ANZA) continue to operate, with approximately 460 employees and sales revenue of $404 million. The majority of employees are now located in Australia.

The Spicers businesses source, stock, market and distribute an extensive product range encompassing the following:

- Commercial Print (or Fine Paper) includes coated, uncoated and specialty stocks for printing and business papers, including an array of recycled grades and environmentally certified brands. In addition, small format media solutions include new generation high-speed inkjet papers to meet digital printing requirements, which are increasing due to technology changes.
- Sign and Display comprises hardware and materials used in a range of communication functions, including corporate signage, point-of-sale and retail, interior fit-outs, and graphics. Product ranges include hardware such as wide and grand format printers and finishing equipment, as well as a vast range of inks, roll media and rigid media.
- Industrial Packaging ensures goods are housed safely during transit and arrive in perfect condition. This segment includes stock and made-to-measure cartons, bubble-roll, stretch-film, polythene, packing tapes, packing tools and specialist papers.

Products are sourced with consideration for environmental and social criteria, as specified in our Sustainable Supply Chain Policy. All ANZA operations have chain-of-custody certifications such as Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC) and are committed to providing a wide range of products with strong environmental credentials, including recycled products.

Strategic direction and prospects

As the Company now controls businesses operating only in Australia, New Zealand and Asia, its principal objective is to become increasingly diversified to offset the ongoing structural decline experienced within its Commercial Print markets. This will be achieved by redirecting cash and investing in appropriate acquisitions in ANZA to transform into a broader wholesale and distribution business. Aside from continuing to drive growth from the current diversified portfolio, new business streams are being identified and developed through leveraging existing core competencies and supply chain relationships.

Financing accessibility will be vital for further developing a diversified offering and delivering sustainable profitability from which to increase shareholder value in the coming years.

Significant changes

Following are the changes in the state of affairs of the Group during the financial year ended 30 June 2015 (FY2015) that have significantly or are expected to significantly affect the operations or the results of the operations.

Strategic Review and Changes to Operations

A serious decline in the performance of the European business in the December quarter of FY2015 was caused by ongoing poor trading and restraint of terms by key suppliers. This triggered a critical reduction in the cash and liquidity position of the UK operations and led to a further sharp drop in European profitability, which in turn put pressure on Europe-wide liquidity.

The state of the European businesses prompted the Company to commence a Strategic Review that was announced in December 2014. Supported by experienced financial and legal advisers, the review identified a number of non-performing European assets that required further investment and long-term support from the financially stable businesses in the Group. This was despite significant restructuring activities performed over a number of years.

With no guarantee of success given the distressed state of the industry in Europe, the provision of further support would have put extreme pressure on the viability of the remainder of the Group and this was considered too great a risk for Directors to take on behalf of shareholders.

Further, the Spicers business in Canada had reached an inflection point in relation to its earnings potential and required significant additional capital to preserve and enhance its value. PaperlinX was not able to provide this capital investment, so the business was sold and the sale proceeds used to improve the Group's financial position.

Once the full impact of the financial position of the European businesses emerged from the Strategic Review, it was imperative to take action to protect the interests of shareholders and preserve the stability and quality of the ANZA businesses. The businesses in the UK, Benelux and Austria were placed into administration and the businesses in Ireland, Poland, Scandinavia (Denmark and Sweden) and Spain were sold. Following the administration of its parent, a Dutch holding company, control of the business in the Czech Republic passed to the Administration Trustee. The Company is pursuing options to divest or realise the assets of its last remaining European business in Germany.

Restructuring spend was significantly lower than in the prior period, particularly in Europe where the Company ceased investing in restructuring activities as part of the Strategic Review outcome.

The number of employees has changed as a consequence from 3,459 at 30 June 2014 to 625 at 30 June 2015 in the continuing businesses.

Acquisitions

Total Supply Limited in New Zealand was acquired in October 2014.

Divestments

The divestment of the Canadian business was completed in March 2015.

The businesses in Poland and Spain were divested in May 2015, and Scandinavia (Denmark and Sweden) and Ireland were divested in June 2015.

Loss of control

A number of businesses were placed into administration and control passed to a trustee (a full list of subsidiaries is outlined on p.85–86). A number of UK companies were placed into administration on 1 April 2015. The operating company of the businesses in the Netherlands and Belgium commenced an administration process on 14 April, and the Austrian operations were placed into administration on 28 April. Following the administration of its parent, a Dutch holding company, control of the business in the Czech Republic passed to an Administration Trustee on 29 June 2015.

Board and management

Since the previous Annual Report, the composition of the Senior Management team has changed. In February 2015, the Board terminated the contract of Mr Andrew Price as Managing Director and Chief Executive Officer and appointed Mr Andy Preece (previously Executive General Manager ANZA, PaperlinX) as Managing Director and Chief Executive Officer.

Due to the changes in the European region, the Board decided that the Chief Financial Officer (CFO) position was no longer required to be based in Continental Europe. Consequently, in May 2015, Mr Joost Smallenbroek, CFO of the Company who was based in the Netherlands, was replaced by Mr Wayne Johnston (previously Deputy CFO and Executive General Manager Corporate Services), based in Melbourne. Mr Robert Kaye SC and Mr Mike Barker remain as Non-executive Directors.

Funding

During the financial year, a number of financing facilities in Austria, Belgium, the Netherlands and the UK were terminated by the banks following the appointment of administrators/trustees in these countries in April 2015.

Subsequent to the year-end, the Australian trade receivables financing facility was extended for a further two years, with a new maturity date of March 2018.

2015 full year financial results

PaperlinX Limited reported a statutory loss after tax of $(392.3) million for the year ended 30 June 2015 compared to a loss of $(63.6) million for the previous financial year.

The results reflect a year in which the Company substantially restructured its asset portfolio.

During the financial year, PaperlinX withdrew from operations in Europe and sold its Canadian business. The Spicers businesses in Australia, New Zealand and Asia (ANZA) continue to operate profitably. The business in Germany continues to trade, but the Company is pursuing options to divest or realise the assets of that business.

The statutory results include a loss after tax from discontinued operations of $(365.6) million, which largely represents:

- The impairment and subsequent write-off of the book value of the Group's two largest European businesses, the UK and Benelux, which entered administration following their continued poor performance, and the subsequent sales of other European businesses – $(257.1) million;
- Underlying EBIT(1) loss in Europe – $(30.0) million;
- Impairment of goodwill in Canada – $(32.1) million; and
- The net loss from the divestment of Canada – $(38.5) million.

The Company reported underlying EBIT(1) for the ANZA businesses of $14.7 million, compared with $15.3 million in the prior corresponding period (pcp).

The Spicers merchant businesses in the ANZA region generated sustainable returns in challenging trading conditions. While revenue was down five per cent due to the ongoing structural decline in the Commercial Print segment, gross revenue from the diversified segment increased by 33 per cent in FY2015. This reflects both strong performance and further potential from Sign and Display, which was supported by the acquisition of a leading sign industry supplier in New Zealand.

The net assets of the Group as at 30 June 2015 were $128.7 million, including net cash of $43.0 million.

(1) Non-IFRS measure – refer page 14

Operating and Financial Review
Continued

Summary Financials

The following table shows statutory earnings in Australian dollars.

For the year ended 30 June	2015 A$000	2014 Restated (2) A$000
Group revenue	**2,019,578**	**2,833,213**
Earnings:		
Australia, New Zealand and Asia	14,667	15,341
Unallocated	(9,964)	(10,963)
Total continuing operations pre Europe exit	4,703	4,378
Merchanting Europe exit [(a)]	(12,314)	(7,398)
Discontinued operations	(19,131)	(716)
Loss before net finance costs, tax and significant items	**(26,742)**	**(3,736)**
Net other finance costs	(4,534)	(3,443)
Significant items (pre-tax)	(346,661)	(32,588)
Loss before interest and tax	**(377,937)**	**(39,767)**
Net interest	(10,489)	(12,693)
Loss before tax	(388,426)	(52,460)
Tax relating to pre-significant items	(3,940)	(11,567)
Tax relating to significant items	40	420
Tax expense	(3,900)	(11,147)
Statutory loss for the period	**(392,326)**	**(63,607)**

(a) Comprises Germany and the holding company for the Continental Europe merchanting operations.

The following table is a reconciliation of underlying EBIT[(1)]

For the year ended 30 June	2015 A$000	2014 Restated (2) A$000
Statutory loss for the period, after tax	**(392,326)**	**(63,607)**
Adjust for following (gains)/losses included in statutory profit:		
Discontinued and Merchanting Europe exit [(a)] operations	378,737	45,095
Impairment of property, plant and equipment	468	(1,987)
Impairment of intangible assets	6,527	–
Restructuring costs	3,684	20,482
Group strategic review costs	3,111	–
Underlying loss for the period, after tax [(1)]	**201**	**(17)**
Continuing net interest pre Merchanting Europe exit [(a)]	1,232	1,423
Continuing tax pre Merchanting Europe exit [(a)] relating to pre-significant items	1,719	2,123
Underlying EBIT [(1)]	**3,152**	**3,529**

(a) Comprises Germany and the holding Company for the Continental Europe merchanting operations.

(1) Non-IFRS measure – refer page 14
(2) Restated – refer page 14

Operating performance

Revenue

Group revenue was $2.0 billion (down from $2.8 billion pcp), largely as a result of a significantly reduced operating footprint following the exit from Europe and the sale of Canada.

Revenue for the continuing ANZA businesses was $404.0 million (down from $424.0 million pcp), mainly due to ongoing difficult trading conditions in the Commercial Print segment.

Earnings

The statutory loss after tax for the Group was $(392.3) million after allowing for losses on disposal of businesses, impairment of property, plant and equipment and intangibles, restructuring charges and Strategic Review costs.

Despite the revenue shortfalls, the underlying EBIT[1] result for the ANZA businesses was $14.7 million.

Restructuring activities

Restructuring charges (pre-tax)		2015	2014	% Change
Australia, New Zealand and Asia	A$000	(2,474)	(2,295)	(8)
Unallocated	A$000	(1,938)	(1,635)	(19)
Europe	€000	(2,955)	(20,171)	85
Canada	C$000	(84)	(692)	88
Total	**A$000**	**(8,746)**	**(34,443)**	**75**

Restructuring spend was significantly lower than the prior period, particularly in Europe where the Company ceased investing in restructuring activities as part of the Strategic Review outcome. Predominantly, restructuring charges related to personnel changes in ANZA, Corporate and Europe.

Operating performance by region

The following table shows underlying EBIT[1] and sales revenue by region for the year to 30 June.

		Sales Revenue		Underlying EBIT[1]	
Operating Summary		2015	Restated[2] 2014	2015	Restated[2] 2014
Australia, New Zealand, Asia	A$000	403,961	424,012	14,667	15,341
Corporate/Unallocated	A$000	–	–	(11,515)	(11,812)
Total continuing operations pre Europe exit	**A$000**	**403,961**	**424,012**	**3,152**	**3,529**
Merchanting Europe exit[a]	A$000	154,185	235,414	(12,801)	(7,969)
Total continuing operations	**A$000**	**558,146**	**659,426**	**(9,649)**	**(4,440)**
Europe[b]	A$000	1,190,774	1,764,977	(29,950)	(17,973)
Canada	A$000	272,729	411,995	8,591	15,468
Other	A$000	–	–	(268)	(234)
Discontinued operations	**A$000**	**1,463,503**	**2,176,972**	**(21,627)**	**(2,739)**
Group eliminations	A$000	(2,071)	(3,185)	–	–
Total	**A$000**	**2,019,578**	**2,833,213**	**(31,276)**	**(7,179)**

(a) Merchanting Europe exit comprises Germany and the holding company for the Continental Europe merchanting operations.
(b) Europe comprises Continental Europe, UK, Ireland, excluding 'Merchanting Europe exit'.

(1) Non-IFRS measure – refer page 14
(2) Restated – refer page 14

Operating and Financial Review
Continued

Spicers Australia, New Zealand and Asia

ANZA – continuing		2015	2014	% Change
Net sales revenue	A$000	403,961	424,012	(5)
Profit before interest and tax	A$000	5,396	13,046	(59)
Underlying EBIT [1]	A$000	14,667	15,341	(4)
Underlying EBIT/sales revenue [1]	%	3.6	3.6	0 bpts
Expense/sales revenue	%	18.5	18.6	(10) bpts
Average working capital/sales revenue	%	23.3	21.7	160 bpts
Diversified revenue (gross)	A$000	60,899	45,725	33
Diversified margin	A$000	16,170	11,929	36
Diversified margin/total margin	%	19.1	13.0	610 bpts

With a history spanning almost 100 years, the Spicers business is a merchant group of independent operating companies with market leading positions in Australia, New Zealand and Asia.

The ANZA businesses reported an underlying EBIT [1] of $14.7 million, down on prior year ($15.3 million) with the gap almost entirely attributable to weaker than expected demand in Commercial Print. In December 2014, an impairment charge of $6.5 million related to Asian goodwill was booked given the market weakness in this region.

In ANZA, the diversified segment represented 15 per cent of total sales. Sign and Display is the largest part of the Company's diversified segment and shows revenue and margin growth year-on-year. It supplies products to the screen, wide and grand format printing and finishing industries, including consumables, hardware, software and service and support. From point-of-sale and vehicle graphics, through to exhibition stand construction and shop fit-out, Spicers distributes an extensive range of substrates, including banners, synthetics, self-adhesives and rigid materials like polypropylene and aluminium composites. The Industrial Packaging segment is also demonstrating strong potential for growth and into these markets Spicers supplies materials ranging from cartons and adhesive tapes to protective packaging, stretch and shrink films, and transit supplies.

Spicers is experiencing dramatic growth in Sign and Display revenues, fully supported by a recent acquisition and enhanced strategic supplier relationships. Organic opportunities in niche paper segments, such as Digital, Inkjet, Labels and web-based ordering portals, combined with an ongoing investment in people continue to assist in further mitigating the revenue attrition from Commercial Print.

Corporate and other

Corporate/Unallocated		2015	2014 Restated [2]	% Change
Corporate and other costs	A$000	(9,964)	(10,963)	9
Net other finance costs	A$000	(1,551)	(849)	(83)
Underlying EBIT [1]	A$000	(11,515)	(11,812)	3

Corporate costs of $10.0 million were nine per cent lower than the prior period reflecting both lower headcount and tight control of discretionary costs.

Given the significant change in the Company's footprint, corporate costs will decrease in FY2016 as a result of the removal of European-based personnel and further reductions in the cost base of the corporate office. Included in these savings are already agreed salary reductions for the Managing Director and Chief Executive Officer and Chief Financial Officer, as well as director fee reductions for all Non-executive Board Members as a direct consequence of the reduced complexity of the Company.

(1) Non-IFRS measure – refer page 14

(2) Restated – refer page 14

PaperlinX Europe (Discontinued and Merchanting Europe exit [a])

Europe – Discontinued and Merchanting Europe exit [a]		2015	2014 Restated [2]
Net sales revenue	€000	935,822	1,354,064
Loss before interest and tax	€000	(209,646)	(35,539)
Underlying EBIT [1]	€000	(29, 744)	(17,560)
Underlying EBIT/sales revenue [1]	%	(3.0)	(1.2)

(a) Merchanting Europe exit comprises Germany and the holding company for the Continental Europe merchanting operations.

During the financial year, the businesses in the UK, Benelux and Austria entered into administration and businesses were sold in Ireland, Poland, Scandinavia (Denmark and Sweden) and Spain. PaperlinX continues to pursue options to divest or realise the assets of the last remaining European business in Germany.

Overall, the European businesses performed poorly and reported an underlying EBIT loss [1] of €(29.7) million, attributable mainly to the larger operating companies in the UK, Benelux and Germany. The significant loss before interest and tax in the table above includes the impairment and subsequent write-off of the book value of the Group's European businesses.

Spicers Canada (Discontinued)

Canada – Discontinued		2015	2014 Restated [2]
Net sales revenue	C$000	266,511	404,703
Profit/(loss) before interest and tax	C$000	(60,477)	15,015
Underlying EBIT [1]	C$000	8,395	15,195
Underlying EBIT/sales revenue [1]	%	3.2	3.8

The Spicers business in Canada was sold in March 2015. At the point of sale, Spicers Canada contributed C$266.5 million in sales and underlying EBIT [1] of C$8.4 million.

The loss before interest and tax of C$(60.5) million is largely attributable to the loss on sale of the business. This includes a non-cash write-off of the Foreign Currency Translation Reserve of A$26.0 million.

Financial position

Balance Sheet		As at 30 June 2015	As at 30 June 2014
Current assets	$000	245,161	919,904
Non-current assets	$000	39,958	147,037
Total assets	$000	285,119	1,066,941
Current liabilities	$000	144,901	460,409
Non-current liabilities	$000	11,556	293,223
Total liabilities	$000	156,457	753,632
Shareholders equity	**$000**	**128,662**	**313,309**
Net debt	$000	(43,032)	93,722
Funds employed (net debt + net assets)	$000	85,630	407,031

As a result of impairments and the subsequent write-off of book values, shareholders equity for the Group has reduced from $313.3 million in the prior year to $128.7 million. The balance sheet now represents the net assets of the ANZA businesses, the business in Germany and the Corporate office in Australia.

(1) Non-IFRS measure – refer page 14
(2) Restated – refer page 14

Operating and Financial Review
Continued

Cash flow

Cash flow	Continuing $000	Discontinued [(a)] $000	2015 $000	2014 $000
Operating cash flow excluding working capital and restructuring	**32,538**	**(64,706)**	**(32,168)**	**(22,670)**
Restructuring	(2,939)	(24,372)	(27,311)	(36,279)
Working capital movement	(13,143)	14,551	1,408	109,670
Operating cash flow	**16,456**	**(74,527)**	**(58,071)**	**50,721**
Capital expenditure	(7,214)	(1,694)	(8,908)	(7,617)
Net proceeds from sale of assets and businesses	759	55,380	56,139	1,186
Tas Paper closure	–	(178)	(178)	(805)
Other	–	–	–	(1)
Net cash flow before financing	**10,001**	**(21,019)**	**(11,018)**	**43,484**

(a) For the purposes of this table, discontinued includes the German operations.

Operating cash outflows of $58.1 million are heavily influenced by the outflow of $74.5 million from discontinued operations and the business in Germany. ANZA and Unallocated segments delivered a positive operating cash inflow of $16.5 million.

Total continuing capital expenditure of $7.2 million includes $5.0 million relating to the acquisition of Total Supply in New Zealand.

Debt and Interest

Debt	2015 $000	2014 $000	% Change v Actual
Gross debt	16,441	200,739	(92)
Cash and cash equivalents	59,473	107,017	(44)
Net debt	**(43,032)**	**93,722**	**(146)**
Cash net interest on bank debt	10,038	11,943	(16)
Non-cash interest	451	750	(40)
Net interest expense	**10,489**	**12,693**	**(17)**

The Group commences the new financial year with a positive net cash position of $43.0 million. It is important to note that this position, being end of month, reflects the highest point of the cash cycle due to significant movements of cash intra-month.

Funding update

After year end, the Australian receivables facility was extended to 2018. The main New Zealand facility was extended to 2017 in the prior year.

The Asian operations have cash on hand and minimal interest bearing debt.

German facilities remain in place while the Group pursues options to divest or realise the assets of this business.

The weighted average life of the working capital facilities is 1.9 years.

Material business risks (financial and non-financial)

As part of the Company's risk management process, with the assistance of the Risk and Internal Audit Manager, the risk profile of the Group is reviewed and updated at least annually by management and provided to the Audit and Risk Committee for their consideration and approval. The risk profile update process is based primarily on interviews and workshops with participation from members of the Board and senior management team, as well as consideration of other external and internal information relevant to the Group's risk profile.

The most recent update of the Group's risk profile was completed in July 2015, and, given the Company's withdrawal from Europe and sale of its Canadian business during FY2015, was focused on the continuing ANZA operations and considered the key risks to achieving its business objectives.

Following is a summary of the most significant risks facing the continuing ANZA business, as assessed in this recent PaperlinX risk profile.

1. Structural decline in 'core' paper markets
This relates to the rate of declining consumption of paper due to factors, including changing technologies and consumer preferences, resulting in the core product sector being impacted by falling consumption and/or pricing.

Existing strategic responses and key business processes to mitigate this risk include focusing on more profitable 'niche' paper products; diversification into non-paper business segments and product markets to reduce exposure; pricing and margin management; restructuring and cost reductions; strong management of customer credit risks; appropriately controlling inventory levels; and maintaining existing or establishing new strategic relationships with suppliers.

2. Execution of diversification strategy
There is a risk that the diversification of the Company into new business segments and product markets to reduce reliance on 'core' paper products is either not successful or the level of growth in diversified business is not sufficient to offset the loss of revenues and profits from an ongoing reduction in paper volumes.

Existing strategic responses and key business processes to mitigate this risk include identifying and executing opportunities for acquisitions in existing Sign and Display and Industrial Packaging diversified business segments; identifying new business segments and product markets to expand into, including via leveraging key supplier relationships; customer cross-selling initiatives; and developing people skills and specialist knowledge of diversified products.

3. Post-acquisition execution
Related to execution of diversification strategy risk. Securing the success of businesses acquired via effective post-acquisition execution is considered vital to this strategy.

Strategic responses and key business processes to mitigate this risk include ensuring 'cultural fit' between the Company and acquired businesses; recognising and protecting the value acquired (customer facing activities and relationships, supplier relationships and contracts); and analysing and executing acquisition synergies, particularly related to 'back office' activities.

4. Financing availability and flexibility
Pressures on the accessibility and flexibility of financing, including the role of the capital structure, could impact upon the availability of financing to support the strategic objectives of the business, such as diversification via acquisition and to respond to market conditions. Such pressures may arise from existing debt liabilities maturing or as a result of adverse effects from the other significant risks, such as rapid declines in core paper markets, working capital movements and possible contingent liabilities related to withdrawal from European operations. Effective management and use of cash available is also critical.

Existing strategies and key business processes to mitigate this risk include refinancing and extending existing financing facilities; exploring other financing options; continuous review and monitoring of financing lines and associated covenants; structured budgeting and re-forecasting processes, including cash flow and liquidity planning; and effective working capital management processes.

In addition to the above material business risks for continuing operations, there are possible contingent liabilities relating to the Company's withdrawal from Europe. These may include legal claims, pension plan liabilities and other related exposures.

Operating and Financial Review
Continued

Economic, environmental and sustainability risks

The existence of any material exposures to economic, environmental and sustainability risks was also considered as part of the recent risk profile update. Sustainability and environmental factors relevant to the Company are detailed in the 'Sustainability' section of this Annual Report (pages 34–35), with the key areas being supply chain sustainability factors such as forestry and other environmental certification processes required of key suppliers; talent management; and health and safety management.

Regarding material economic exposures, the countries that the continuing ANZA business operates in are not currently considered to be subject to major macro-economic country level risks, although major political and/or financial system risks can never be discounted from materialising in the future. The recent appreciation of the US dollar against local currencies in the ANZA region does heighten foreign exchange management risks; key business processes to mitigate this risk include review of strategic foreign exchange risk management options; and processes for hedging of foreign currency purchase transactions.

Dividend and distributions

There was no dividend paid on the ordinary shares for the year ended 30 June 2015.

No distributions relating to the PaperlinX Step-Up Preference securities were paid in the year ended 30 June 2015.

Non-IFRS information

PaperlinX financial results are reported under International Financial Reporting Standards (IFRS). The tables and analysis provided in this document also include certain non-IFRS measures, including underlying statutory profit/(loss) after tax and underlying Earnings Before Interest and Tax (EBIT). These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review.

The non-IFRS measures used throughout this document are defined as:

- Underlying statutory profit/(loss) after tax: statutory profit/(loss) after tax before impairment of non-current assets, restructuring and Group Strategic Review costs and results from discontinued and Merchanting Europe exit operations.
- Underlying Earnings Before Interest and Tax (EBIT): underlying statutory profit/(loss) before interest and tax.

Restated comparative data

The prior year comparative data has been represented to reflect the sale/loss of control of the operations in Canada, Poland, Spain, Scandinavia (Denmark and Sweden), Ireland, United Kingdom, Netherlands, Austria, Belgium and Czech Republic as discontinued operations from the start of the comparative period.

Corporate Governance

The Directors recognise the importance of good corporate governance in ensuring Board and Management accountability. The Company is committed to applying the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council, in a manner appropriate to its circumstances, to promote ethical conduct and integrity in the Company's activities and decisions.

The Company's Corporate Governance Statement and related policies are available on the Company's website at *www.paperlinx.com/corporate-governance/corporate-governance.htm*. It is also attached to ASX release 'Appendix 4G and 2015 Corporate Governance Statement', lodged at the same time as this Annual Report.

Directors of PaperlinX

Robert Kaye SC

LLB (Syd), LLM (Cambridge) (Hons) Independent Non-executive Director (Chairman)

Appointed a Director in September 2012 and Chairman effective 28 March 2013. Robert was admitted to legal practice in 1978 and employed as a solicitor at Allen Allen & Hemsley Solicitors. Thereafter, he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law. He has been involved extensively in an array of commercial matters, both advisory and litigious in nature, and served on a number of NSW Bar Association committees, including the Professional Conduct Committee. He has also served as a director for various private companies. In the conduct of his practice as a barrister, he has acted for many financial institutions and commercial enterprises, both public and private, and given both legal and strategic advice. He has had significant mediation experience and been involved in the successful resolution of complex commercial disputes. He is Chairman of the Nomination & Governance Committee. He is currently a Director of Magontec Limited (effective 16 July 2013) and UGL Limited (effective 10 August 2015). He was appointed Director of Collins Foods Limited (effective 7 October 2014) and appointed non-executive Chairman of the Board of Collins Foods Limited (effective 25 March 2015).

Michael (Mike) Barker

MA (Oxon), FIAA, FIA Independent Non-executive Director

Appointed a Director in September 2012, he held the position of Chairman from 1 October 2012 to 28 March 2013. Mike is an actuary, with a career background in institutional investment management. He has served as a non-executive director on a number of Boards in the financial and property sectors. Mike's last executive role was director of NatWest Investment Management in London from 1994 to 1996, responsible for Marketing and Sales in Europe and Asia. Prior to that he held senior positions in Sydney, Australia, with County NatWest Investment Management (1986 to 1994) and Aetna Life and Casualty (1968 to 1986). Mike has been extensively involved with the Actuaries Institute in the areas of education and governance and was elected a Life Member in 2007. He was previously a director of Metlife Insurance Ltd (1 May 2001 to 31 December 2012). He is Chairman of the Audit Committee and the Remuneration & Human Resources Committee.

Andrew (Andy) Preece

Executive Director (Managing Director and Chief Executive Officer)

Andy was appointed as Executive Director of PaperlinX Limited effective 24th February 2015. He was previously PaperlinX Executive General Manager, Australia, New Zealand and Asia from July 2012, and prior to that was Group General Manager, Australia in 2011. He was appointed as General Manager, Spicers New Zealand from 2007. Andy originally joined PaperlinX in 2001 as the New Zealand Manager for Australian Paper before joining Spicers New Zealand as the National Operations Manager. His merchanting/wholesaling industry experience spans some 20 years, originating in the UK carton industry.

Senior management

Andrew (Andy) Preece

Managing Director and Chief Executive Officer

Andy was appointed as Managing Director and Chief Executive Officer of PaperlinX Limited effective 24th February 2015. He was previously PaperlinX Executive General Manager, Australia, New Zealand and Asia from July 2012, and prior to that was Group General Manager, Australia in 2011. He was appointed as General Manager, Spicers New Zealand from 2007. Andy originally joined PaperlinX in 2001 as the New Zealand Manager for Australian Paper before joining Spicers New Zealand as the National Operations Manager. His merchanting/wholesaling industry experience spans some 20 years, originating in the UK carton industry.

Wayne Johnston

Chief Financial Officer

Wayne was appointed Chief Financial Officer for the PaperlinX Group effective 1 May 2015, and was appointed as an additional Company Secretary on 1 July 2012. He joined PaperlinX in 2009 and performed a number of senior finance roles before being appointed Deputy Chief Financial Officer in August 2010 and additionally Executive General Manager Corporate Services in June 2012. Prior to joining PaperlinX, he had a long career at Symbion Health Limited (formerly Mayne Group Limited), where he occupied a number of both commercial and corporate finance roles.

Directors' report

The Directors of PaperlinX Limited present their report for the year ended 30 June 2015.

Directors
The names of the Directors of PaperlinX Limited ('the Company') in office at any time during or since the end of the financial year are:

Current Directors:

Mr Robert Kaye SC (Independent Non-executive Director).

Mr Michael Barker (Independent Non-executive Director).

Mr Andrew (Andy) Preece appointed as Managing Director and Chief Executive Officer on 24 February 2015.

Past Directors:

Mr Andrew Price was removed as a Director of the Company on 18 February 2015 after his employment contract was terminated with immediate effect.

Details of the qualifications, experience and special responsibilities of each of the Directors are set out on page 16 of this Annual Report.

Operating and Financial Review
The Operating and Financial Review is set out on pages 6 to 14 and forms part of the Directors' report.

Dividends
The Company did not pay any dividends on its ordinary shares during the financial year.

Environmental regulation
PaperlinX did not have any activities that were subject to environmental regulation during the year.

Matters subsequent to the reporting date
Subsequent to 30 June 2015, except for matters disclosed in Note 41 of the consolidated financial statements, no matter or circumstance of a material and unusual nature has arisen (other than those occurring as a result of the normal volatility of business) that has significantly affected or may significantly affect:

(a) PaperlinX operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) PaperlinX state of affairs in future financial years.

Indemnities and insurance
Under its Constitution, the Company must indemnify each Officer (including Directors) of the Company and may indemnify Officers of subsidiary companies, to the relevant extent (as permitted by law) against any liability incurred by the Officer in or arising out of the conduct of the business of the Company or its subsidiary or arising out of the discharge of their duties as an Officer.

The Company has an agreement with each of the Directors of the Company at the date of this report, and certain present and former Officers of the Company, indemnifying those Officers against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Officers of the Company. The indemnity is provided notwithstanding that the Officers may have ceased to hold office, except where the liability arises out of the conduct involving a lack of good faith or unlawful activity.

The Company has in place Directors' and Officers' liability insurance. The premium paid for this cover insurance is determined by the insurance market and is considered reasonable given the circumstances of the Company.

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' insurance, are not disclosed because such disclosure is prohibited under the terms of the contracts.

Company Secretary
Mr Wayne Johnston, B. Bus (Acc), ASCPA, joined PaperlinX in 2009, and was appointed as a Company Secretary of PaperlinX Limited on 1 July 2012. He is the Chief Financial Officer.

Mrs Michelle Wong, Dip. Applied Corporate Governance ICSA (UK), ACIS, AGIA, resigned as Company Secretary of PaperlinX Limited on 8 May 2015.

Directors' meetings
The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are detailed in the table below.

	Board of Directors		Audit Committee		Nomination & Governance Committee		Remuneration & Human Resources Committee	
Directors	A	B	A	B	A	B	A	B
Robert Kaye SC	31	31	4	4	2	2	2	2
Michael Barker	31	31	4	4	2	2	2	2
Andrew (Andy) Preece (1)	19	17	1	0	0	0	0	0
Andrew Price (2)	12	12	3	3	2	1	2	2

A – Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

B – Number of meetings attended.

(1) Appointed as a Director on 24 February 2015.

(2) Removed as a Director on 18 February 2015 after his employment contract with the Company was terminated with immediate effect.

Directors' interests
The relevant interest of each Director in the share capital of PaperlinX, as notified by Directors to the ASX according to Section 205 G(1) of the Corporations Act 2001, as at the date of this report, is as follows:

	Fully paid ordinary shares
Robert Kaye SC	1,002,246
Michael Barker	1,000,000
Andrew (Andy) Preece [(1)]	757,563

(1) Mr Preece is entitled to 1,815,814 performance rights issued pursuant to the 2014 PaperlinX Short Term Incentive Plan.

Non-audit services
In addition to the statutory audit work during the year, the Company's auditors, KPMG, has provided certain non-audit services, being taxation services totalling $17,654, and other services totalling $26,815. Details are provided in Note 38 of the Full Financial Report.

PaperlinX has strict criteria relating to the engagement of the auditor for non-audit services. The Board did not consider KPMG's involvement in those non-audit services as impairing its independence due to the auditor independence policies operated and adhered to by KPMG and PaperlinX.

The Directors have reviewed the nature of non-audit services being provided, as well as their cost, and believe the provision of these services does not impair the integrity and objectivity of the auditors and is compatible with the general standard of independence for auditors imposed by the Corporations Act. In the current year, PaperlinX has also engaged the services of other accounting firms to perform a variety of non-audit assignments.

Auditor's Lead Partner role
As reported in the 2014 Directors' Report, Ms Penny Stragalinos, who has been the engagement partner, has taken up the lead partner role for PaperlinX's 2015 statutory accounts.

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

Remuneration report
The Remuneration report set out on pages 20 to 33 forms part of the Directors' report.

Auditor's Independence Declaration
The Auditor's Independence Declaration is set out below and forms part of the Directors' report.

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

Dated at Melbourne 20 August 2015

Robert Kaye SC
Chairman

Andrew Preece
Managing Director
and Chief Executive Officer

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: Directors of PaperlinX Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne
20 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Liability limited by a scheme approved under Professional Standards Legislation.

Director's report continued

Remuneration report

1. Introduction

The Directors of PaperlinX Limited present this Remuneration report for the year ended 30 June 2015 in accordance with Section 300A of the Corporations Act 2001.

This Remuneration report outlines the policies and processes that underpin the remuneration arrangements for the Key Management Personnel (KMP). For the purposes of this report, KMP are those who have the authority and responsibility for planning, directing and controlling the activities of PaperlinX, and includes all Directors of the Board. The term 'senior executive' refers to the Managing Director and Chief Executive Officer (Managing Director) and Chief Financial Officer (CFO) who are defined as KMP. Prior to the sale of Spicers Canada and exit of the majority of European operations during the second half of the 2015 financial year, the Executive General Manager Australia, New Zealand and Asia (who became Managing Director and Chief Executive Officer on 24 February 2015) and the President, Spicers Canada were also defined as KMP.

This audited Remuneration report has been adopted by the Board on 20 August 2015 and it forms part of the Directors' report for the year ended 30 June 2015.

The roles of the Nomination & Governance Committee and the Remuneration & Human Resources Committee in relation to Board and senior executive remuneration are explained in the Company's Corporate Governance Statement, in the Corporate Governance section on the www.paperlinx.com website and lodged as an attachment to ASX appendix 4G at the same date as this Annual Report.

2. Overview of PaperlinX's remuneration arrangements

2.1 Remuneration policy and principles

The policy of the Company is to devise remuneration practices that attract and retain team members who can deliver business results, as well as to align senior executive remuneration with shareholder interests. Rewards are linked to the achievement of the key financial targets and strategic goals, which the Board believes correlate to the creation of long-term shareholder value.

The key principles that underpin the remuneration policy include:

- All elements of remuneration will be set at levels that the Board considers appropriate to the relevant market practice for comparable roles.
- A significant portion of senior executive remuneration will be 'at-risk'.
- Payment of incentive-based rewards will be dependent upon achieving specific definable, controllable and measurable performance targets.
- Reward outcomes are directly related to the performance of the business for which the senior executive is accountable.

2.2 Managing Director and senior executive remuneration mix

Remuneration for the Company's senior executives during the financial year ended 30 June 2015 (FY2015) consists of three main elements:

1. Total Fixed Remuneration (TFR), which includes components such as base salary, motor vehicle, health insurance and mandatory superannuation/pension plan. The TFR component comprises up to 50 per cent of the senior executives' maximum potential reward.
2. Variable or 'at-risk' pay included in the short-term incentive (STI) plan, which comprises up to 50 per cent of the maximum potential reward.
3. Long-term incentive (LTI) plans designed to encourage management's focus to the longer-term enhancement of the Company and provide a mechanism to retain key management.

Details of awards granted to senior executives in relation to FY2015 for the STI plan are detailed in section 4.2 of this report.

During FY2015 one issue was made under the Company's LTI Executive Options plan, to the (former) CFO in October 2014. No issues were made to the (former) Managing Director or other senior executives. In FY2014, the Company's (former) Managing Director and (former) CFO had both participated in this LTI Executive Options plan.

No grants were made during FY2015 to senior executives under the Company's other LTI plan, the Performance Rights and Performance Options Plan.

Details of the LTI plans can be found in section 4.4.

2.3 Setting senior executive remuneration

For FY2015, the Board aimed to position senior executive TFR at the median of the relevant market.

The TFR for the Managing Director is reviewed annually by the Nomination & Governance Committee and as part of the appointment process when there is any change in Managing Director (as was the case in FY2015). For other senior executives, TFR is reviewed annually by the Remuneration & Human Resources Committee on the basis of recommendations from the Managing Director and, if required, remuneration information provided by independent consultants.

In FY2016 the base salaries of the Managing Director and CFO will be adjusted downwards by an appropriate percentage (20 per cent and 10 per cent respectively as per their employment agreements) upon completion of the Company's withdrawal from Europe.

2.4 Evaluating the performance of senior executives
The Company has formal processes for evaluating the performance of senior executives. The annual performance review occurs after the end of the financial year and is a joint assessment with the Managing Director and senior executive of the:

1. senior executive's performance against the goals for the previous 12 months, and agreement on the goals to be achieved during the following 12 months;
2. extent to which the senior executive demonstrates the necessary leadership and behavioural competencies; and
3. personal and career development actions undertaken by the senior executive during the year and those planned for the following 12 months, which may enhance the executive's opportunity for progression to more senior roles within the Company.

Additionally, the senior executive's STI plan contains specific financial targets such as earnings and working capital ratios. The Managing Director's performance is similarly evaluated with the Chairman of the Company.

3. Key Management Personnel during FY2015

The KMP disclosed in this report are listed in the table below.

Table 1: Disclosed KMP

Name	Position	Dates KMP in FY2015
Directors		
R G Kaye SC	Chairman	1 July 2014 – 30 June 2015
M D Barker	Non-executive Director	1 July 2014 – 30 June 2015
A J Preece	Managing Director and Chief Executive Officer	24 February 2015 – 30 June 2015
	Executive General Manager Australia, New Zealand and Asia (ANZA)	1 July 2014 – 24 February 2015
Former Director		
A J Price	Managing Director and Chief Executive Officer	1 July 2014 – 18 February 2015
Senior executive		
W K Johnston	Chief Financial Officer	1 May 2015 – 30 June 2015
Former senior executives		
J W P Smallenbroek	Chief Financial Officer	1 July 2014 – 1 May 2015
C J Turner	President Spicers Canada Limited	1 July 2014 – 2 March 2015

3.1 KMP changes during FY2015
During the year, there were the following KMP changes within the Company:

- On 18 February 2015 the Company announced the termination of the employment contract of Mr Andrew Price as Managing Director and Chief Executive Officer (CEO). Accordingly, Mr Price ceased to be a KMP of the Company from 18 February 2015. Mr Price has received no termination payment or benefits from the Company, other than paying his base salary and superannuation contributions up to the date of termination of his employment contract. Refer section 6.
- On 24 February 2015 the Company announced the appointment of Mr Andrew (Andy) Preece as Managing Director and CEO. Mr Preece was already defined as a KMP of the Company in his former position of Executive General Manager, Australia, New Zealand and Asia (ANZA). This position has not been replaced given the Company's withdrawal from regions other than ANZA.
- On 3 March 2015 the Company announced the completion of the sale of Spicers Canada to Central National-Gottesman Inc. (CNG). Accordingly, Mr Cory Turner, the President of Spicers Canada, ceased to be a KMP of the Company from 2 March 2015.
- On 1 May 2015 the Company announced Mr Joost Smallenbroek had ceased to be CFO as the position was no longer required to be based in Europe due to the Company's withdrawal from the region. Accordingly, Mr Smallenbroek ceased to be a KMP of the Company from 1 May 2015. In accordance with Mr Smallenbroek's service contract, the Company made a termination payment of €331,748 (A$476,786 equivalent), representing 12 months TFR in lieu of his contractual notice period less the fair value of unvested STI deferred equity rights, calculated to be compliant with the termination benefits cap under the Corporations Act 2001. Refer section 6.
- Concurrently with the removal of Mr Smallenbroek, on 1 May 2015 the Company announced the appointment of Mr Wayne Johnston as CFO. Prior to this appointment Mr Johnston held the position of Deputy CFO and Executive General Manager Corporate Services, which was not defined as a KMP role. Accordingly, Mr Johnston became a KMP of the Company from 1 May 2015 onwards.

Director's report continued
Remuneration report

3.2 Managing Director's service agreement and remuneration
As formerly stated, Mr Preece was appointed Managing Director and CEO on 24 February 2015. Mr Preece has entered into an employment agreement that comprises the following key terms:

- A remuneration package that includes a TFR component of NZ$956,000 (A$889,220 equivalent converted at FY2015 average exchange rate). The base salary of this TFR component will be adjusted downwards by an appropriate percentage (20 per cent as per the employment agreement) upon completion of the Company's withdrawal from Europe.
- A STI plan comprising both a cash and equity component. The STI is based on achieving targets for earnings, working capital and personal strategic objectives. The STI will only be paid if outstanding performance is achieved by both the Company and Mr Preece, and the percentage will be pro-rated as appropriate. The maximum annual reward is up to 100 per cent of TFR, consisting of up to 25 per cent equity (at the Board's discretion) and the remainder in cash. Up to 25 per cent of any total STI payment may be subject to a two-year service period (at the Board's discretion). The reward for any equity component of the STI is provided in the form of ordinary shares in the Company.
- Mr Preece's FY2015 targets were based predominantly on the ANZA region targets set for him at the beginning of the financial year (refer section 4.2 for further details). FY2016 onwards targets will be based on overall Company performance and strategic objectives.
- Either party may terminate the employment agreement by giving nine months' written notice. The agreement may be terminated immediately and without notice on the grounds of, but not limited to, dishonesty, fraud, negligence, dereliction of duty, wilful disobedience, misconduct or breach of duty.

4. FY2015 Company performance and remuneration outcomes

4.1 Company performance – a key driver of remuneration
As detailed in Table 2, the profitability of PaperlinX has been significantly impacted over recent years largely due to the structural decline of the paper industry and economic factors, particularly in key European markets. In FY2015 the Company's performance was further impacted by its Strategic Review and subsequent withdrawal from Europe.

Table 2: Company performance background

	2015	2014	2013	2012	2011
Loss attributable to owners of the Company ($m)	(392.3)	(63.6)	(92.8)	(266.7)	(108.0)
Dividends per ordinary share (cents)	–	–	–	–	–
Change in share price (%)	(35.9)	(25.0)	(8.8)	(64.4)	(74.2)
Return on average funds employed (%)	(110.1)	(7.9)	(13.6)	(25.5)	(8.3)

Given the lack of profitability in recent years, there is a significant weighting on profit for the STI plans as outlined in Table 3 on page 23.

4.2 FY2015 short-term incentives

The STI plan comprised key financial targets of profit and working capital, with the most significant weighting on profit. These financial measures were identified as the key drivers to achieving budgets, improving performance and ultimately enhancing shareholder returns.

The STI plan for the Managing Director and senior executives for FY2015 comprised both cash and deferred equity components. Full details are included in Table 3.

Table 3: Key features of the FY2015 STI plan

Purpose of the STI plan	Focus performance on achieving profitability, other key financial measures and strategic objective personal targets.
Remuneration base for payment	Total fixed remuneration.
Percentage that can be earned	33.3% at minimum (budget) up to 100% for achievement of stretch performance. 0% for below budget/target performance.
Performance and service period	12 months performance period (1 July 2014 until 30 June 2015) plus 24 months service period (1 July 2015 until 30 June 2017) for any deferred incentive component (up to 25% at the discretion of the Board).
Performance assessed	August 2015.
Performance conditions	(Former) Managing Director = 75% EBIT; 25% Average working capital as a percentage of sales. Other senior executives (including current Managing Director) = 60% EBIT, 20% Average working capital as a percentage of sales, 20% strategic objective personal targets.
Why these were chosen	To drive profitability, returns and accelerate strategic initiatives.
Assessment of performance conditions	Performance conditions are evaluated on a quantitative basis, then reviewed and approved by the Nomination & Governance Committee for the Managing Director or the Remuneration & Human Resources Committee for senior executives.
Payment method of STI earned	Up to 25% rewarded as equity (at the Board's discretion) and the remainder paid as cash. Up to 25% of any total STI payment may be subject to a two-year service period (at the Board's discretion).
Why this method was chosen	Immediate cash component is intended to emphasise the importance of short-term performance and profitability. Components of the STI reward able to be deferred and satisfied as equity are intended to build ownership, align executive STIs with creating value for shareholders and support the retention of senior executives.
Cash payment made	September 2015.
Board discretion	The Board may vary these conditions to resolve anomalies or in other exceptional circumstances.

Under the FY2015 STI plan, Company financial targets were not achieved. The Board approved STI payments to the Managing Director and Chief Financial Officer based on an assessment of the 'strategic objective personal targets' elements of their FY2015 STI plans having been achieved, as set out in Table 4 below.

Table 4: FY2015 STI cash and deferred equity awards [3][4]

	STI % maximum potential	% of STI earned in year	% of STI forfeited in year	STI cash payable ($)	Deferred equity ($)	Deferred equity (no. of rights)
A J Preece [1]	100% of TFR	20%	80%	119,059	–	–
W K Johnston [2]	45% of base salary	20%	80%	38,070	–	–

(1) FY2015 STI award, percentage earned and percentage forfeited are based on TFR at 1 July 2014 (denominated in NZ$), as per terms of STIP agreement. STI award values have been converted into A$ using FY2015 profit & loss average exchange rate.

(2) FY2015 STI award, percentage earned and percentage forfeited are based on base salary at 1 July 2014, as per terms of STIP agreement.

(3) Former KMPs Mr Price and Mr Smallenbroek are not included, or due any STI awards, as minimum service period requirements were not met.

(4) Former KMP Mr Turner is not included as he ceased to be a KMP when the Spicers Canada sale completed on 2 March 2015. At this point an accrual balance in Spicers Canada's books built up by PaperlinX was passed to the acquirer, Central National-Gottesman Inc. (CNG), with determination of Mr Turner's FY2015 STI under CNG's control and discretion from this date onward.

Director's report continued
Remuneration report

4.3 FY2013 and FY2014 short-term incentives plans

In FY2013 and FY2014, short-term incentive plans with deferred equity components were issued. As illustrated in Table 5, entitlements under these plans are still active, with some still subject to a service retention period.

Table 5: STI deferred equity plans

	Qualifying performance rights for FY2013 and FY2014 plan periods, deferred to August 2015 and August 2016 respectively – number of rights	
Name	Converted to cash payment in period	Balance at 30/6/15
Senior executives		
A J Preece (1)	–	2,073,177
W K Johnston (2)	–	374,130
Former senior executives		
J W P Smallenbroek (3)	–	1,014,034
C J Turner (4)	7,210,603	–

(1) The qualifying period for Mr Preece's FY2013 equity rights (257,363) ended on 20 August 2015. Under the terms of the FY2013 STI equity rights plan these rights vested and were issued to Mr Preece as ordinary shares in the Company on this date.

(2) The qualifying period for Mr Johnston's FY2013 equity rights (175,573) ended on 20 August 2015. Under the terms of the FY2013 STI equity rights plan these rights vested and were issued to Mr Johnston as ordinary shares in the Company on this date.

(3) Ceased to be CFO and KMP from 1 May 2015. FY2013 deferred equity rights vested (under normal plan rules and timelines) and were issued to Mr Smallenbroek as ordinary shares in the Company on 20 August 2015 as part of termination arrangements.

(4) Ceased to be KMP from completion of the sale of Spicers Canada on 2 March 2015. Mr Turner's deferred equity plan rights were converted into a final cash payment immediately prior to completion of the sale of Spicers Canada. The cash payment was based on Mr Turner's FY2013 and FY2014 STI award values that were converted into equity rights (CA$320,380, A$327,855 equivalent).

Refer to Table 9 for movements in KMP equity rights during FY2015 and Tables 13 and 14 for KMP remuneration value details ('prior rights') of these FY2013 and FY2014 equity rights in FY2015.

4.4 Long-term incentive plans

4.4.1 Performance rights and performance options plan

No new grants were made under this existing LTI plan during FY2015. There are currently no remaining grants from prior reporting periods for the KMP.

It is planned on the Board's agenda to consider offering a new long-term plan to the KMP and other selected executives; however, this has been put on hold while the Company's withdrawal from Europe is completed. No decisions have been made on any proposed new plan as at the date of this report.

4.4.2 Executive Director options plan and Executive options plan

During FY2014, two new options plans were introduced by the Company to provide an equity reward for the (former) Managing Director and (former) CFO. Table 6 provides a summary of the key features of the plans.

Table 7 provides details of options issued under these plans. During FY2015 the only new options issued under these plans was the grant of six million options to Mr Smallenbroek on 28 October 2014, as a reward for his efforts in finalising a number of European refinancing agreements.

The options for both Executives were also intended to incentivise them to continue to work to improve the Group's operational performance. None of these grants had performance or service conditions, as they related to services already rendered, but as Table 7 illustrates, they were heavily aligned to shareholder value due to the exercise prices being significantly above the current trading levels of ordinary shares in the Company.

On 19 August 2015, following Board approval, the Company cancelled the 35 million options formerly issued to Mr Price, in connection with the termination of his employment during FY2015 (refer section 3.1 above).

Table 6: Key features of the Executive options plans

Structure of grant	Provide the opportunity to purchase PaperlinX shares at a predetermined exercise price. No amount is payable on the grant of the options.
Grant quantum	Amount determined by PaperlinX Board at the time of grant.
Exercise price	Ranges between $0.07 and $0.50.
Performance conditions	There are no performance conditions, as the reward was granted for work performed to date for activities such as enacting the Company financial turnaround, implementing restructuring activities in Europe and completing refinancing negotiations.
Service condition	There is no service condition.
Termination provisions	The options are automatically forfeited if the Executive acts fraudulently or dishonestly, in PaperlinX's opinion, in relation to the affairs of any company in the PaperlinX group or in material breach of any obligations to any company in the PaperlinX Group.
Source of securities	PaperlinX reserves the right to determine the most appropriate source of securities at the time of vesting. This may be via purchase on-market or newly issued securities.
Accounting expense	The fair value is fully expensed at the time of granting, as there are no performance or service conditions. The fair value is determined as at the grant date, using appropriate valuation models.
Board discretion	The Board has a broad discretion to resolve anomalies and other aspects of the Plan and its operation.

Table 7: Executive Director and Executive options plans – options on issue

Former Director/senior executive	Number of options	Exercise price $	Date of grant	When exercisable	Expiry date
A J Price (1)	5,000,000	$0.10	25 October 2013	25 October 2015	25 October 2016
	5,000,000	$0.15	25 October 2013	25 October 2015	25 October 2016
	5,000,000	$0.20	25 October 2013	25 October 2016	24 November 2016
	5,000,000	$0.30	25 October 2013	25 October 2016	24 November 2016
	5,000,000	$0.40	25 October 2013	25 October 2016	24 November 2016
	10,000,000	$0.50	25 October 2013	25 October 2018	24 November 2018
J W P Smallenbroek (2)	1,000,000	$0.10	10 April 2014	10 April 2016	10 April 2017
	1,000,000	$0.15	10 April 2014	10 April 2016	10 April 2017
	1,000,000	$0.20	10 April 2014	10 April 2017	10 May 2017
	1,000,000	$0.30	10 April 2014	10 April 2017	10 May 2017
	1,000,000	$0.40	10 April 2014	10 April 2017	10 May 2017
	1,000,000	$0.50	10 April 2014	10 April 2019	10 May 2019
	6,000,000	$0.07	28 October 2014	28 October 2016	28 October 2017

(1) Terminated as Managing Director and CEO and ceased to be a KMP from 18 February 2015. On 19 August 2015, following Board approval, the Company cancelled the 35 million options formerly issued to Mr Price.

(2) Ceased to be CFO and a KMP from 1 May 2015 (refer section 3.1).

Each option entitles the holder to purchase one fully paid ordinary share in the Company at the exercise price. Options do not entitle the holder to participate in any dividends or share issues of the Company.

The options for Mr Price have been valued at their grant date, in the range of 0.47 cents to 1.86 cents per option. Mr Smallenbroek's options have been valued at their grant date in the range of 0.09 cents to 2.9 cents per option. The fair value of options outstanding at grant date in relation to the executives specified above, based on these valuations, was $371,500 for Mr Price and $192,200 for Mr Smallenbroek.

4.4.3 Prohibition on hedging of incentive remuneration

The Company's policy is that where any (current or former) senior executive or their closely related parties hedge or attempt to hedge the senior executive's incentive remuneration, including performance rights or options, or the senior executive's initial grant of options (whether rights and options are vested or unvested), the senior executive will forfeit those rights or options.

This policy is included in the plan rules and in communication materials when making a new grant to senior executives.

Shares are not transferred into the senior executive's name until vested rights or options are exercised and therefore, until that time, the executive has no ownership of PaperlinX securities.

Additionally, any attempt by a senior executive or their closely related parties to dispose of the rights or options has no legal basis and the transaction would not be recognised by the Company. In such a case, the senior executive would forfeit their rights or options, and those entitlements would automatically lapse.

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5. KMP equity instruments

5.1 Options

The reconciliation of the movement in equity compensation in the form of options for KMP during FY2015 is as follows:

Table 8: KMP options held

	Maximum potential entitlement – number of options						
	Opening balance	Other movements	Granted as compensation	Exercised	Lapsed	Closing balance	Vested and exercisable at 30 June
2015							
Former Director							
A J Price (1)	35,000,000	–	–	–	–	35,000,000	–
Former senior executive							
J W P Smallenbroek (2)	6,000,000	–	6,000,000	–	–	12,000,000	–
	41,000,000	–	6,000,000	–	–	47,000,000	–
2014							
Former Director							
A J Price	–	–	35,000,000	–	–	35,000,000	–
Former senior executive							
J W P Smallenbroek	–	–	6,000,000	–	–	6,000,000	–
	–	–	41,000,000	–	–	41,000,000	–

(1) Terminated as Managing Director and CEO and ceased to be KMP from 18 February 2015. On 19 August 2015, following Board approval, the Company cancelled the 35 million options formerly issued to Mr Price.

(2) Ceased to be CFO and KMP from 1 May 2015.

5.2 Rights

The reconciliation of the movement in equity compensation in the form of rights for KMP during FY2015 is as follows:

Table 9: KMP rights held

	Maximum potential entitlement – number of rights					
	Opening balance	Other movements	Granted as compensation	Exercised	Lapsed	Closing balance
2015						
Senior executives						
A J Preece (1)	2,073,177	–	–	–	–	2,073,177
W K Johnston (2)(3)	–	374,130	–	–	–	374,130
Former senior executives						
J W P Smallenbroek (4)	1,014,034	–	–	–	–	1,014,034
C J Turner (5)	7,210,603	(7,210,603)	–	–	–	–
	10,297,814	(6,836,473)	–	–	–	3,461,341
2014						
Senior executives						
A J Preece	257,363	–	1,815,814	–	–	2,073,177
J W P Smallenbroek	1,014,034	–	–	–	–	1,014,034
C J Turner	2,874,846	–	4,335,757	–	–	7,210,603
Former senior executive						
D S Allen (6)	1,401,209	–	–	–	(1,401,209)	–
	5,547,452	–	6,151,571	–	(1,401,209)	10,297,814

(1) The qualifying period for Mr Preece's FY2013 equity rights (257,363) ended on 20 August 2015. Under the terms of the FY2013 STI equity rights plan, these rights vested and were issued to Mr Preece as ordinary shares in the Company on this date.

(2) Appointed as CFO and became KMP on 1 May 2015, equity rights held on becoming KMP included in 'other movements'.

(3) The qualifying period for Mr Johnston's FY2013 equity rights (175,573) ended on 20 August 2015. Under the terms of the FY2013 STI equity rights plan, these rights vested and were issued to Mr Johnston as ordinary shares in the Company on this date.

(4) Ceased to be CFO and KMP from 1 May 2015. FY2013 deferred equity rights vested (under normal plan rules and timelines) and were issued to Mr Smallenbroek as ordinary shares in the Company on 20 August 2015 as part of termination arrangements.

(5) Ceased to be KMP from completion of the sale of Spicers Canada on 2 March 2015. Mr Turner's deferred equity plan rights were converted into a final cash payment immediately prior to completion of the sale of Spicers Canada.

(6) Stepped down as Chief Executive Officer and ceased to be KMP from 18 September 2013.

5.3 Shareholdings

The reconciliation of the relevant interest in the share capital of the Company held by KMP during FY2015, excluding the potential entitlement amounts (refer sections 5.1–5.2) is set out in Table 10.

Table 10: KMP shareholdings

	Opening balance	Purchased	Earned as remuneration	Became/ (ceased to be) KMP	Exercise of options	Sold	Closing balance	Shares held nominally at reporting date
2015								
Directors								
R G Kaye	1,002,246	–	–	–	–	–	1,002,246	–
M D Barker	1,000,000	–	–	–	–	–	1,000,000	–
A J Preece	500,200	–	–	–	–	–	500,200	–
Senior executive								
W K Johnston (1)	–	–	–	95,000	–	–	95,000	–
Former Director								
A J Price (2)	9,015,344	1,000,000	–	(10,015,344)	–	–	–	–
Former senior executives								
J W P Smallenbroek (3)	44,620	–	–	(44,620)	–	–	–	–
C J Turner (4)	155,908	–	–	(155,908)	–	–	–	–
Total	11,718,318	1,000,000	–	(10,120,872)	–	–	2,597,446	–
2014								
Directors								
R G Kaye	615,000	387,246	–	–	–	–	1,002,246	–
M D Barker	600,000	400,000	–	–	–	–	1,000,000	–
A J Price	6,660,372	2,354,972	–	–	–	–	9,015,344	–
Senior executives								
A J Preece	500,200	–	–	–	–	–	500,200	–
J W P Smallenbroek	44,620	–	–	–	–	–	44,620	–
C J Turner	155,908	–	–	–	–	–	155,908	–
Former senior executive								
D S Allen (5)	1,216,231	–	–	(1,216,231)	–	–	–	–
Total	9,792,331	3,142,218	–	(1,216,231)	–	–	11,718,318	–

(1) Appointed as CFO and became KMP on 1 May 2015.
(2) Terminated as Managing Director and CEO and ceased to be KMP from 18 February 2015.
(3) Ceased to be CFO and KMP from 1 May 2015.
(4) Ceased to be KMP from completion of the sale of Spicers Canada on 2 March 2015.
(5) Stepped down as Chief Executive Officer and ceased to be KMP from 18 September 2013.

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6. Managing Director and senior executive service agreement provisions

The Company has entered into service agreements with its Managing Director, CFO and former senior executives. Details of the periods of notice required to terminate the contract and the termination payments provided under each contract are outlined in Table 11. Actual payments may also depend on local legal requirements. Payment in lieu of notice is calculated using the senior executive's TFR. In addition to the specified termination payments, on termination the Managing Director and senior executives are entitled to receive their statutory entitlements of accrued leave, together with any superannuation or pension plan benefits.

Table 11: Service agreement provisions

KMP	Company notice/payment period	KMP notice
A J Preece	9 months	9 months
W K Johnston	6 months	6 months
Former Director		
A J Price	Outstanding contract period	6 months
Former senior executives		
J W P Smallenbroek	12 months	6 months
C J Turner	3 months	6 months

Further details of Mr Preece's service agreement and remuneration as Managing Director and CEO are provided in section 3.2 above.

The Company's agreement with Mr Price for the role of (former) Managing Director and CEO was for a fixed term between 18 September 2013 and 2 April 2015. The fixed term agreement with Mr Price provided him with a right to a termination payment equal to the unpaid salary from the date of termination to the contract end date. The Company had the right to terminate the agreement without notice and no payment for acts such as, but not limited to, dishonesty, fraud, negligence, dereliction of duty, wilful disobedience, misconduct or breach of duty. On 18 February 2015, the Company terminated Mr Price's employment without notice. Mr Price has been paid TFR and superannuation contribution components up to this date, with no further termination payments made.

On 1 May 2015, Mr Smallenbroek ceased to be Chief Financial Officer, as the position was no longer required to be based in Europe due to the Company's withdrawal from the region. Mr Smallenbroek was paid TFR and pension contribution components up to this date. In accordance with his service contract, Mr Smallenbroek received a (gross before deduction of taxes) termination payment of €331,748 (A$476,786 equivalent), representing 12 months TFR in lieu of his contractual notice period less the fair value of unvested STI deferred equity rights, calculated to be compliant with the termination benefits cap under the Corporations Act 2001. Mr Smallenbroek also continued to be entitled (under normal plan rules and timelines) to Executive equity options and STI deferred equity rights previously issued to him (refer to sections 4 and 5 above).

7. Non-executive and Executive Director remuneration

7.1 Policy on Director remuneration

The remuneration of individual Non-executive and Executive Directors is approved by the Board as a whole on the recommendation of the Nomination & Governance Committee, and having regard to the principles that the remuneration should:

- be competitive with other listed Australian companies to attract and retain suitably qualified and experienced Non-executive and Executive Directors;
- reflect the complexity of the PaperlinX Group arising from its business and geographic diversity; and
- provide additional remuneration for the responsibilities of specific Non-executive Directors in chairing the Board and its committees.

Non-executive Directors do not receive any performance-based remuneration.

7.2 Directors' fees

The current aggregate fees are within the maximum sum of $1.26 million per annum formerly approved by shareholders at the 2007 Annual General Meeting.

The schedule of annual fee rates, excluding the Superannuation Guarantee contribution, for the Board and Chairs of Board Committees is set out in Table 12. These amounts are unchanged from FY2014. Committee Chair fees are not payable to the Board Chairman.

The Non-executive Directors have agreed to a cut in annual fee rates from 1 September 2015 onwards, as set out in table 12, in recognition of the reduced scale and complexity of the PaperlinX Group following its withdrawal from Europe and the sale of its Canadian operations.

Table 12: Fees for Board and Chairs of Board Committees

To 31 August 2015

Board position	Annual fee
Chairman	$300,000
Non-executive Director (base fee)	$100,000
Chair of Board Committee	**Additional annual fee**
Audit Committee	$15,000
Remuneration & HR Committee	$15,000

From 1 September 2015

Board position	Annual fee
Chairman	$180,000
Non-executive Director (base fee)	$80,000
Chair of Board Committee	**Additional annual fee**
Audit Committee	$10,000
Remuneration & HR Committee	$10,000

8. Engagement of remuneration consultants

The Board and management have engaged Ernst & Young as an adviser to assist with a range of matters as required. During FY2015, no remuneration recommendations, as defined by the Corporations Act 2001, were requested of or provided by Ernst & Young.

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9. KMP remuneration – FY2015

Details of the nature and amount of each element of the remuneration of each Director and each senior executive of our Company are set out in Table 13 and Table 14.

Table 13: Directors' remuneration

		Short-term benefits					Post-employment benefits
		Salary and fees $	Cash short-term incentives $	Non-cash benefits $	Discretionary share purchase $	Other income $	Superannuation contribution $
Directors							
R G Kaye, Chairman (2)(3)							
	2015	300,000	–	–	–	–	28,500
	2014	280,000	–	–	–	–	25,900
M D Barker, Non-executive Director (4)							
	2015	130,000	–	–	–	–	12,350
	2014	130,000	–	–	–	–	12,025
A J Preece, Managing Director and Chief Executive Officer (5)(6)							
	2015	627,490	119,059	27,480	–	–	21,027
	2014	426,124	71,362	34,347	–	15,669	22,066
Total Directors							
	2015	**1,057,490**	**119,059**	**27,480**	–	–	**61,877**
	2014	**836,124**	**71,362**	**34,347**	–	**15,669**	**59,991**
Former Directors							
A J Price, Managing Director and Chief Executive Officer (7)(8)							
	2015	537,078	–	132,960	–	–	46,047
	2014	632,003	–	197,805	–	–	56,313

(1) The value of equity plans included as remuneration in the table represents the aggregate of amounts determined for both market based and non-market based performance hurdles:

- Market based – represents the number of share rights and options granted to the Managing Director and Chief Executive Officer under the Company's equity incentive plans at the grant date valuation.
- Non-market based – represents the proportion of the value of the maximum potential number of share rights and options to which the Managing Director and Chief Executive Officer may become entitled under the Company's equity incentive plans, which is calculated based on an estimate of the probability of the performance criteria being achieved.

The value of options plans and rights plans is calculated using appropriate valuation models and allocated evenly over the vesting period of each plan. All amounts are calculated in accordance with AASB2 Share Based Payments.

(2) Appointed as Non-executive Director on 27 September 2012, then appointed as Chairman on 28 March 2013.

(3) A proportion of the office and secretarial expenses of Mr Kaye is reimbursed to him by the Company, representing actual use of these resources in his role as Chairman of the Company. In FY2015, these expenses reimbursed to Mr Kaye amounted to $31,298 for office costs and $9,250 for secretarial costs (FY2014 – $31,216 for office costs only).

Termination benefits	Equity Plans (1)				Total		
Termination payment including annual and long service leave	Current FY Short-term incentive rights	Current FY Executive options	Prior rights	Prior options	Total	Proportion of remuneration performance related	Percentage of remuneration consisting of rights and options
$	$	$	$	$	$	$	%
–	–	–	–	–	328,500	–	
–	–	–	–	–	305,900	–	
–	–	–	–	–	142,350	–	
–	–	–	–	–	142,025	–	
–	–	–	28,171	–	823,227	147,230	3.4
–	23,787	–	4,427	–	597,782	99,576	4.7
–	–	–	**28,171**	–	**1,294,077**	–	
–	**23,787**	–	**4,427**	–	**1,045,707**	–	
–	–	–	–	–	716,085	–	–
–	–	371,500	–	–	1,257,621	371,500	29.5

(4) Appointed as Non-executive Director on 27 September 2012, served as Chairman from 1 October 2012 until 28 March 2013.

(5) Appointed as Managing Director and Chief Executive Officer on 24 February 2015.

(6) Formerly Executive General Manager Australia, New Zealand and Asia from 1 July 2012 to 23 February 2015, a 'senior executive' KMP position throughout this period. For consistency of presentation all KMP remuneration for FY2014 and FY2015 is included in the 'Directors' KMP table.

(7) Appointed as Non-executive Director on 1 September 2012, then Executive Director on 14 November 2012, then Managing Director and Chief Executive Officer on 18 September 2013.

(8) Terminated as Managing Director and Chief Executive Officer effective 18 February 2015.

The current and former Managing Directors included in this table is/was based in countries other than Australia and is/was not paid in Australian dollars. As this table is shown in A$, yearly variations due to currency fluctuations will occur.

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Table 14: Senior executives' remuneration

		Short-term benefits					Post-employment benefits
		Salary and fees $	Cash short-term incentives $	Non-cash benefits $	Discretionary share purchase $	Other income $	Superannuation contribution $
Senior executives							
W K Johnston, Chief Financial Officer (2)							
	2015	85,086	38,070	8,041	–	–	9,166
	2014	–	–	–	–	–	–
Total senior executives							
	2015	**85,086**	**38,070**	**8,041**	–	–	**9,166**
	2014	–	–	–	–	–	–
Former senior executives							
J W P Smallenbroek, Chief Financial Officer (3)							
	2015	389,969	–	4,498	–	16,743	57,128
	2014	431,033	–	325	–	20,653	78,886
C J Turner, President Spicers Canada Limited (4)(5)							
	2015	312,289	327,855	21,688	–	53,266	16,506
	2014	359,157	170,396	25,667	–	20,808	24,235
D S Allen, Chief Executive Officer (6)(7)							
	2014	151,099	–	2,530	–	5,751	14,815

(1) The value of equity plans included as remuneration in the table represents the aggregate of amounts determined for both market based and non-market based performance hurdles:

- Market based – represents the number of share rights and options granted to senior executives under the Company's equity incentive plans at the grant date valuation;
- Non-market based – represents the proportion of the value of the maximum potential number of share rights and options to which the senior executives may become entitled under the Company's equity incentive plans, which is calculated based on an estimate of the probability of the performance criteria being achieved.

The value of options plans and rights plans is calculated using appropriate valuation models and allocated evenly over the vesting period of each plan. All amounts are calculated in accordance with AASB2 Share Based Payments.

(2) Appointed as Chief Financial Officer on 1 May 2015. Prior to this date his former role was not determined as KMP, thus remuneration included only from 1 May 2015 onwards. The FY2015 cash short-term incentive covering the whole FY2015 period is included as this was determined and awarded post Mr Johnston becoming KMP on 1 May 2015.

Termination benefits	Equity Plans (1)				Total		
Termination payment including annual and long service leave	Current FY Short-term incentive rights	Current FY Executive options	Prior rights	Prior options	Total	Proportion of remuneration performance related	Percentage of remuneration consisting of rights and options
$	$	$	$	$	$	$	%
–	–	–	939	–	141,302	39,009	0.7
–	–	–	–	–	–	–	–
–	–	–	**939**	–	**141,302**		
–	–	–	–	–	–		
476,786	–	174,000	17,441	–	1,136,565	191,441	16.8
–	–	18,200	17,441	–	566,538	35,641	6.3
–	–	–	(155,694)	–	575,910	172,161	–
–	56,799	–	49,447	–	706,509	276,642	15.0
632,123	–	–	(24,101)	–	782,217	(24,101)	(3.1)

(3) Ceased to be Chief Financial Officer and KMP from 1 May 2015.

(4) Ceased to be KMP from completion of the sale of Spicers Canada on 2 March 2015.

(5) Prior deferred equity plan rights were converted into a final cash short-term incentive payment immediately prior to completion of the sale of Spicers Canada, negative 'prior rights' balance relates to reversal of equity rights remuneration expense to the date of this conversion.

(6) Stepped down as Chief Executive Officer and ceased to be KMP from 18 September 2013.

(7) Negative 'prior rights' balance relates to reversal of prior years' equity rights remuneration expense due to the rights lapsing as the continued service condition was not met.

The former senior executives included in this table were based in countries other than Australia were not paid in Australian dollars.

As this table is shown in A$, yearly variations due to currency fluctuations will occur.

Sustainability

1. Our people

As the Company has divested and closed operations in Europe and Canada during the last 12 months, there are now approximately 460 employees in continuing operations across Australia, New Zealand and Asia. The Board and management team continue to focus the Group's efforts on supplying a diversified range of products to offset the Company's declining fine paper business. This also shapes the recruiting strategy. The Company employs a blend of employees in areas such as logistics, internal and external sales, marketing and support. Activities are organised at sites that support team member safety, health, engagement and development as outlined here.

Health and safety management
The Group provides and maintains high standards of health and safety in every operational site. Our online Health and Safety system provides incident and accident management and automated monthly reporting.

Due to the changes in the asset portfolio of the business, the safety performance analysis has been conducted using data solely from the continuing operations in Australia, New Zealand and Asia. There was a marginal increase in lost time injuries in the ANZA businesses. More positively, 63 per cent of sites experienced no Lost Time Injuries. The operations remain acutely focused on achieving the goal of 'Zero Harm' and providing a safe workplace for every employee, and achievements were made as follows:

- the business in Victoria retained its self-insurance licence and achieved a six-year insurance renewal;
- the largest warehouse and main office in Melbourne, Australia, was relocated to a new site, incident free;
- the business in New Zealand retained its tertiary level ACC Accreditation, resulting in a lower insurance levy;
- the business in Asia worked the full fiscal year without suffering an LTI; and
- the Spicers business in Singapore won the Gold Award in the Singapore HEALTH Awards 2014, organised by Singapore's Health Promotion Board, for its efforts in promoting workplace health.

Engaging and supporting our people
Traditionally involved in paper-related industries, the strategy to diversify the portfolio to non-paper products means we need the right blend of leadership talent and skills to develop a successful and sustainable business that is moving with the times. Talent reviews on individual performance are held annually for all employees, and management succession planning activities are ongoing. We understand succession is an integral part of meeting the challenges ahead and we expect to complete a plan during the next financial year. The Company will also review its reward and recognition approach that incentivises performance and reinforces the qualities and values required to deliver the Company's vision.

To promote gender diversity throughout our business, a Diversity Policy was developed with a single objective, to increase the proportion of females in senior leadership roles to 25 per cent by 30 June 2016. Considering that the Company's continuing businesses now only operate in Australia, New Zealand and Asia (ANZA), the Company will review its diversity objective in the first half of FY2016 to ensure relevance. Currently in ANZA, 15.2 per cent of senior leadership roles are held by females, which is down by 7.3 per cent on the prior year. The drop in female representation at a senior leadership level occurred after a number of women in senior roles left the Company and these positions were not continued.

To further strengthen the expectations of professional business behaviour, a Code of Conduct is in place, which encompasses the Company policies and values. We continue to conduct the competition law and fair practices compliance training program. The online 'Speak Up' reporting service continued, helping team members to raise concerns about improper conduct.

In a constantly changing environment, we aim to provide timely and useful information for our international team member base, and we do this using a number of communication channels, such as websites, email updates and meetings (both face to face and online). Some of the businesses conduct employee surveys, such as the annual 'In Touch' survey in Australia, to measure engagement and seek feedback. A successful program launched in Australia is the 'Ideas to Life Initiative', which encourages any individual or a team to develop a business case for an idea or suggestion to improve the business. Each year, the competition fosters creativity, entrepreneurship, business improvement and engagement.

Induction training is provided across the Group, and externally led development and training programs are used to meet each business's needs.

2. Environmental sustainability

As a leading merchant, the Company's main sustainability focus is on improving its supply chain in ANZA. This encompasses resources used in fulfilling orders and conducting day-to-day business, as well as waste management. We continue to promote responsible and sustainable business practices across the organisation, which positively impacts our operational footprint.

Supply chain focus
PaperlinX has a Sustainable Supply Chain Policy, which makes clear the expectations the Company has of its suppliers and manufacturers. It also makes commitments to assess and consider their sustainability performance as part of the procurement process. Performance improvements are encouraged in a partnership approach, which is intended to address any risks identified, and aid the development of more sustainable products and supply chains. We partner with suppliers and manufacturers that take measures to improve their environmental impact by using certified forest fibres, finding alternative renewable energy sources, reducing chemical, energy and water usage and effluent, and manufacturing products that contain recycled content.

Paper remains one of the few truly sustainable products in the world, and the Company is committed to conducting its business in an equally sustainable manner. The development of sustainable products and services helps our customers and their clients achieve their sustainability goals. A large majority of paper products sold originate from certified forests (against third party standards such as Forest Stewardship Council, Programme for the Endorsement of Forest Certification and Sustainable Forestry Initiative). We support these certification programs through our Chain-of-Custody certifications.

Operational footprint
The Group's Spicers operations include office sites, warehouses and transport. Our companies take responsibility for legal compliance and the management of environmental impacts related to business activities. A particular emphasis is placed on initiatives that also reduce operating costs, such as energy efficiency and waste management.
The majority of our sites collect and recycle waste paper, cardboard and other materials, such as wood, pallets, plastics, acrylic and PVC. We reuse delivery pallets and we have developed a special reusable delivery frame for sign and display media, thereby eliminating the need for unnecessary packaging and pallets. Our team is committed to continuing improvements and taking social responsibility for environmental challenges.

3. Community connections

Our community support is directed by management within each business to support relevant local issues and charitable and non-profit organisations. This includes charitable contributions of cash and paper donations, employee giving, employee involvement activities, cause-related marketing initiatives and commercial sponsorships for industry support. Due to the difficult economic times and significant organisational change, our community activities continue but the investment has been dramatically scaled back.

Many of our businesses are actively involved in supporting professional education and development of printing and design communities to foster customer relationships.
We also work with a number of industry groups in Australia, New Zealand and Asia to tackle issues specific to the print and paper industry, and the environment and sustainability area.

Full Financial Report of PaperlinX Limited

As at 30 June 2015

Contents

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000	2014 Restated *(1)* $000
Continuing operations			
Revenue from sale of goods		558,146	659,426
Cost of inventory sold		(447,973)	(535,027)
Gross profit		110,173	124,399
Other income	8	3,688	5,741
Personnel costs		(58,081)	(68,663)
Logistics and distribution		(36,667)	(41,796)
Sales and marketing		(1,514)	(1,568)
Impairment / impairment reversal of property, plant and equipment	19,21	(468)	1,987
Impairment of intangible assets	20,21	(6,527)	-
Other expenses		(31,818)	(41,681)
Result from operating activities		(21,214)	(21,581)
Net finance costs		(3,668)	(3,233)
Loss before tax		(24,882)	(24,814)
Tax expense	10	(1,834)	(2,181)
Loss from continuing operations		(26,716)	(26,995)
Discontinued operations			
Loss from discontinued operations, net of tax	11	(365,610)	(36,612)
Loss for the period		(392,326)	(63,607)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(392,326)	(63,607)
Basic earnings per share (cents)	7	(59.0)	(7.0)
Basic earnings per share from continuing operations (cents)	7	(4.0)	(1.2)
Diluted earnings per share (cents)	7	(59.0)	(7.0)
Diluted earnings per share from continuing operations (cents)	7	(4.0)	(1.2)

(1) Refer Note 11.

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 2015

	Note	2015 $000	2014 Restated *(1)* $000
Loss for the period		(392,326)	(63,607)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial adjustments on defined benefit pension plans	32	(32,742)	11,361
Derecognition of actuarial adjustments on defined benefit plans on disposal of controlled entities *(2)*	32	158,836	-
Derecognition of deferred tax assets *(3)*	10	(18,908)	-
Income tax benefit/(expense) relating to items that will not be reclassified to profit or loss	10	898	(3,871)
Income tax expense relating to derecognition of actuarial adjustments on defined benefit plans on disposal of controlled entities *(2)*	10	(4,303)	-
Total items that will not be reclassified to profit or loss		103,781	7,490
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		8,648	9,215
Total items that may be reclassified subsequently to profit or loss		8,648	9,215
Items reclassified to profit or loss			
Exchange differences on disposal of controlled entities *(2)*		95,524	-
Total items reclassified to profit or loss		95,524	-
Other comprehensive income for the period, net of tax		207,953	16,705
Total comprehensive loss for the period, net of tax		(184,373)	(46,902)
Total comprehensive loss for the period attributable to:			
Equity holders of PaperlinX Limited		(184,373)	(46,902)

(1) Refer Note 11.
(2) Disposal includes sale and loss of control - refer Note 11.
(3) Deferred tax assets relating to European defined benefit pension plans were derecognised on the basis that they are no longer considered to be recoverable.

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 2015

	Note	2015 $000	2014 $000
Current assets			
Cash and cash equivalents	13	59,473	107,017
Trade and other receivables	14	100,937	535,540
Inventories	15	83,049	275,661
Assets held for sale	16	1,702	1,686
Total current assets		245,161	919,904
Non-current assets			
Receivables	17	3,578	2,950
Investments	18	-	1,180
Property, plant and equipment	19	9,797	38,259
Intangible assets	20	26,345	82,023
Deferred tax assets	22	238	22,625
Total non-current assets		39,958	147,037
Total assets		285,119	1,066,941
Current liabilities			
Trade and other payables	23	110,724	390,757
Loans and borrowings	24	16,441	25,955
Income tax payable		4,037	2,693
Employee benefits	25	8,354	12,787
Provisions	26	5,345	28,217
Total current liabilities		144,901	460,409
Non-current liabilities			
Payables		-	1,302
Loans and borrowings	24	-	174,784
Deferred tax liabilities	22	42	1,264
Employee benefits	25	11,514	111,390
Provisions	26	-	4,483
Total non-current liabilities		11,556	293,223
Total liabilities		156,457	753,632
Net assets		128,662	313,309
Equity			
Issued capital	27	1,895,767	1,895,738
Reserves	28	(10,327)	(114,196)
Accumulated losses		(2,011,601)	(1,723,056)
Total equity attributable to holders of ordinary shares of PaperlinX Limited		(126,161)	58,486
Issued PaperlinX step-up preference securities		276,518	276,518
Reserve for own PaperlinX step-up preference securities		(21,695)	(21,695)
PaperlinX step-up preference securities	29	254,823	254,823
Total equity		128,662	313,309

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 2015

	Attributable to equity holders of PaperlinX Limited						
$000	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 2014	1,895,738	(116,109)	(284)	2,197	(1,723,056)	254,823	**313,309**
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	(392,326)	-	**(392,326)**
Other comprehensive income							
• Actuarial adjustments on defined benefit plans	-	-	-	-	(32,742)	-	**(32,742)**
• Derecognition of actuarial adjustments on defined benefit plans on disposal of controlled entities *(1)*	-	-	-	-	158,836	-	**158,836**
• Exchange differences on translation of overseas subsidiaries	-	8,648	-	-	-	-	**8,648**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)*	-	95,524	-	-	-	-	**95,524**
• Derecognition of deferred tax assets *(2)*	-	-	-	-	(18,908)	-	**(18,908)**
• Income tax benefit on other comprehensive income	-	-	-	-	898	-	**898**
• Income tax expense relating to derecognition of actuarial adjustments on disposal of controlled entities *(1)*	-	-	-	-	(4,303)	-	**(4,303)**
Total other comprehensive income	-	104,172	-	-	103,781	-	**207,953**
Total comprehensive (loss)/income for the period	-	104,172	-	-	(288,545)	-	**(184,373)**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	-	3,533	-	-	**3,533**
• Effect of disposal of controlled entities *(1)*	-	-	-	(3,936)	-	-	**(3,936)**
• Issue of shares to employees	29	-	100	-	-	-	**129**
Total transactions with owners	29	-	100	(403)	-	-	**(274)**
Balance at 30 June 2015	1,895,767	(11,937)	(184)	1,794	(2,011,601)	254,823	**128,662**
Balance at 1 July 2013	1,895,581	(125,324)	-	1,459	(1,686,478)	276,518	**361,756**
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	(63,607)	-	**(63,607)**
Other comprehensive income							
• Actuarial adjustments on defined benefit plans	-	-	-	-	11,361	-	**11,361**
• Exchange differences on translation of overseas subsidiaries	-	9,215	-	-	-	-	**9,215**
• Income tax expense on other comprehensive income	-	-	-	-	(3,871)	-	**(3,871)**
Total other comprehensive income	-	9,215	-	-	7,490	-	**16,705**
Total comprehensive (loss)/income for the period	-	9,215	-	-	(56,117)	-	**(46,902)**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	(284)	738	-	-	**454**
• Shares issued on acquisition of PaperlinX step-up preference securities	2,156	-	-	-	19,539	(21,695)	**-**
• Transactions costs incurred on acquisition of PaperlinX step-up preference securities	(1,999)	-	-	-	-	-	**(1,999)**
Total transactions with owners	157	-	(284)	738	19,539	(21,695)	**(1,545)**
Balance at 30 June 2014	1,895,738	(116,109)	(284)	2,197	(1,723,056)	254,823	**313,309**

(1) Disposal includes sale and loss of control - refer Note 11.
(2) Deferred tax assets relating to European defined benefit pension plans were derecognised on the basis that they are no longer considered to be recoverable.

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 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers		2,026,473	2,936,009
Payments to suppliers and employees		(2,072,298)	(2,875,982)
Interest received		1,783	1,477
Interest paid		(11,689)	(13,622)
Income taxes (paid)/refunded		(2,340)	2,839
Net cash (used in)/from operating activities	33	(58,071)	50,721
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		(5,008)	-
• Property, plant and equipment and intangibles		(3,900)	(7,617)
Net proceeds/(payments) from the sale of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		51,455	(77)
• Property, plant and equipment		4,103	1,270
• Investments		581	(7)
Tasmanian manufacturing operations closure payments		(178)	(805)
Loans repaid to other persons		-	(1)
Net cash from/(used in) investing activities		47,053	(7,237)
Cash flows from financing activities			
Proceeds from borrowings		34,575	42,436
Repayment of borrowings		(46,037)	(67,559)
Purchase of own shares for employees		-	(284)
Transaction costs paid for takeover offer - PaperlinX SPS units		-	(1,700)
Capitalised borrowing costs paid		-	(806)
Other borrowing costs paid		(1,927)	(1,872)
Net cash used in financing activities		(13,389)	(29,785)
Net (decrease)/increase in cash and cash equivalents		(24,407)	13,699
Cash and cash equivalents at the beginning of the period	33	107,017	87,683
Cash and cash equivalents disposed on derecognition of controlled entities		(30,070)	-
Effect of exchange rate changes on cash held		6,933	5,635
Cash and cash equivalents at the end of the period	33	59,473	107,017

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 155 Logis Boulevard, Dandenong South VIC 3175, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 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 and sign and display.

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 2015.

(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 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. An entity is a going concern when it is considered to be able to pay its debts as and when they are due and continue in operation without any intention or necessity to liquidate the entity or to cease trading.

In the current reporting period, a number of UK and European subsidiaries were placed into administration. In addition, the Consolidated Entity's Canadian operations and a number of European subsidiaries were divested. These are discussed further in notes 11 and 40. Therefore the Consolidated Entity is now largely comprised of businesses in Australia, New Zealand and Asia (collectively referred to as ANZA). The Consolidated Entity is primarily funded by receivables-backed and inventory-backed facilities.

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, and maintaining trading/settlement terms with key creditors (including suppliers and credit insurers). 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 at least the next 12 months. This notwithstanding, 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.

As at the reporting date, the administration proceedings in the UK and European subsidiaries are ongoing and are expected to continue for some time. As part of these proceedings, legal claims and other exposures may arise on the Consolidated Entity, including in respect of pension plan liabilities, other employee entitlements, trade and other creditors and director / officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters (refer Note 37).

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, further restrictions of operating or capital expenditures and the exiting and/or sale of certain surplus assets and loss making operations.

The directors are aware that uncertainties exist due to the above events which may cast significant doubt upon the Consolidated Entity's ability to continue as a going concern. After making enquiries, 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 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting.*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part A - Annual Improvements 2010-2012 and 2011-2013 Cycles]*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part B - Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)]*

The adoption of these standards did not have any financial impact on the current reporting period or the prior comparative reporting period.

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.

In the current reporting period, the Company lost control of a number of subsidiaries when those subsidiaries entered into administration (refer Notes 11 and 40). In accordance with the requirements of AASB 10, the Company has:

- Derecognised the assets and liabilities of the subsidiaries at their carrying amounts at the date when control was lost. Where the Company has been unable to obtain asset and liability values immediately prior to the loss of control, the most recent management approved monthly accounts have been used to approximate the values on loss of control.
- Reclassified to the income statement, or transferred directly to retained earnings if required by other standards, the amounts previously recognised in other comprehensive income in relation to the subsidiaries. Amounts previously recognised in other comprehensive income are accounted for as if the Company had directly disposed of the related assets or liabilities.
- Recognised any resulting difference as a gain or loss on disposal of discontinued operations (refer Note 11).

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. PaperlinX Step-up Preference Securities acquired by the Consolidated Entity as part of an off-market takeover offer are recorded at their carrying value (issue price less issue costs) in the reserve for own PaperlinX Step-up Preference Securities.

(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.

Note 3. Accounting policies – (continued)

(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.

- **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.

Note 3. Accounting policies – (continued)

(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% (2014: 1% - 3%)
Buildings:	between 1% - 4% (2014: 1% - 4%)
Plant and equipment:	between 4% - 25% (2014: 4% - 25%)

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.

(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 and/or corporate 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.

Note 3. Accounting policies – (continued)

- **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.

(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.

Note 3. Accounting policies – (continued)

(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.

- **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.

Amounts owed to former subsidiaries, which are recognised for the first time upon the loss of control of those subsidiaries, are recognised initially at fair value and subsequently at amortised cost.

- **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.

Note 3. Accounting policies – (continued)

(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% (2014: 10% - 40.0%)
Customer lists:	6.7% - 14.3% (2014: 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.

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.

Note 3. Accounting policies – (continued)

(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.

(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.

- **Fair value of financial liabilities**

Amounts owed to former subsidiaries, which are recognised for the first time upon the loss of control of those subsidiaries, are recognised initially at fair value and subsequently at amortised cost. To determine fair value, the Consolidated Entity makes estimates and assumptions regarding future cash flows, the credit risk of the entity and its capacity to pay.

- **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.

- **Contingent liabilities**

Management has made estimates and judgements in relation to the likelihood of certain contingent liabilities, refer Note 37.

Note 3. Accounting policies – (continued)

(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 2018.
- 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 2018.
- AASB 9 *Financial Instruments (Dec 2014)* includes requirements for impairment of financial assets, and limited amendments to classification and measurement of financial assets, including introducing a measurement category of 'fair value through other comprehensive income' for debt instruments. This also supersedes both AASB 9 (Dec 2009) and AASB 9 (Dec 2010). AASB 9 will become applicable to annual reporting periods beginning on or after 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers,* AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It replaces AASB 111, AASB 118, Interpretation 13, Interpretation 15, Interpretation 18 and Interpretation 131. AASB 15 will become applicable to annual reporting periods beginning on or after 1 January 2017.
- AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [Part C]* introduces a new chapter to AASB 9 (2009 & 2010) on hedge accounting and permits an entity to apply only the requirements introduced in AASB 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of AASB 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. AASB 2013-9 will become applicable to annual reporting periods beginning on or after 1 January 2018.
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part E - Financial Instruments]* includes amendments to reflect the decision to defer the mandatory application date of AASB 9, as well as amendments to reduced disclosure requirements for AASB 7. AASB 2014-1 *[Part E]* will be applicable to annual reporting periods beginning on or after 1 January 2015.
- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation* includes amendments to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. AASB 2014-4 will become applicable to annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* includes amendments to a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. AASB 2015-1 will become applicable to annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101. AASB 2015-2 will become applicable to annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of* AASB 1031 *Materiality* completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that standards to effectively be withdrawn. AASB 2015-3 will become applicable to annual reporting periods beginning on or after 1 July 2015.

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 measurement or 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. Merchanting Europe Exit comprises Germany and the holding company for the Continental Europe merchanting operations (PaperlinX Holdings Coöperatieve UA). The Consolidated Entity intends to pursue opportunities to sell or realise the remaining European operations.
Discontinued operations	Comprises merchanting operations in North America (USA and Canada) and Europe (Continental Europe, United Kingdom and Ireland). Also comprises paper manufacturing. 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 5. Operating segments – (continued)

	Note	Merchanting Australia, New Zealand, Asia $000	Unallocated $000	Continuing Pre Europe Exit $000	Merchanting Europe Exit $000	Total Continuing Operations $000	Discontinued Operations $000	Group Eliminations $000	Group $000
For the year ended 30 June 2015									
External sales revenue		401,890	-	401,890	154,185	556,075	1,463,503	-	2,019,578
Inter-segment sales revenue		2,071	-	2,071	-	2,071	-	(2,071)	-
Total revenue		403,961	-	403,961	154,185	558,146	1,463,503	(2,071)	2,019,578
Profit/(loss) before net finance costs, tax and significant items		14,667	(9,964)	4,703	(12,314)	(7,611)	(19,131)	-	(26,742)
Net other finance costs		-	(1,551)	(1,551)	(487)	(2,038)	(2,496)	-	(4,534)
Underlying profit/(loss) before interest and tax		14,667	(11,515)	3,152	(12,801)	(9,649)	(21,627)	-	(31,276)
Significant items (pre-tax)	6	(9,271)	(5,050)	(14,321)	718	(13,603)	(333,058)	-	(346,661)
Profit/(loss) before interest and tax		5,396	(16,565)	(11,169)	(12,083)	(23,252)	(354,685)	-	(377,937)
Net interest			(1,232)	(1,232)	(398)	(1,630)	(8,859)	-	(10,489)
Loss before tax			(17,797)	(12,401)	(12,481)	(24,882)	(363,544)	-	(388,426)
Tax expense - pre-significant items			(1,719)	(1,719)	(126)	(1,845)	(2,095)	-	(3,940)
Tax benefit - significant items	6		11	11	-	11	29	-	40
Loss for the period			(19,505)	(14,109)	(12,607)	(26,716)	(365,610)	-	(392,326)
The loss before tax includes:									
Depreciation and amortisation	19,20	(1,574)	(76)	(1,650)	-	(1,650)	(6,042)	-	(7,692)
Impairment	21	(6,995)	-	(6,995)	-	(6,995)	(56,872)	-	(63,867)
Depreciation, amortisation and impairment		(8,569)	(76)	(8,645)	-	(8,645)	(62,914)	-	(71,559)
Capital expenditure		4,683	471	5,154	-	5,154	1,694	-	6,848
As at 30 June 2015									
Total assets		209,640	20,754	230,394	45,277	275,671	9,448	-	285,119
Total liabilities		66,707	18,600	85,307	67,399	152,706	4,001	(250)	156,457
Net assets/(liabilities)		142,933	2,154	145,087	(22,122)	122,965	5,447	250	128,662
For the year ended 30 June 2014 - Restated *(1)*									
External sales revenue		420,827	-	420,827	235,414	656,241	2,176,972	-	2,833,213
Inter-segment sales revenue		3,185	-	3,185	-	3,185	-	(3,185)	-
Total revenue		424,012	-	424,012	235,414	659,426	2,176,972	(3,185)	2,833,213
Profit/(loss) before net finance costs, tax and significant items		15,341	(10,963)	4,378	(7,398)	(3,020)	(716)	-	(3,736)
Net other finance costs		-	(849)	(849)	(571)	(1,420)	(2,023)	-	(3,443)
Underlying profit/(loss) before interest and tax		15,341	(11,812)	3,529	(7,969)	(4,440)	(2,739)	-	(7,179)
Significant items (pre-tax)	6	(2,295)	(1,635)	(3,930)	(14,631)	(18,561)	(14,027)	-	(32,588)
Profit/(loss) before interest and tax		13,046	(13,447)	(401)	(22,600)	(23,001)	(16,766)	-	(39,767)
Net interest			(1,423)	(1,423)	(390)	(1,813)	(10,880)	-	(12,693)
Loss before tax			(14,870)	(1,824)	(22,990)	(24,814)	(27,646)	-	(52,460)
Tax expense - pre-significant items			(2,123)	(2,123)	(124)	(2,247)	(9,320)	-	(11,567)
Tax benefit - significant items	6		66	66	-	66	354	-	420
Loss for the period			(16,927)	(3,881)	(23,114)	(26,995)	(36,612)	-	(63,607)
The loss before tax includes:									
Depreciation and amortisation	19,20	(1,674)	(257)	(1,931)	(474)	(2,404)	(7,496)	-	(9,900)
Impairment charges	21	-	-	-	1,987	1,987	-	-	1,987
Depreciation, amortisation and impairment		(1,674)	(257)	(1,931)	1,513	(417)	(7,496)	-	(7,913)
Capital expenditure		1,139	56	1,195	206	1,402	6,215	-	7,617
As at 30 June 2014 - Restated *(1)*									
Total assets		229,326	4,559	233,885	36,712	270,597	796,344	-	1,066,941
Total liabilities		85,844	14,807	100,651	94,213	194,864	558,812	(44)	753,632
Net assets/(liabilities)		143,482	(10,248)	133,234	(57,501)	75,733	237,532	44	313,309

(1) Refer Note 11.

Note 6. Individually significant items

		Continuing			Discontinued			Total		
For the year ended 30 June	Note	Pre -tax $000	Tax impact $000	Post -tax $000	Pre -tax $000	Tax impact $000	Post -tax $000	Pre -tax $000	Tax impact $000	Post -tax $000
2015										
Loss on disposal of controlled entities *(1)*	11	198	-	198	(271,136)	-	(271,136)	(270,938)	-	(270,938)
Impairment of intangible assets	21	(6,527)	-	(6,527)	(43,497)	-	(43,497)	(50,024)	-	(50,024)
Impairment of property, plant and equipment	21	(468)	-	(468)	(13,374)	-	(13,374)	(13,842)	-	(13,842)
Restructuring costs *(2)*		(3,695)	11	(3,684)	(5,051)	29	(5,022)	(8,746)	40	(8,706)
Group strategic review costs *(2)*		(3,111)	-	(3,111)	-	-	-	(3,111)	-	(3,111)
Total individually significant items		(13,603)	11	(13,592)	(333,058)	29	(333,029)	(346,661)	40	(346,621)
2014 - Restated *(3)*										
Loss on sale of controlled entities	11	-	-	-	(1,525)	-	(1,525)	(1,525)	-	(1,525)
Impairment reversal - property, plant and equipment	16	1,987	-	1,987	-	-	-	1,987	-	1,987
Restructuring costs *(2)*		(20,548)	66	(20,482)	(13,895)	354	(13,541)	(34,443)	420	(34,023)
Write-back of provisions re closure of discontinued Tasmanian operations		-	-	-	1,393	-	1,393	1,393	-	1,393
Total individually significant items		(18,561)	66	(18,495)	(14,027)	354	(13,673)	(32,588)	420	(32,168)

(1) Disposal includes sale and derecognition of assets and liabilities on loss of control - refer Note 11.
(2) Restructuring and Group strategic review costs are included in 'other expenses' in the Consolidated Income Statement.
(3) Refer Note 11.

Note 7. Earnings per share

	Continuing		Discontinued		Total	
	2015 $000	2014 Restated *(1)* $000	2015 $000	2014 Restated *(1)* $000	2015 $000	2014 $000
Loss for the period	(26,716)	(26,995)	(365,610)	(36,612)	(392,326)	(63,607)
Add gain on purchase of PaperlinX step-up preference securities	-	19,539	-	-	-	19,539
Loss for the period attributable to holders of ordinary shares in PaperlinX Limited	(26,716)	(7,456)	(365,610)	(36,612)	(392,326)	(44,068)
Weighted average number of shares - basic (thousands)	665,181	628,581	665,181	628,581	665,181	628,581
Basic EPS (cents)	(4.0)	(1.2)	(55.0)	(5.8)	(59.0)	(7.0)
Weighted average number of shares - diluted (thousands)	665,181	628,581	665,181	628,581	665,181	628,581
Diluted EPS (cents)	(4.0)	(1.2)	(55.0)	(5.8)	(59.0)	(7.0)

(1) Refer Note 11.

The options to purchase shares and rights on issue during the years ended 30 June 2015 and 30 June 2014 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 2015 (weighted average 58.1 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 2014 (weighted average 42.9 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 2015 up to the date of this report.

1,446,970 rights have vested and been exercised, resulting in the issuing of 1,446,970 shares since 30 June 2015 up to the date of this report. On 19 August 2015, following Board approval, the Company cancelled the 35 million options previously issued to Mr A J Price. In addition, no options on issue at balance date have been exercised up to the date of this report.

Nil options and nil rights have lapsed since 30 June 2015 in respect of the plan period ended 30 June 2015.

Note 8. Other income from continuing operations

	2015 $000	2014 Restated *(1)* $000
Rent	1,509	1,477
Net (loss)/profit on disposal of non-current assets	(13)	545
Other	2,192	3,719
Total other income	3,688	5,741

(1) Refer Note 11.

Note 9. Net finance costs from continuing operations

	2015 $000	2014 Restated *(1)* $000
Net interest		
Interest expense	(2,276)	(2,531)
Interest income	646	718
Net interest	(1,630)	(1,813)
Net other finance costs		
Net other foreign exchange losses	(1,419)	(702)
Other borrowing costs	(619)	(718)
Net other finance costs	(2,038)	(1,420)
Total net finance costs	(3,668)	(3,233)

(1) Refer Note 11.

Note 10. Income tax expense

	2015 $000	2014 $000
Prima facie income tax benefit attributable to loss from continuing and discontinued operations at the Australian tax rate of 30% (2014: 30%)	116,528	15,738
Add/(deduct) the tax effect of:		
• Tax losses not brought to account	(8,302)	(20,936)
• Prior year booked tax losses written off in the current year	(194)	(3,048)
• Write-off of temporary differences	-	(1,901)
• Overseas tax rate differential	(27,809)	(1,792)
• Amortisation of goodwill allowable	310	424
• (Under) provision in prior years	(5)	(297)
• Other non-deductible/non-assessable items	468	400
• Non-deductible impairment expenses - significant item	(15,423)	-
• Non-assessable impairment reversals - significant item	-	656
• Non-deductible loss on sale/disposal of merchanting businesses - discontinued significant item	(69,473)	(391)
Total tax expense in income statement	(3,900)	(11,147)
comprising:		
Tax expense from continuing operations	(1,834)	(2,181)
Tax expense from discontinued operations	(2,066)	(8,966)
	(3,900)	(11,147)
Recognised in the income statement		
Current tax expense		
• Current year	13,865	(4,386)
• (Under) provision in prior years	(5)	(297)
Deferred tax expense	(17,760)	(6,464)
Total tax expense in income statement	(3,900)	(11,147)
Recognised in other comprehensive income		
Tax effect of actuarial adjustments on defined benefit plans	898	(3,871)
Tax effect of derecognition of actuarial adjustments *(1)*	(18,908)	-
Tax effect of derecognition of actuarial adjustments on disposal of controlled entities *(2)*	(4,303)	-
Total tax expense recognised in other comprehensive income	(22,313)	(3,871)

(1) Deferred tax assets relating to European defined benefit pension plans were derecognised on the basis that they are no longer considered to be recoverable.
(2) Disposal included sale and loss of control - refer Note 11.

The balance of the consolidated franking account as at the reporting date was $Nil (2014: $Nil).

Note 11. Discontinued operations

Discontinued operations comprise:

- Merchanting operations sold, held for sale or derecognised because they are under the control of an administrator; and
- Paper manufacturing operations sold or closed down.

Discontinued Merchanting

In the current reporting period, the Company embarked on a strategic review in relation to Paper Associates Pty Ltd (the holding company for the Consolidated Entity's European, Asian (excluding Australia and New Zealand) and Canadian operations.

Europe segment

As a result of the strategic review, the Company's Board determined that there was no reasonable basis upon which to expect a financial improvement in the United Kingdom operations (PaperlinX UK) and that it was not in the best interests of the Company to continue to support the United Kingdom's trading losses and adverse liquidity position or to fund significant restructuring activities.

This led to a number of companies comprising the paper merchanting and Visual Technology Solutions operations of PaperlinX UK being placed into administration on 1 April 2015.

Substantial ongoing operating losses due to declining revenues and falling profit margins from lowered demand for paper in the Benelux region together with challenges in restructuring, the tightening of supplier payment terms following withdrawals of trade credit insurance and the flow on impact of the PaperlinX UK administration culminated in the Netherlands operations being placed into administration effective 14 April 2015.

The Austrian operations were placed into administration on 28 April 2015 as a result of liquidity issues that the business had faced following the tightening and/or withdrawal of credit terms from suppliers and lenders after the PaperlinX UK and Netherlands businesses were placed into administration.

The Continental Europe holding companies PaperlinX Netherlands B.V. and PaperlinX Netherlands Holdings B.V. were placed into 'suspension of payments' (a form of administration) on 24 June 2015 and 29 June 2015 respectively.

Under IFRS, when a reporting entity loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost – refer Note 3(a). The assets and liabilities of the UK, Netherlands and Austrian businesses have been derecognised as at the date on which the most recent management approved accounts were received by the Company. Those dates are outlined in the summary below. The assets and liabilities of the Belgium and Czech Republic businesses have been derecognised from the date on which their parent entity, PaperlinX Netherlands Holdings B.V., was placed into administration.

Through the strategic review, the Company explored options to divest part or all of the European operations. Although a number of businesses were ultimately placed into administration, the Polish, Spanish, Scandinavian and Irish businesses were subsequently sold.

In summary, the discontinued Europe merchanting segment comprises:

- United Kingdom - entered administration on 1 April 2015. Derecognised in the current reporting period as at 28 February 2015.
- Netherlands – commenced administration process on 14 April 2015. Derecognised in the current reporting period as at 31 March 2015.
- Austria – commenced administration process on 28 April 2015. Derecognised in the current reporting period as at 31 March 2015.
- Poland - sold in the current reporting period. Sale completed May 2015
- Spain - sold in the current reporting period. Sale completed May 2015
- Scandinavia - sold in the current reporting period. Sale completed June 2015
- Ireland - sold in the current reporting period. Sale completed June 2015
- Belgium and Czech Republic – derecognised in the current reporting period as at 31 May 2015 due to their parent entity entering suspension of payments in June 2015. Belgium subsequently entered administration on 9 July 2015 - refer Note 41.

North America segment

The strategic review identified that the Canadian merchanting operations had reached an inflection point in relation to its earnings potential unless significant additional capital was invested to preserve and enhance value. As a result the Canadian operations were sold, with the transaction completing on 3 March 2015. Proceeds from the sale have been used to repay external and internal debt as well as provide additional liquidity for the Consolidated Entity.

The discontinued North America merchanting segment also includes the USA operations which were sold in a prior reporting period.

Discontinued Manufacturing

Discontinued paper manufacturing comprises:

- Tas Paper – Wesley Vale Mill and Burnie Mill were closed in a prior reporting period (in March – June 2010)
- Australian Paper – sold in a prior reporting period (in May 2009).

Note 11. Discontinued operations – (continued)

	Europe		North America		Manufacturing & Group Elims		Total Discontinued Operations	
	2015 $000	2014 Restated $000	2015 $000	2014 Restated $000	2015 $000	2014 $000	2015 $000	2014 Restated $000
Revenue	1,190,774	1,764,977	272,729	411,995	-	-	1,463,503	2,176,972
Other income	2,487	2,752	-	3	12	53	2,499	2,808
Trading expenses	(1,220,901)	(1,783,957)	(263,952)	(396,252)	(280)	(287)	(1,485,133)	(2,180,496)
Result from operating activities before significant items, net finance costs, and tax	(27,640)	(16,228)	8,777	15,746	(268)	(234)	(19,131)	(716)
Significant items - operating activities	(29,764)	(13,190)	(32,159)	(705)	-	1,393	(61,923)	(12,502)
Significant items - (loss)/profit on disposal of discontinued operations	(232,305)	(1,054)	(38,506)	244	(324)	(715)	(271,135)	(1,525)
Net other finance costs	(2,310)	(1,745)	(186)	(278)	-	-	(2,496)	(2,023)
Result before interest and tax	(292,019)	(32,217)	(62,074)	15,007	(592)	444	(354,685)	(16,766)
Net interest	(8,074)	(9,560)	(622)	(971)	(163)	(349)	(8,859)	(10,880)
Result before tax	(300,093)	(41,777)	(62,696)	14,036	(755)	95	(363,544)	(27,646)
Tax expense pre-significant items	(233)	(5,808)	(1,862)	(3,512)	-	-	(2,095)	(9,320)
Tax expense significant items - operating activities	29	-	-	354	-	-	29	354
Loss for the period	(300,297)	(47,585)	(64,558)	10,878	(755)	95	(365,610)	(36,612)

Cash flows from discontinued operations

	2015 $000	2014 Restated $000
Net cash (used in)/from operating activities	(59,519)	53,110
Net cash from/(used in) investing activities	53,472	(6,575)
Net cash used in financing activities (excluding internal transactions)	(14,070)	(24,290)
Net cash (used in)/from discontinued operations	(20,117)	22,245

Note 11. Discontinued operations – (continued)

Effect of disposals on the financial position of the Consolidated Entity

The effect of the:

- sale of the Canada operations (Discontinued - North America)
- sale of the Poland, Scandinavia, Spain and Ireland operations (Discontinued - Europe)
- derecognition of the United Kingdom, Netherlands, Belgium, Austria and Czech Republic operations (Discontinued - Europe)

on the financial position of the Consolidated Entity is set out below:

	Europe 2015 $000	North America 2015 $000	Total 2015 $000
Current assets			
Cash and cash equivalents	(32,515)	(1)	(32,516)
Trade and other receivables	(1,414,026)	(44,369)	(1,458,395)
Inventories	(133,913)	(42,493)	(176,406)
Other	(1)	(1,189)	(1,190)
Total current assets	(1,580,455)	(88,052)	(1,668,507)
Non-current assets			
Receivables	(193)	-	(193)
Investments	(572)	-	(572)
Property, plant and equipment	(6,652)	(6,040)	(12,692)
Intangible assets	(927)	(6,437)	(7,364)
Deferred tax assets	(2,553)	(1,976)	(4,529)
Total non-current assets	(10,897)	(14,453)	(25,350)
Total assets	(1,591,352)	(102,505)	(1,693,857)
Current liabilities			
Trade and other payables	(580,458)	(32,291)	(612,749)
Loans and borrowings	(163,068)	-	(163,068)
Internal Payables - Trading	(23,780)	-	(23,780)
Internal Payables - Other	(10,544)	-	(10,544)
Internal Payables - Funding	(459,854)	-	(459,854)
Income tax payable	398	-	398
Employee benefits	(4,088)	(162)	(4,250)
Provisions	(2,160)	-	(2,160)
Total current liabilities	(1,243,554)	(32,453)	(1,276,007)
Non-current liabilities			
Payables	(4)	(1,369)	(1,373)
Loans and borrowings	-	(17,836)	(17,836)
Deferred tax liabilities	169	(1,197)	(1,028)
Employee benefits	(121,890)	(5,489)	(127,379)
Provisions	(3,279)	-	(3,279)
Other	-	343	343
Total non-current liabilities	(125,004)	(25,548)	(150,552)
Total liabilities	(1,368,558)	(58,001)	(1,426,559)
Total net assets disposed	(222,794)	(44,504)	(267,298)
Gross consideration	22,819	66,720	89,539
Cash and cash equivalents disposed *(1)*	(471)	(1)	(472)
Debt disposed *(1)*	(5,992)	(17,962)	(23,954)
Working capital and other adjustments	-	(851)	(851)
Net proceeds	16,356	47,906	64,262
less Proceeds receivable	(4,793)	(3,070)	(7,863)
Net proceeds received, satisified in cash	11,563	44,836	56,399
Transaction costs paid	(2,587)	(182)	(2,769)
Net cash inflow for the period	8,976	44,654	53,630

(1) Net debt disposed does not include $125.0 million of net debt derecognised on loss of control of controlled entities and businesses in Europe.

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 17 June 2015, the company announced that the distribution for the period 1 January 2015 to 30 June 2015 would not be paid. The interim distribution rate for the period 1 July 2015 to 31 December 2015 is 6.9083%. The distribution is payable at the discretion of the directors of the Company.

Note 13. Cash and cash equivalents

	2015 $000	2014 $000
Cash on hand and at bank	41,788	76,198
Deposits at call	17,685	30,819
Total cash and cash equivalents	59,473	107,017

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 $37.1 million (2014: $97.4 million).

Note 14. Trade and other receivables

	2015 $000	2014 $000
Trade debtors	101,203	508,822
Provision for impairment losses	(11,962)	(27,907)
Net trade debtors	89,241	480,915
Accrued rebates	936	21,075
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	6,158	6,028
Other debtors	1,586	5,793
Prepayments	3,016	21,729
Total trade and other receivables	100,937	535,540

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 $4.9 million (2014: $155.8 million).

The amount of receivables transferred but not derecognised as part of the loan facilities in the Europe Exit segment at balance date was $8.9 million (2014: $39.6 million).

Note 15. Inventories

	2015 $000	2014 $000
Finished goods	88,072	283,951
Provision for impairment losses	(5,023)	(8,562)
Net finished goods	83,049	275,389
Raw materials and stores	-	2,900
Provision for impairment losses	-	(2,628)
Net raw materials and stores	-	272
Total inventories	83,049	275,661

The amount of provision charged to the Income Statement for diminution in value of inventories was $(0.1) million for continuing operations (2014: $1.4 million) and $(0.1) million for discontinued operations (2014: $(0.1) million).

The amount of inventories pledged as part of the regional loan facility in New Zealand at balance date was $1.2 million (2014: $nil million).

Note 16. Assets held for sale

	Note	2015 $000	2014 $000
Property, plant and equipment	19,21	1,702	1,686
Total assets held for sale		1,702	1,686

A warehouse, part of the Merchanting Europe Exit segment, was reclassified as held for sale during the prior comparative 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 $2.0 million was recognised in the Consolidated Income Statement in the prior comparative reporting period. The carrying amount is the amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior reporting periods. The warehouse was sold post balance date, with settlement scheduled for September 2015 (refer Note 41).

Note 17. Receivables - non-current

	2015 $000	2014 $000
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	3,287	2,449
Other debtors	291	501
Total receivables non-current	3,578	2,950

Note 18. Investments

	2015 $000	2014 $000
Shares in other companies - not listed on stock exchanges:		
• At cost	1,036	2,216
• Impairment	(1,036)	(1,036)
Total investment in shares in unlisted companies	-	1,180
Total investments	-	1,180

Note 19. Property, plant and equipment

$000	Land	Land improve-ments	Buildings	Plant and equipment	Total
Cost or deemed cost:					
Balance at 1 July 2014	6,158	742	43,896	228,463	279,259
Additions	-	-	127	2,763	2,890
Disposals	-	-	(801)	(14,872)	(15,673)
Acquisition of businesses	-	-	66	200	266
Disposal of businesses *(1)*	(4,814)	-	(21,865)	(155,832)	(182,511)
Foreign currency movements	172	-	1,229	2,361	3,762
Balance at 30 June 2015	1,516	742	22,652	63,083	87,993
Depreciation and impairment losses:					
Balance at 1 July 2014	(2,034)	(742)	(32,702)	(205,522)	(241,000)
Depreciation	-	-	(689)	(4,629)	(5,318)
Impairment charges	(1,188)	-	(1,466)	(11,189)	(13,843)
Disposals	-	-	520	14,314	14,834
Disposal of businesses *(1)*	1,703	-	15,992	152,054	169,749
Foreign currency movements	3	-	(532)	(2,089)	(2,618)
Balance at 30 June 2015	(1,516)	(742)	(18,877)	(57,061)	(78,196)
Carrying amount as at 30 June 2015	-	-	3,775	6,022	9,797
Cost or deemed cost:					
Balance at 1 July 2013	6,632	742	46,387	235,960	289,721
Additions	-	-	155	3,352	3,507
Disposals	(14)	-	(3,109)	(15,907)	(19,030)
Transfers from/(to) assets held for sale	(896)	-	(1,055)	-	(1,951)
Transfers	-	-	(273)	(2,764)	(3,037)
Foreign currency movements	436	-	1,791	7,822	10,049
Balance at 30 June 2014	6,158	742	43,896	228,463	279,259
Depreciation and impairment losses:					
Balance at 1 July 2013	(2,883)	(742)	(34,048)	(210,646)	(248,319)
Depreciation	-	-	(1,080)	(6,186)	(7,266)
Impairment reversals	896	-	1,091	-	1,987
Disposals	13	-	1,950	15,657	17,620
Transfers (from)/to assets held for sale	-	-	252	-	252
Transfers	-	-	302	2,684	2,986
Foreign currency movements	(60)	-	(1,169)	(7,031)	(8,260)
Balance at 30 June 2014	(2,034)	(742)	(32,702)	(205,522)	(241,000)
Carrying amount as at 30 June 2014	4,124	-	11,194	22,941	38,259

(1) Includes businesses sold and derecognised on loss of control - refer Note 11.

Refer Note 21 for details of the impairment review.

Note 20. Intangible assets

$000	Goodwill	Computer software	Brand names	Other	Total
Cost or deemed cost:					
Balance at 1 July 2014	254,618	93,157	19,174	9,236	376,185
Additions	-	1,010	-	-	1,010
Acquisition of businesses	2,651	31	-	-	2,682
Disposal of businesses *(1)*	(193,076)	(87,443)	(19,893)	(9,710)	(310,122)
Foreign currency movements	3,875	510	719	474	5,578
Balance at 30 June 2015	68,068	7,265	-	-	75,333
Amortisation and impairment losses:					
Balance at 1 July 2014	(187,154)	(80,883)	(19,174)	(6,951)	(294,162)
Amortisation	-	(2,215)	-	(159)	(2,374)
Impairment	(38,598)	(9,763)	-	(1,663)	(50,024)
Disposal of businesses *(1)*	187,357	86,284	19,893	9,167	302,701
Foreign currency movements	(3,606)	(410)	(719)	(394)	(5,129)
Balance at 30 June 2015	(42,001)	(6,987)	-	-	(48,988)
Carrying amount as at 30 June 2015	26,067	278	-	-	26,345
Cost or deemed cost:					
Balance at 1 July 2013	243,430	89,929	17,550	8,595	359,504
Additions	47	4,063	-	-	4,110
Disposals/retirements	-	(4,894)	-	-	(4,894)
Foreign currency movements	11,141	4,059	1,624	641	17,465
Balance at 30 June 2014	254,618	93,157	19,174	9,236	376,185
Amortisation and impairment losses:					
Balance at 1 July 2013	(177,261)	(80,119)	(17,550)	(5,829)	(280,759)
Amortisation	-	(1,976)	-	(658)	(2,634)
Disposals/retirements	-	4,907	-	-	4,907
Foreign currency movements	(9,893)	(3,695)	(1,624)	(464)	(15,676)
Balance at 30 June 2014	(187,154)	(80,883)	(19,174)	(6,951)	(294,162)
Carrying amount as at 30 June 2014	67,464	12,274	-	2,285	82,023

(1) Includes businesses sold and derecognised on loss of control - refer Note 11.

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 2015.

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

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 Consolidated Entity's groupings of CGUs during the current and prior reporting periods are:

- Australia, New Zealand and Asia (ANZA)
- Canada - the Canadian business was sold during the current reporting period - refer Note 11.
- Continental Europe - at reporting date comprises the German business and the holding company PaperlinX Holdings Cooperatieve UA. The Scandinavian, Polish and Spanish businesses were sold during the current reporting period - refer Note 11. Control over the Netherlands, Austrian, Belgian and Czech Republic businesses was lost during the current reporting period - refer Note 11.
- United Kingdom and Ireland - the Irish business was sold and control of the United Kingdom operations was lost during the current reporting period - refer Note 11.

The carrying amount of intangible assets with indefinite useful lives is $nil (2014: $nil). The carrying amount of goodwill is as follows:

	Goodwill	
	2015 $000	2014 $000
Merchanting CGU groupings:		
Continuing:		
• ANZA	26,067	30,666
Discontinued:		
• Continental Europe	-	933
• Canada	-	35,865
	26,067	67,464

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.

ANZA:

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

Discount rate:	10.9% - 14.8% (2014: 10.9% - 14.8%). The discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk adjusted discount rate.
Terminal growth rate:	Terminal growth rate: 0.0% - 2.0% (2014: 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 CGU's 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.

Ongoing weak demand for core paper products in Asia resulted in an impairment charge of $6.5 million being booked against the carrying value of Asia's goodwill in the current reporting period.

The New Zealand CGU contains all of ANZA's remaining goodwill. The valuation for the New Zealand CGU exceeds the carrying value. There would need to be a 90bps increase in the discount rate or a 100bps decrease in gross paper margin or a 210bps decrease in diversified gross margin in order for an impairment of goodwill to arise in future reporting periods.

An item of plant and equipment in Australia which was decommissioned during the interim reporting period was subject to an impairment charge of $0.5 million.

Canada:

As part of the Company's strategic review (refer Note 11), it became apparent from an indicative bid and subsequent written offer that the carrying value of Canada's goodwill would not be recouped in a sale process. Therefore, an impairment charge of $32.1 million was booked in the interim reporting period. The impairment charge falls within the Discontinued segment and has been disclosed as impairment of intangible assets in the Consolidated Income Statement.

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

Continental Europe:

The goodwill in this CGU related to Scandinavia and was written off on sale of the business (refer Note 11).

Ongoing weak demand for core paper products and delays in restructuring programs in Benelux resulted in an impairment charge of $6.3 million being booked against the carrying value of property, plant and equipment in the interim reporting period. The impairment charge falls within the Discontinued segment and has been disclosed as impairment of property, plant and equipment in the Consolidated Income Statement.

United Kingdom and Ireland:

There was no goodwill in this CGU.

Ongoing weak demand for core paper products in the United Kingdom resulted in an impairment charge of $7.1 million being booked against the carrying value of property, plant and equipment in the interim reporting period. The impairment charge falls within the Discontinued segment and has been disclosed as impairment of property, plant and equipment in the Consolidated Income Statement.

Impairment testing – other intangibles

ANZA:

At reporting date the CGU has $0.2 million of intangible assets, relating to computer software. There is no indication of impairment for these assets.

Canada:

There was no indication of impairment for Canada's computer software and other intangible assets during the reporting period prior to the sale of the business.

Continental Europe:

Ongoing weak demand for core paper products and delays in restructuring programs in Benelux resulted in an impairment charge of $6.8 million being booked against the carrying value of computer software in the interim reporting period. The impairment charge falls within the Discontinued segment and has been disclosed as impairment of intangible assets in the Consolidated Income Statement.

The fully impaired value of brands was derecognised on loss of control of the relevant entities during the reporting period (refer Note 11).

United Kingdom and Ireland:

Ongoing weak demand for core paper products in the United Kingdom resulted in an impairment charge of $3.0 million being booked against the carrying value of computer software and $1.7 million being booked against the carrying value of other intangibles in the interim reporting period. The impairment charges fall within the Discontinued segment and have been disclosed as impairment of intangible assets in the Consolidated Income Statement.

The fully impaired value of brands was derecognised on loss of control of the relevant entities during the reporting period (refer Note 11).

Impairment loss and reversals

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

$000	Property, plant and equipment				Intangibles			
2015	**Land**	**Buildings**	**Plant and equip't**	**Total**	**Goodwill**	**Computer software**	**Other intangibles**	**Total**
Impairment charges:								
Continuing:								
• ANZA	-	-	(468)	(468)	(6,527)	-	-	(6,527)
Total continuing operations	-	-	(468)	(468)	(6,527)	-	-	(6,527)
Discontinued:								
• Continental Europe	-	-	(6,304)	(6,304)	-	(6,766)	-	(6,766)
• United Kingdom and Ireland	(1,188)	(1,466)	(4,416)	(7,070)	-	(2,996)	(1,664)	(4,660)
• Canada	-	-	-	-	(32,071)	-	-	(32,071)
Total discontinued operations	(1,188)	(1,466)	(10,720)	(13,374)	(32,071)	(9,762)	(1,664)	(43,497)
Total	(1,188)	(1,466)	(11,188)	(13,842)	(38,598)	(9,762)	(1,664)	(50,024)
2014								
Impairment (charges)/reversals:								
Continuing:								
• Continental Europe	896	1,091	-	1,987	-	-	-	-
Total continuing operations	896	1,091	-	1,987	-	-	-	-
Total	896	1,091	-	1,987	-	-	-	-

Note 22. Deferred tax balances

	2015 $000	2014 $000
Deferred taxes		
Deferred tax assets	238	22,625
Deferred tax liabilities	(42)	(1,264)
Net deferred tax balances	196	21,361
Movement in net deferred tax balances during the reporting period:		
Opening balance	21,361	31,696
Recognised in profit or loss	(17,760)	(6,464)
Recognised in other comprehensive income	(3,405)	(3,871)
Closing balance	196	21,361
Deferred tax balances are attributable to the following:		
Provisions and employee benefits	190	23,289
Tax losses	-	2,175
Property, plant and equipment	(127)	(501)
Intangible assets	(34)	(1,316)
Other items	167	(2,286)
Net deferred tax balances	196	21,361
Unrecognised deferred tax assets *(1)*		
Capital losses - no expiry date	150,950	150,650
Revenue losses - no expiry date	220,139	285,190
Total unrecognised deferred tax assets	371,089	435,840

(1) 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

	2015 $000	2014 $000
Trade creditors	61,123	299,982
Accrued expenses	2,657	15,436
Sales tax, GST and VAT	3,571	24,963
Rebates	2,065	13,116
Other creditors	41,308	37,260
Total trade and other payables	110,724	390,757

Note 24. Loans and borrowings

(a) Current

	Currency	Nominal interest rate *(1)*	Year of Maturity	2015 $000	2014 $000
• Bank loans - secured *(2)*	AUD	BBSR *(3)*	2016 *(10)*	445	-
• Bank loans - secured *(2)*	NZD	BKBM *(4)*	2017	5,699	363
• Bank loans - secured *(2)*	EUR	Euribor *(5)*	2016	8,873	-
• Bank loans - secured	EUR	Euribor *(5)*	2015-17	-	445
• Bank loans - secured	EUR	CP Rate *(6)*	2015	-	189
• Bank loans - secured	GBP	CP Rate *(6)*	2015	-	3,246
• Bank loans - secured	GBP	BBLR *(7)*	2015	-	1,267
• Bank loans - secured	PLN	Wibor *(8)*	2015	-	14,350
• Bank loans - secured	CZK	Pribor *(9)*	2015	-	403
• Other bank loans - secured	various	various	various	1,532	6,180
• Capitalised borrowing costs				(108)	(496)
Bank loans - secured				16,441	25,947
Bank loans - unsecured				-	8
Total loans and borrowings - current				16,441	25,955

Note 24. Loans and borrowings – (continued)

(b) Non-current

	Currency	Nominal interest rate *(1)*	Year of Maturity	2015 $000	2014 $000
• Bank loans - secured *(2)*	NZD	BKBM *(4)*	2017	-	49
• Bank loans - secured	EUR	CP Rate *(6)*	2015	-	21,344
• Bank loans - secured	GBP	CP Rate *(6)*	2015	-	71,442
• Bank loans - secured	GBP	BBLR *(7)*	2015	-	57,077
• Bank loans - secured *(2)*	AUD	BBSR *(3)*	2016 *(10)*	-	750
• Bank loans - secured	CZK	Pribor *(9)*	2015	-	5,073
• Bank loans - secured	EUR	Euribor *(5)*	2016	-	9,517
• Bank loans - secured	EUR	Euribor *(5)*	2015-17	-	9,939
• Capitalised borrowing costs				-	(407)
Bank loans - secured				-	174,784
Total loans and borrowings - non-current				-	174,784

(1) Excludes company specific margins.
(2) These bank loans are facilities secured by certain assets.
(3) BBSR: Bank Bill Swap Rate.
(4) BKBM: Bank Bill Market Rate.
(5) Euribor: Euro Inter Bank Offer Rate.
(6) CP Rate: Commercial Paper Rate.
(7) BBLR: Bank Based Lending Rate.
(8) Wibor: Warsaw Inter Bank Offer Rate.
(9) Pribor: Prague Inter Bank Offer Rate.
(10) Subsequent to balance date, the maturity date of this facility was extended to March 2018 - refer Note 41.

The regional asset backed facilities in Australia and NZ have availability periods of 9 months to 2 years, and include regional covenant measures. These vary by region and include fixed charge coverage ratios, net worth and capital expenditure tests. These facilities have restrictions on the ability to draw down and move cash within the Consolidated Entity.

The regional asset backed facilities in Australia and Germany involves the securitisation of receivables. In New Zealand, the regional facility is secured by both receivables and inventory.

(c) Reconciliation of consolidated loans and borrowings

	Note	2015 $000	2014 $000
Current loans and borrowings		16,441	25,955
Non-current loans and borrowings		-	174,784
Total loans and borrowings		16,441	200,739
Cash and cash equivalents	13	(59,473)	(107,017)
Net loans and borrowings		(43,032)	93,722

Note 25. Employee benefits

(a) Current

	Note	2015 $000	2014 $000
Leave entitlements		5,812	10,132
Australian self-insured workers' compensation *(1)*		2,323	2,417
Other entitlements		219	238
Total current employee benefits		8,354	12,787

(1) Amounts provided in Victoria is $1.687 million (2014: $1.781 million) and Tasmania is $0.636 million (2014: $0.636 million).

(b) Non-current

Defined benefit obligations	32	10,338	107,878
Leave entitlements		621	795
Other entitlements		555	2,717
Total non-current employee benefits		11,514	111,390

(c) Total employee benefits

Current	8,354	12,787
Non-current	11,514	111,390
Total employee benefits	19,868	124,177

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 Australia and Germany.

Other

Other provisions relate to remediation for the divested Australian Paper operations, as well as environmental works and transaction costs associated with the closure of Tas Paper.

(a) Current

	Restruct-uring $000	Other $000	Total $000
Balance at 1 July 2014	23,895	4,322	28,217
Provided/(released) during the year	7,616	283	7,899
Paid during the year	(26,169)	(4,889)	(31,058)
Transfers	562	1,225	1,787
Disposal of businesses	(1,597)	-	(1,597)
Foreign currency movements	103	(6)	97
Balance at 30 June 2015	4,410	935	5,345
Balance at 1 July 2013	23,772	4,867	28,639
Provided/(released) during the year	31,838	(222)	31,616
Paid during the year	(33,686)	(1,917)	(35,603)
Transfers	932	1,594	2,526
Foreign currency movements	1,039	-	1,039
Balance at 30 June 2014	23,895	4,322	28,217

(b) Non-current

Balance at 1 July 2014	2,910	1,573	4,483
Provided/(released) during the year	(13)	69	56
Transfers	(847)	(940)	(1,787)
Unwind of discount	289	162	451
Disposal of businesses	(2,399)	(880)	(3,279)
Foreign currency movements	60	16	76
Balance at 30 June 2015	-	-	-
Balance at 1 July 2013	2,888	3,614	6,502
Provided/(released) during the year	-	(529)	(529)
Transfers	(508)	(2,018)	(2,526)
Unwind of discount	381	369	750
Foreign currency movements	149	137	286
Balance at 30 June 2014	2,910	1,573	4,483

(c) Total provisions

Balance at 30 June 2015			
Current	4,410	935	5,345
Total provisions	4,410	935	5,345
Balance at 30 June 2014			
Current	23,895	4,322	28,217
Non-current	2,910	1,573	4,483
Total provisions	26,805	5,895	32,700

Note 27. Share capital

	2015 $000	2014 $000
Issued capital		
Issued and paid-up share capital - 665,181,261 ordinary shares (June 2014: 665,181,261)	1,895,767	1,895,738
Total issued capital	1,895,767	1,895,738

	Note	2015 thousands of shares	2014 thousands of shares
Movement in issued shares			
Ordinary shares on issue at beginning of reporting period		665,181	609,281
Shares issued as consideration for PaperlinX Step-up Preference Securities acquired	29	-	55,900
Ordinary shares on issue at end of reporting period		665,181	665,181

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.

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 2015.

During the reporting period no distribution (2014: no distribution) was paid on the PSPS - refer Note 12(b).

The "Reserve for own PaperlinX step-up preference securities" of $21.7 million (2014: $21.7 million) in the Statement of Financial Position contains the PSPS acquired and retained by the Company as part of an off-market takeover offer which closed on 28 February 2014 and comprises the carrying value (issue price less issue costs) of the 223,602 PSPS acquired.

Note 30. Share-based payment arrangements

At 30 June 2015, 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
2015				
Number of shares	7,100,000	356,640	(1,595,328)	5,861,312
2014				
Number of shares	-	7,100,000	-	7,100,000

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 74.0 per cent); the dividend yield (range of Nil per cent to 7.25 per cent); and the risk-free interest rate (range of 2.55 per cent to 5.95 per cent). The value of the options are expensed to the Consolidated Income Statement over the applicable measurement period.

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 47,061,100 (2014: 41,075,200) 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
2015										
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	-	(10,000)	-	10,000	10,000
13/9/2001	13/9/2004	*(1)*	$4.12	$0.470	21,700	-	(2,100)	-	19,600	19,600
20/9/2002	20/9/2005	*(1)*	$5.13	$0.640	11,000	-	(2,000)	-	9,000	9,000
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	-
28/10/2014	28/10/2014	28/10/2017	$0.07	$0.029	-	6,000,000	-	-	6,000,000	6,000,000
					41,075,200	6,000,000	(14,100)	-	47,061,100	6,061,100
Weighted average exercise price					$0.31	$0.07	$3.82	-	$0.28	$0.11

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

Grant date	Initial measurement/ service date	Expiry date	Exercise price	Fair value at date of grant	Number of options: 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

(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 in respect of the plan period ended 30 June 2015, nil options have been granted, lapsed or exercised. On 19 August 2015, following Board approval, the Company cancelled the 35 million options previously issued to Mr A J Price. 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.

At reporting date there are 4,766,641 (2014: 16,920,618) 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:

Grant date	Initial measurement/ service date	Expiry date	Exercise price	Fair value at date of grant	Number of rights: Opening balance	Granted	Cancelled	Lapsed	Exercised	Closing balance
2015										
18/12/2012	30/6/2015	*(1)*	$nil	$0.05	7,066,088	-	(4,325,355)	-	(1,038,081)	1,702,652
1/7/2013	30/6/2016	*(1)*	$nil	$0.04	9,854,530	-	(6,233,294)	-	(557,247)	3,063,989
					16,920,618	-	(10,558,649)	-	(1,595,328)	4,766,641
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

(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 in respect of the plan period ended 30 June 2015, nil rights have been granted, cancelled or lapsed and 1,446,970 rights on issue at balance date have been exercised.

No rights were exercisable as at balance date.

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

Share-based payments expense

	2015 $000	2014 $000
Equity settled share-based payments (expense)/benefit	(283)	(739)
Total share-based payments expense	(283)	(739)

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.

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. Australia has 40% of the Consolidated Entity's trade and other receivables with New Zealand, Asia and Germany having between 17%-20% each. With the exception of three customers in Hong Kong and one customer in New Zealand, 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.

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

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 continuing group entities are the Australian dollar (AUD), the New Zealand dollar (NZD) and Singapore dollar (SGD). Primarily the transactions undertaken by the continuing group entities are denominated in their functional currency.

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 and NZD for the continuing businesses. 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.

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

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 2015 the return was (110.1) percent (2014: (7.9) percent). This underperformance is largely due to losses associated with the sale or disposal of operations in Europe and Canada, impairments of non-current assets in Canada, Europe, Asia and Australia, and weaker trading performance in Europe. In comparison the weighted average interest rate on interest-bearing borrowings was 4.5 percent (2014: 4.3 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.

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	2015 $000	2014 $000
Current net trade receivables		89,241	480,915
Forward exchange contracts		568	26
Current other receivables		11,128	54,599
Total current trade and other receivables	14	100,937	535,540
Non-current other receivables		3,578	2,950
Total non-current trade and other receivables	17	3,578	2,950
Total trade and other receivables		104,515	538,490
Cash and cash equivalents	13	59,473	107,017
		163,988	645,507

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

	2015 $000	2014 $000
Australia, Asia, New Zealand	83,429	88,886
Europe	17,925	409,653
Canada	3,161	39,951
Total trade and other receivables	104,515	538,490

Receivables relate to wholesale and end-user customers.

The ageing of trade debtors at the reporting date was:

	Note	Gross 2015 $000	Gross 2014 $000
Not past due		77,511	419,551
Past due 0-30 days		15,068	42,843
Past due 31-120 days		2,884	14,233
Past due 121 days to one year		1,281	13,369
Past due more than one year		4,459	18,826
Total gross trade debtors	14	101,203	508,822

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

Impairment losses

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

	Note	2015 $000	2014 $000
Balance at 1 July		(27,907)	(27,295)
Impairment loss recognised		(17,779)	(7,303)
Net write-off		4,451	7,441
Acquistion of businesses		(48)	-
Disposal of businesses		29,421	-
Foreign currency movements		(100)	(750)
Balance at 30 June	14	(11,962)	(27,907)

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.

Exposure to liquidity risk

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

		Contractual Cash Flows			
	Carrying amount $000	Total $000	1 year or less $000	1 to 5 years $000	More than 5 years $000
2015					
Non-derivative financial liabilities					
Trade and other payables	110,724	110,724	110,724	-	-
Interest bearing loans and borrowings	16,441	16,549	16,549	-	-
2014					
Non-derivative financial liabilities					
Trade and other payables	391,187	391,187	389,885	1,302	-
Interest bearing loans and borrowings	200,739	201,642	26,451	175,191	-
Derivative financial liabilities					
Other foreign exchange contracts	872	872	872	-	-

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:

	2015				
Exposure (in local currency)	AUD $000	EUR €000	USD $000	GBP £000	CAD $000
Trade and other receivables	444	746	4,490	-	3,000
Trade and other payables	(1,082)	(3,181)	(11,571)	(34)	(1)
Loans and borrowings	-	(5,864)	-	-	-
Gross balance sheet exposure	(638)	(8,299)	(7,081)	(34)	2,999
Foreign exchange contracts	49	2,521	13,146	-	-
Net balance sheet exposure	(589)	(5,778)	6,065	(34)	2,999

	2014				
Exposure (in local currency)	AUD $000	EUR €000	USD $000	GBP £000	CAD $000
Trade and other receivables	1,400	4,564	7,055	2,387	-
Trade and other payables	(3,465)	(20,460)	(30,387)	(1,916)	-
Loans and borrowings	-	(17,824)	(867)	73,174	36,922
Gross balance sheet exposure	(2,065)	(33,720)	(24,199)	73,645	36,922
Foreign exchange contracts	1,608	4,530	25,286	517	-
Net balance sheet exposure	(457)	(29,190)	1,087	74,162	36,922

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

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	
	2015	**2014**
EUR	0.6839	0.6904
USD	0.7598	0.9300
GBP	0.4877	0.5529
CAD	0.9516	1.0045

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.

	2015 $000	**2014 $000**
EUR	768	3,844
USD	(726)	(106)
GBP	6	(12,194)
CAD	(287)	(3,339)

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.

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 $000	**Fixed interest $000**	**Total $000**	**Effective interest rate %** *(1)*
2015				
Financial assets				
Cash and cash equivalents	45,518	13,955	59,473	1.2
Financial liabilities				
Interest bearing loans and borrowings	16,549	-	16,549	4.5
2014				
Financial assets				
Cash and cash equivalents	103,022	3,995	107,017	0.7
Financial liabilities				
Interest bearing loans and borrowings	201,642	-	201,642	4.3

(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.

	2015 $000	**2014 $000**
Floating interest	429	(929)

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.

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

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.

Included in trade and other payables are amounts owed to a former subsidiary of the Consolidated Entity. Upon loss of control of the former subsidiary (refer Note 11), the financial liabilities are recognised for the first time at fair value. Fair value is calculated based on the present value of future cash flows, discounted at a market rate of interest having regard to the credit risk of the subsidiaries and their capacity to pay.

Fair value hierarchy

The table below analyses financial instruments carried or disclosed 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			
$000	**Note**	**Fair value hedging instru-ments**	**Loans and receiv-ables**	**Other financial assets/ liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
2015									
Financial assets measured at fair value									
Foreign exchange contracts		568	-	-	568	-	568	-	568
		568	-	-	568				
Financial assets not measured at fair value									
Cash and cash equivalents	13	-	59,473		59,473				
Trade and other receivables		-	103,947		103,947				
		-	163,420	-	163,420				
Financial liabiltiies measured at fair value									
Foreign exchange contracts		(0)	-	-	(0)	-	(0)	-	(0)
		(0)	-	-	(0)				
Financial liabilites not measured at fair value									
Trade and other payables		-	-	(110,724)	(110,724)				
Bank loans - secured	24	-	-	(16,441)	(16,441)	-	(16,548)	-	(16,548)
		-	-	(127,165)	(127,165)				
2014									
Financial assets measured at fair value									
Foreign exchange contracts		26	-	-	26	-	26	-	26
		26	-	-	26				
Financial assets not measured at fair value									
Cash and cash equivalents	13	-	107,017	-	107,017				
Trade and other receivables		-	538,464	-	538,464				
Investments	18	-	-	1,180	1,180				
		-	645,481	1,180	646,661				
Financial liabilities measured at fair value									
Foreign exchange contracts		(872)	-	-	(872)	-	(872)	-	(872)
		(872)	-	-	(872)				
Financial liabilites not measured at fair value									
Trade and other payables		-	-	(391,187)	(391,187)				
Bank loans - secured	24	-	-	(200,731)	(200,731)	-	(201,634)	-	(201,634)
Bank loans - unsecured	24	-	-	(8)	(8)	-	(8)	-	(8)
		-	-	(591,926)	(591,926)				

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.

	2015 $000	2014 $000
The amounts recognised in the Statement of Financial Position are determined as follows:		
Present value of the defined benefit obligation	19,292	555,524
Less fair value of plan assets	(9,747)	(447,646)
Add limitation on recoupment of net surplus position	793	-
Net liability in the Statement of Financial Position	10,338	107,878
Changes in the present value of the defined benefit obligations are as follows:		
Balance at the beginning of year	555,524	508,106
Current service costs	3,415	4,919
Interest on obligation	5,975	22,995
Past service credits	717	(5,397)
Actuarial gains and losses arising from:		
- changes in demographic assumptions	-	4,100
- changes in financial assumptions	66,004	8,069
- experience adjustments	867	(1,080)
Contributions by members	292	393
Disposal/loss of control of controlled entities and businesses *(1)*	(613,561)	-
Curtailment/settlement	-	(597)
Exchange differences on foreign plans	16,490	32,922
Benefits paid	(15,273)	(18,081)
Other	(1,158)	(825)
Balance at end of year *(2)*	19,292	555,524
Changes in the fair value of plan assets are as follows:		
Balance at the beginning of year	447,646	381,978
Interest on plan assets	2,595	17,616
Return on plan assets excluding interest income	34,129	22,450
Contributions by employer	8,516	19,624
Contributions by members	292	393
Assets disposed of on sale/loss of control of controlled entities and businesses *(1)*	(481,070)	-
Curtailment/settlement	-	(597)
Exchange differences on foreign plans	13,308	23,722
Benefits paid	(15,253)	(16,973)
Other	(416)	(567)
Closing fair value of plan assets	9,747	447,646
Less limitation on recoupment of net surplus position	(793)	-
Balance at end of year *(2)*	8,954	447,646

(1) Due to the disposal via sale of Canada and Ireland, and derecognition on loss of control of the UK, Netherlands and Austria during the current reporting period. Refer Notes 11 and 37.
(2) Balance comprises the Australian and German plans only.

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

Note 32. Employee retirement benefit obligations – (continued)

	2015 $000	2014 $000
Expense recognised in the Income Statement:		
Current service costs	3,415	4,919
Net interest on obligation	3,380	5,379
Past service credits	717	(5,397)
Total recognised expense	7,512	4,901
Amount recognised in the Statement of Comprehensive Income:		
Actuarial losses on defined benefit obligations	(66,871)	(11,089)
Actuarial gains on fair value of plan assets	34,922	22,450
Movement in limitation on recoupment of net surplus position	(793)	-
	(32,742)	11,361
Actuarial losses derecognised on sale/loss of control of controlled entities and businesses *(1)*	158,836	-
Less tax effect, where applicable	(22,313)	(3,871)
Total recognised comprehensive income	103,781	7,490
Cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income:		
Cumulative losses at beginning of year	132,273	134,451
Actuarial losses/(gains) recognised during the year	32,742	(11,361)
Actuarial (losses)/gains derecognised on sale/loss of control of controlled entities and businesses *(1)*	(158,836)	-
Exchange differences on foreign plans	4,711	9,183
Cumulative losses at end of year	10,890	132,273

(1) Refer Note 11.

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.

	2015	2014
Discount rate	1.7% to 4.4%	3.0% to 4.4%
Salary increase rate	0.0% to 2.75%	1.0% to 3.0%
Inflation	1.5% to 2.5%	1.9% to 3.3%

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:

	2015	2014
Average longevity at retirement age for current pensioners (years):		
Males	19	21
Females	23	24
Average longevity at retirement age for future pensioners (years):		
Males	22	24
Females	26	26

At 30 June 2015, the weighted-average duration of the defined benefit obligation was 9.6 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:

	2015 $000	2014 $000
Increase / (Decrease) in DBO		
Discount rate (1% increase)	(1,473)	(90,990)
Discount rate (1% decrease)	2,303	114,189
Salary increase rate (1% increase)	(9,610)	(305,198)

Note 32. Employee retirement benefit obligations – (continued)

Plan assets

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

	2015	2014
Equity securities	18%	44%
Bonds	26%	38%
Property	10%	14%
Other	46%	4%
Total plan assets	100%	100%

	2015 $000	2014 $000
Equity securities	1,754	196,965
Bonds	2,534	170,105
Property	975	62,670
Other	4,484	17,906
Total plan assets	9,747	447,646

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 2015			Plans as at 30 June 2014		
	Plan assets $000	Defined benefit obligation $000	Surplus/ (deficit) $000	Plan assets $000	Defined benefit obligation $000	Surplus/ (deficit) $000
Plans with funded obligations:						
PaperlinX Superannuation Fund (Australia)	8,954	8,954	-	10,579	10,585	(6)
PaperlinX Deutschland GmbH (Germany)	-	2,345	(2,345)	-	2,243	(2,243)
Deutsche Papier Holding (Germany)	-	7,993	(7,993)	-	7,181	(7,181)
Pension Plan for Employees of PaperlinX Canada	-	-	-	75,087	76,161	(1,074)
PaperlinX Pensioenfonds (Netherlands)	-	-	-	41,056	42,490	(1,434)
Pension Plan for Bührmann Ubbens employees with Nationale Nederlanden (Netherlands)	-	-	-	37,409	45,889	(8,480)
The Howard Smith Paper Group Pension Scheme (UK)	-	-	-	66,318	73,104	(6,786)
Robert Horne Group Pension Scheme (UK)	-	-	-	212,101	288,649	(76,548)
Other	-	-	-	5,096	9,222	(4,126)
	8,954	19,292	(10,338)	447,646	555,524	(107,878)
Other plans funded directly by employer subsidiaries	-	-	-	-	-	-
	8,954	19,292	(10,338)	447,646	555,524	(107,878)

Historical information

	2015 $000	2014 $000	2013 $000	2012 $000	2011 $000
Present value of defined benefit obligation	19,292	555,524	508,106	435,674	428,932
Fair value of plan assets	(9,747)	(447,646)	(381,978)	(333,583)	(342,354)
Deficit in the plans *(1)*	9,545	107,878	126,128	102,091	86,578
Plan asset (gain)/loss due to experience	(34,129)	(22,450)			
Plan liability (gain)/loss due to experience	867	(1,080)			

(1) Before limitation on recoupment of net surplus positions $0.8 million (2014: $nil, 2013: $nil, 2012: $3.8 million; 2011: $1.9 million).

Future contributions

Based on the periodic funding valuations and local funding requirements, the Consolidated Entity estimates $0.5 million in contributions to be paid to its defined benefit plans during the year ending 30 June 2016 (actual contributions for year ended 30 June 2015: $8.5 million).

Note 33. Reconciliation of cash flows from operating activities

	Note	2015 $000	2014 $000
Reconciliation of loss after tax to net cash from operating activities			
Loss for the period		(392,326)	(63,607)
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles	19,20	7,692	9,900
• Impairment charges - property, plant, equipment and intangibles	21	63,867	(1,987)
• Loss on disposal of controlled entities	6	270,938	1,525
• Profit on disposal of property, plant and equipment		(953)	(2,127)
• Employee share based payments expense	30	283	739
• Amortisation of capitalised borrowing costs		570	833
Add back other items classified as investing/financing:			
• Borrowing costs expensed		1,927	1,872
Decrease in trade and other receivables		31,100	99,177
Decrease in inventories		20,700	35,887
Decrease in trade and other payables		(49,819)	(24,842)
Decrease in provisions and employee benefits		(13,577)	(20,635)
Decrease in current and deferred taxes		1,559	13,986
Decrease in other non-current liabilities		(32)	-
Net cash (used in)/from operating activities		(58,071)	50,721
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		59,473	107,017
		59,473	107,017

Note 34. Parent entity disclosures

As at and throughout the financial year ended 30 June 2015, the parent company of the Consolidated Entity was PaperlinX Limited.

Comprehensive Income

For the year ended 30 June	Parent Entity 2015 $000	2014 $000
Loss before tax	(728,106)	(42,798)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period, net of tax	(728,106)	(42,798)

Statement of Financial Position

As at 30 June	Parent Entity 2015 $000	2014 $000
Current assets	3,955	3,955
Total assets	47,371	733,805
Current liabilities	142	-
Total liabilities	316,615	275,071
Net (liabilities)/assets	(269,244)	458,734
Equity		
Issued capital	1,895,767	1,895,739
Reserve for own shares	(184)	(284)
Accumulated losses	(2,164,827)	(1,436,721)
Total equity	(269,244)	458,734

The loss and the net assets of the Company were impacted by the impairment of receivables from subsidiaries as a result of the sale and derecognition of investments in Europe and the sale of the Canadian operations during the current reporting period. The total liabilities of the Company predominantly comprise a loan and other payables to one of its wholly owned entities with a maturity date greater than 12 months after balance date. The Directors of the Company intend to renegotiate the terms of the loan and other payables with the counterparty on or before the maturity date and have a reasonable expectation that the loan and other payables will not be repaid in the foreseeable future.

Note 34. Parent entity disclosures – (continued)

Contingent liabilities

	Parent Entity 2015 $000	Parent Entity 2014 $000
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (government)	1,677	1,583
• Loan guarantees (subsidiaries)	18,022	106,674
Total contingent liabilities	19,699	108,257

Refer to Note 37 for details.

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

Note 35. Capital expenditure commitments

	2015 $000	2014 $000
Capital expenditure contracted but not provided for:		
• Property, plant and equipment	829	707
• Intangibles	-	193
Total capital expenditure commitments	829	900

Note 36. Lease commitments

Operating leases

	2015 $000	2014 $000
Operating lease commitments		
Lease expenditure contracted but not provided for:		
• Not later than one year	12,428	57,032
• Later than one year but not later than five years	27,621	142,832
• Later than five years	4,779	134,109
Total operating lease commitments	44,828	333,973

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

	2015 $000	2014 $000
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	548	4,353
• Other guarantees	1,677	3,249
• Other	-	437
Total contingent liabilities	2,225	8,039

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.

A subsidiary has provided a guarantee in relation to a property lease to the landlord in Germany. The annual rental expense is $1.7 million and the lease period ends in 2020.

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.

Sale warranties and indemnities

The Consolidated Entity has given certain warranties and indemnities to the purchasers of the Canada, 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 warranties and indemnities, no amounts have been disclosed.

Subsidiaries in administration

In the current reporting period, a number of UK and European subsidiaries were placed into administration, as set out in Notes 11 and 40. As at the reporting date, these administration proceedings are ongoing and are expected to continue for some time. As part of these proceedings, legal claims and other exposures may arise on the Consolidated Entity, including in respect of pension plan liabilities, other employee entitlements, trade and other creditors and director / officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Note 38. Auditors' remuneration

	2015 $	2014 $
Audit and review services		
Auditors of the Consolidated Entity - KPMG Australia		
Audit and review of financial statements	713,252	713,249
Overseas KPMG firms		
Audit and review of financial statements	377,984	1,628,469
	1,091,236	2,341,718
Other auditors *(1)*		
Audit and review of local statutory financial statements	115,206	253,921
	1,206,442	2,595,639
Other services		
Auditors of the Consolidated Entity - KPMG Australia		
Other assurance services	-	30,000
Other services	-	13,033
Overseas KPMG firms		
Other assurance services	-	60,173
Taxation services	17,654	13,298
Advisory services	-	149,764
Other auditors		
Other services	26,815	38,060
	44,469	304,328
Total auditors' remuneration	1,250,911	2,899,967

(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

	2015 $	2014 $
Short-term benefits	3,131,572	2,974,729
Post-employment benefits	190,724	234,240
Equity plans	64,857	517,500
Termination benefits	476,786	632,123
	3,863,939	4,358,592

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 (2014: $nil).

Communications Power Incorporated (Aust) Pty Ltd, a substantial shareholder of the Company, has entered into an agreement with the Company to provide property advice and consultancy services in relation to the Consolidated Entity's owned and leased properties. The contract terms are based on market rates for these types of services and amounts are payable on a monthly basis. Amounts incurred under the contract during the reporting period were $0.42 million (2014: $0.43 million) of which $0.10 million (2014: $0.13 million) was accrued at balance date.

Note 40. Group entities

Acquisitions

On 1 October 2014, the Consolidated Entity acquired 100% of the shares in Total Supply Limited (Total Supply), a leading sign industry supplier in New Zealand. The business was acquired to accelerate growth in the Consolidated Entity's sign and display business in New Zealand.

In the nine months to 30 June 2015, Total Supply contributed revenue of $9.32 million and profit after tax of $0.86 million to the Consolidated Entity's results.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	Total Supply $000
Cash	4,462
Contingent consideration	558
Total consideration transferred	5,020

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Total Supply $000
Cash and cash equivalents	12
Inventories	1,674
Trade and other receivables	1,696
Property, plant and equipment	266
Intangible assets	31
Deferred tax assets	33
Trade and other payables	(1,194)
Deferred tax liabilities	(71)
Leave entitlements	(78)
Total net identifiable assets	2,369

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Total Supply $000
Total consideration transferred	5,020
Fair value of identifiable assets	2,369
Goodwill	2,651

The goodwill is attributable mainly to anticipated future earnings streams and the skills and technical talent of Total Supply's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

Note 40. Group entities – (continued)

Acquisition-related costs

The Group incurred acquisition-related costs of $0.01 million relating to external legal fees. These amounts have been included in other expenses in the Consolidated Income Statement.

No businesses/entities were acquired during the comparative reporting period.

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	**2015 $000**	**2014 $000**
Income Statement		
Loss before tax	(417,022)	(81,136)
Tax expense	(77)	(174)
Loss for the period	(417,099)	(81,310)
Accumulated losses at beginning of period	(1,699,543)	(1,619,422)
Actuarial gains on defined benefit plans	-	1,189
Accumulated losses at end of period	(2,116,642)	(1,699,543)

Note 40. Group entities – (continued)

Statement of Financial Position

As at 30 June	Deed of Cross Guarantee Consolidated 2015 $000	2014 $000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	23,534	12,609
Trade and other receivables	45,294	50,729
Inventories	40,319	51,495
Total current assets	109,147	114,833
Non-current assets		
Receivables	1,711	14,303
Investments in other Consolidated Entity subsidiaries	35,962	419,489
Property, plant and equipment	3,921	4,209
Intangible assets	73	106
Total non-current assets	41,667	438,107
Total assets	150,814	552,940
Current liabilities		
Trade and other payables	35,279	51,067
Loans and borrowings	9,047	166
Income tax payable	2,000	2,000
Employee benefits	7,399	7,602
Provisions	2,698	4,016
Total current liabilities	56,423	64,851
Non-current liabilities		
Payables	70,598	44,132
Loans and borrowings	251,000	257,050
Employee benefits	539	634
Provisions	-	750
Total non-current liabilities	322,137	302,566
Total liabilities	378,560	367,417
Net (liabilities)/assets	(227,746)	185,523
Equity		
Issued capital	1,895,767	1,895,738
Reserves	1,611	(2,190)
Accumulated losses	(2,116,642)	(1,699,543)
	(219,264)	194,005
PaperlinX Step-up Preference Securities	(8,482)	(8,482)
Total equity	(227,746)	185,523

The net assets of the Consolidated Deed of Cross Guarantee group, comprising the Company and the wholly owned subsidiaries which are parties to the deed at the reporting date, were significantly impacted by the sale and derecognition of investments in Europe and the sale of the Canadian operations (refer Note 11) during the current reporting period. Non-current loan and borrowings comprise a loan from a wholly owned subsidiary of the Consolidated Entity with a maturity date greater than 12 months after balance date. The Directors of the Company intend to renegotiate the terms of this loan on or before the maturity date and have a reasonable expectation that the loan will not be repaid in the foreseeable future.

Note 40. Group entities – (continued)

Subsidiaries listing

	Note	Country of incorporation	Consolidated subsidiary interest 2015	2014
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	*(2)*	United Kingdom	-	100%
PaperlinX (Europe) Ltd	*(2)*	United Kingdom	-	100%
PaperlinX Brands (Europe) Ltd	*(2)*	United Kingdom	-	100%
PaperlinX Services (Europe) Ltd	*(2)*	United Kingdom	-	100%
PaperlinX Investments (Europe) Ltd	*(2)*	United Kingdom	-	100%
PaperlinX Treasury (Europe) Ltd	*(2)*	United Kingdom	-	100%
1st Class Packaging Ltd	*(3)*	United Kingdom	-	100%
The Paper Company Ltd	*(2)*	United Kingdom	-	100%
Parkside Packaging Ltd	*(3)*	United Kingdom	-	100%
Donnington Packaging Supplies Ltd	*(3)*	United Kingdom	-	100%
The M6 Paper Group Ltd	*(2)*	United Kingdom	-	100%
Howard Smith Paper Group Ltd	*(2)*	United Kingdom	-	100%
Contract Paper Ltd	*(2)*	United Kingdom	-	100%
Howard Smith Paper Ltd	*(2)*	United Kingdom	-	100%
Precision Publishing Papers Ltd	*(2)*	United Kingdom	-	100%
Trade Paper Ltd	*(2)*	United Kingdom	-	100%
Robert Horne UK Ltd	*(2)*	United Kingdom	-	100%
PaperlinX UK Pensions Trustees Ltd	*(2)*	United Kingdom	-	100%
Robert Horne Group Ltd	*(2)*	United Kingdom	-	100%
W Lunnon & Company Ltd	*(2)*	United Kingdom	-	100%
Pinnacle Film & Board Sales Ltd	*(2)*	United Kingdom	-	100%
Sheet & Roll Converters Ltd	*(2)*	United Kingdom	-	100%
Deutsche Papier Holding GmbH		Germany	100%	100%
PaperlinX VTS GmbH	*(4)*	Germany	100%	100%
PaperlinX Deutschland GmbH	*(4)*	Germany	100%	100%
PaperlinX Holdings Coöperatieve UA		Netherlands	100%	100%
PaperlinX Netherlands Holdings BV	*(2)*	Netherlands	-	100%
PaperlinX Netherlands BV	*(2)*	Netherlands	-	100%
PaperlinX BV	*(2)*	Netherlands	-	100%
PaperNet GmbH	*(2)*	Austria	-	100%
Tulipel - Comercio de Paperis Lda	*(2)*	Portugal	-	100%
Ospap AS	*(5)*	Czech Republic	-	100%
PaperlinX Denmark Holdings ApS	*(3)*	Denmark	-	100%
PaperlinX AS	*(3)*	Denmark	-	100%
Cadorit i Borås AB	*(3)*	Sweden	-	100%
PaperlinX NV	*(5)*	Belgium	-	100%
PaperlinX Sp.z.o.o	*(3)*	Poland	-	100%
PaperlinX SL	*(3)*	Spain	-	100%

Note 40. Group entities – (continued)

	Note	Country of incorporation	Consolidated subsidiary interest 2015	2014
PPX Canada Limited	*(4)*	Canada	100%	100%
PaperlinX Holdings (Asia) Pte Ltd		Singapore	100%	100%
Spicers Paper (Singapore) Pte 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		China	100%	100%
PaperlinX Ireland Holdings Ltd	*(3)*	Ireland	-	100%
PaperlinX Ireland Ltd	*(3)*	Ireland	-	100%
Paper Sales Ltd	*(3)*	Ireland	-	100%
Contact Papers Ltd	*(3)*	Ireland	-	100%
Supreme Paper Company Ltd	*(3)*	Ireland	-	100%
DM Paper Ltd	*(3)*	Ireland	-	100%
PaperlinX Investments Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX (N.Z.) Ltd		New Zealand	100%	100%
Total Supply Limited		New Zealand	100%	-

(1) Subsidiaries entered into an approved deed for the cross guarantee of liabilities.
(2) Subsidiaries entered into administration since 30 June 2014, refer Note 11.
(3) Subsidiaries sold since 30 June 2014.
(4) Subsidiaries renamed since 30 June 2014:
PaperlinX VTS GmbH (formerly Deutsche adp Wilhelm GmbH)
PaperlinX Deutschland GmbH (formerly Deutsche Papier Vertriebs GmbH)
PPX Canada Limited (formerly Spicers Canada Limited)
(5) Parent entity entered into suspension of payments (a form of administration) since 30 June 2014. Control lost when parent entity entered administration, refer Note 11.

Note 41. Events subsequent to balance date

Extension of Australia trade receivables facility

On 18 August 2015, the maturity date for the Australian trade receivables facility was extended from March 2016 to March 2018 - refer Note 24.

Dividends on the Company's ordinary shares

No final dividend has been declared for the reporting period ended 30 June 2015.

Sale of Ronnenberg warehouse

The Ronnenberg Germany warehouse, classified as held for sale at 30 June 2015 was sold on 7 July 2015 for $2.3 million, with settlement to occur in September 2015.

PaperlinX N.V. Belgium bankruptcy

On 9 July 2015, PaperlinX N.V., a dormant Belgian entity entered bankruptcy. The entity is treated as discontinued in the current reporting period - refer Note 11.

PaperlinX Netherlands Holdings B.V. bankruptcy

On 31 July 2015, PaperlinX Netherlands Holdings B.V. converted from 'suspension of payments' into bankruptcy. The entity is treated as discontinued in the current reporting period - refer Note 11.

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 2015 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 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 2015.

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
Chairman

Andrew Preece
Managing Director and Chief Executive Officer

Dated at Melbourne, in the State of Victoria this 20 August 2015.

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 2015 and 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 2015 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).

Emphasis of matter regarding contingent liabilities
Without modification to the opinion set out above, we draw attention to note 37 in the financial report regarding the placing of certain subsidiaries into administration. As part of these proceedings, legal claims and other exposures may arise on the Group and there is a material uncertainty as to whether a future liability will arise.

Report on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne
20 August 2015

1. Number of shareholders

There were 37,113 shareholders and all issued shares carry voting rights on a one-for-one basis.

2. Distribution of shareholding

Range of holdings	Number of shareholders	% of holders	Number of shares	% of shares
1 - 1,000	21,626	58.27	8,148,482	1.23
1,001 - 5,000	11,579	31.20	25,448,089	3.83
5,001 - 10,000	1,652	4.45	11,927,193	1.79
10,001 - 100,000	1,746	4.70	53,964,967	8.11
100,001 - over	510	1.38	565,692,530	85.04
Total	**37,113**	**100.00**	**665,181,261**	**100.00**

3. Unmarketable parcels

There were 35,582 shareholders holding less than a marketable parcel of shares in the Company (i.e. valued at less than $500), based on the Company's share price of $0.0260. The unmarketable parcel of shares is equivalent to 19,231 shares or below.

4. Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange.

5. Twenty largest shareholders

	Number of shares	% of shares
J P Morgan Nominees Australia Limited	64,681,173	9.72
Communications Power Incorporated (Aust) Pty Ltd	60,000,000	9.02
Citicorp Nominees Pty Limited	54,761,599	8.23
Hishenk Pty Ltd	42,620,000	6.41
National Nominees Limited	23,286,464	3.50
HSBC Custody Nominees (Australia) Limited	21,495,956	3.23
Hyecorp Property Fund No 1 Pty Ltd	15,530,000	2.33
Medi Info Pty Ltd	7,000,000	1.05
AJP Investment Services Pty Ltd <Camnat Super Fund A/C>	6,227,844	0.94
HHH Group Pty Ltd <Henry Hacobian Family A/C>	5,700,000	0.86
HSBC Custody Nominees (Australia) Limited - GSCO ECA	5,274,256	0.79
Ace Property Holdings Pty Ltd	5,200,000	0.78
CK Super Pty Ltd <CK Super Fund A/C>	4,700,000	0.71
Sun Phoong Corporation Pty Ltd	4,549,940	0.68
Napier Earthquake Company Pty Ltd <Superannuation Fund A/C>	4,500,000	0.68
Medi Info Pty Ltd <Tauber Family A/C>	4,243,146	0.64
CPU Share Plans Pty Ltd <PPX SMPRP Unallocated A/C>	4,158,660	0.63
Communications Power Incorporated (Aust) Pty Ltd	4,000,000	0.60
Hishenk Pty Ltd <Hishenk Pty Ltd S/F A/C>	3,500,000	0.53
L & G Super Fund Pty Ltd <Gunn & Taylor Exec S/F A/C>	3,330,000	0.50
Total top 20 shareholders	**344,759,038**	**51.83**
Total remaining holders balance	**320,422,223**	**48.17**
Total issued shares	**665,181,261**	**100.00**

6. Geographic location of shareholders by registered address:

	Number of shareholders	Number of shares
Australian Capital Territory	550	4,064,176
New South Wales	9,441	295,485,033
Northern Territory	73	328,900
Queensland	4,504	35,325,552
South Australia	1,950	20,947,041
Tasmania	857	3,790,063
Victoria	15,209	272,750,402
Western Australia	1,857	15,621,312
Total Australia	**34,441**	**648,312,479**
Canada	125	871,475
Germany	51	32,072
Hong Kong	27	115,760
Ireland	22	503,505
New Zealand	591	4,384,110
Singapore	25	380,235
Spain	58	390,298
Switzerland	72	201,850
United Kingdom	620	2,005,568
United States of America	996	4,248,233
Other	85	3,735,676
Total Overseas	**2,672**	**16,868,782**

7. Register of substantial shareholders

The names of substantial shareholders of the Company as disclosed in the substantial shareholder notifications to the Company are as follows:

	Number of shares	Percentage of total share capital held
Allan Gray Australia Pty Ltd	111,814,965	16.81
Hishenk Pty Ltd	61,400,000	9.23
Communications Power Incorporated (Aust) Pty Ltd	55,500,000	8.34

8. Unquoted equity securities

Issued pursuant to the PaperlinX Employee Share/Option Plan.

Options

Options over ordinary shares issued at either no cost or a cost of one cent per option exercisable at prices ranging from $0.07 to $5.13 per share.

The vesting of certain options depends on the achievement of PaperlinX's long-term incentive plan performance conditions.

- Number of employees participating 5
- Number of securities 12,061,100

Performance rights

The Company has issued performance rights to certain senior management. Each performance right gives a contingent interest to one PaperlinX ordinary share.

The vesting of performance rights depends upon the achievement of PaperlinX's long-term incentive plan performance conditions.

- Number of employees participating 4
- Number of securities 3,063,989

9. Company Secretary

Mr Wayne Johnston.

FIVE YEAR HISTORY

FOR YEARS ENDED 30 JUNE

($AUD million except where indicated)		Actual 2015	Actual Restated *(1)* 2014	Actual 2013	Actual 2012	Actual 2011
Paperlinx consolidated financial performance						
Sales revenue		2,020	2,833	2,806	4,113	4,670
Sales growth (%)		(28.7)	1.0	(31.8)	(11.9)	(10.6)
Loss from ordinary activities before income tax		(388.4)	(52.5)	(85.5)	(251.5)	(110.8)
Loss from ordinary activities after income tax		(392.3)	(63.6)	(92.8)	(266.7)	(108.0)
Earnings from ordinary activities before interest and income tax by segments *(2)*						
Merchanting Australia, New Zealand, Asia		14.7	15.3	12.6	10.9	11.1
Merchanting Europe Exit		(12.8)	(8.0)			
Unallocated		(11.5)	(11.8)	(13.3)	(22.8)	(21.1)
Merchanting Europe				(35.8)	(23.6)	3.7
Merchanting Canada				12.3	8.3	6.6
Underlying (loss)/profit before interest and income tax		**(9.6)**	**(4.4)**	**(24.2)**	**(27.2)**	**0.3**
Discontinued operations		(21.6)	(2.7)	2.7	8.0	17.1
Total EBIT pre significant items		**(31.3)**	**(7.2)**	**(21.5)**	**(19.2)**	**17.4**
Significant Items		(346.7)	(32.6)	(51.7)	(214.0)	(109.3)
Total EBIT post significant items		**(377.9)**	**(39.8)**	**(73.2)**	**(233.2)**	**(91.9)**
Financial statistics						
Depreciation, amortisation and impairment expense		(71.6)	(7.9)	(38.7)	(145.9)	(91.2)
Net interest expense		(10.5)	(12.7)	(12.3)	(18.3)	(18.9)
Cash flow from operating activities		(58.1)	50.7	(41.7)	(62.3)	54.6
Capital expenditure - acquisitions		5.0	-	3.1	-	0.4
Capital expenditure - plant & equipment		3.9	7.6	9.0	14.0	18.0
Financial position summary						
Current assets		245	920	1,003	1,104	1,540
Non-current assets		40	147	158	195	390
Total assets		**285**	**1,067**	**1,161**	**1,299**	**1,930**
Current liabilities		145	461	531	675	846
Non-current liabilities		11	293	268	177	348
Total liabilities		**156**	**754**	**799**	**852**	**1,194**
Net assets / total shareholders' equity		**129**	**313**	**362**	**447**	**736**
Financial ratios						
Basic earnings per share	(cents)	(59.0)	(7.0)	(15.2)	(43.8)	(21.4)
Earnings per share growth	(%)	(742.9)	53.9	65.3	(104.7)	45.0
Return on average funds employed	(%)	(110.1)	(7.9)	(13.6)	(25.5)	(8.3)
Return on average shareholders' equity	(%)	(165.0)	(18.4)	(23.5)	(40.5)	(12.7)
Net tangible assets	($ millions)	102	210	251	312	439
Net tangible assets per ordinary share	(cents)	(23.0)	(6.7)	(4.1)	5.9	26.9
Net interest cover	(times)	(36.0)	(3.1)	(6.0)	(12.7)	(4.9)
Gearing (Net debt/net debt and shareholders' equity)	(%)	(50.3)	23.0	25.3	24.8	18.9
Gearing (Net debt/shareholders' equity)	(%)	(33.4)	29.9	33.9	33.0	23.3
Other information						
Fully paid ordinary shares as at 30 June	(millions)	665.2	665.2	609.3	609.3	603.6
Weighted average number of shares	(millions)	665.2	628.6	609.3	608.3	603.6
Number of shareholders as at 30 June		37,113	39,742	41,719	44,619	46,652
Employee numbers as at 30 June		625	3,459	4,042	4,850	6,212

(1) The comparative amounts disclosed have been re-presented as if the operations discontinued during the current year had been discontinued from the start of the comparative year.
(2) As defined in the respective reporting periods.

Investor information

Share Registry

Shareholders with queries about anything related to their shareholding, including updating their personal details, should contact the PaperlinX Share Registry in Melbourne, Australia:

- by telephone (within Australia) 1300 662 058 or (outside Australia) +61 3 9415 4021
- by facsimile +61 3 9473 2500
- by going online at www.investorcentre.com

Alternatively, shareholders may wish to write to:
PaperlinX Share Registry
GPO Box 2975
Melbourne, Victoria 3001, Australia.

Details of individual shareholdings can be checked conveniently and simply by visiting our Share Registry's website at www.investorcentre.com to log in as an existing user or register as a new user. New users need to key in their Securityholder Reference Number (SRN) or Holder Identification Number (HIN), a postcode and a company name or ASX code to enable access to personal information.

Tax file numbers

PaperlinX is required to withhold tax at the rate of 49 per cent on any unfranked component of dividends or interest paid to investors resident in Australia who have not supplied the Company with a tax file number (TFN) or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

Transfer of shares off-market

Following the introduction of new legislation, a fee of A$50 (including GST) is required to cover a fraud prevention security check on the authenticity of the seller details. Details of fees and the process required can be obtained from the PaperlinX Share Registry. No stamp duty is payable on off-market transfers.

Annual General Meeting

The Annual General Meeting is normally held in October.

The 2015 Annual General Meeting will be held at 10.00am on Friday, 23rd October at Computershare, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria 3067, Australia. Entrance is via the Conference Centre. Melways reference 2D-B8.

Financial calendar

Full Year Results 2015
20 August 2015

Interim Results 2016
February 2016

Full Year Results 2016
August 2016

Securities exchange listing

PaperlinX shares are listed on the ASX. All shares are recorded on the principal share register, which is located in Victoria, the state of incorporation of PaperlinX. The Company's ASX code is 'PPX'.

Sources of information

Annual Report 2015
The Annual Report can be accessed and downloaded from the PaperlinX website at www.paperlinx.com. A printed copy will be sent to those shareholders who have elected to receive it. If you wish to change your Annual Report election, please go to www.investorcentre.com. Alternatively, call Computershare on 1300 662 058 (within Australia) or+61 3 9415 4021 (outside Australia).

PaperlinX website
A range of corporate information, including ASX Releases, Financial Reports, and the addresses to the Annual General Meeting, may be obtained from www.paperlinx.com. This investor information is available from the 'Investor Information' section of the website.

Annual Report 2015

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