

Appendix 4D

(Rules 4.2A.3)

Name of Entity **PAPERLINX SPS TRUST**

ARSN **123 839 814**

For the period ended **31 December 2014**

(Previous Corresponding Period: 31 December 2013)

Results for announcement to the market	2014 A\$'000	2013 A\$'000		% Change
Total revenue for the period	136	229	down	40.61%
Net income for the period	7,838	5,987	up	30.92%
Distributions	Amount per security	Franked Amount per security		
Interim distribution – current period	Nil	N/A		
Interim distribution – previous corresponding period	Nil	N/A		
Record date for determining entitlements to the distribution		N/A		
Date distribution paid		Distribution not paid		
Commentary on results for the period				
Refer to attached Directors’ Report for explanation of results				
	31 Dec 2014	31 Dec 2013		
Net tangible asset backing	\$12.00	\$9.10		
Net Assets	\$34,200,000	\$25,953,798		
Number of securities	2,850,001	2,850,001		
Details of Entities Over Which Control Has Been Gained or Lost				
Nil				

Information on Audit or Review

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

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

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

The review report includes an emphasis of matter relating to the material uncertainty regarding the fair value of the investment in PaperlinX SPS LLC which is included in the interim financial accounts attached.

The review report also includes an emphasis of matter regarding the going concern basis of preparation of the interim financial accounts.

INTERIM FINANCIAL REPORT

OF

PAPERLINX SPS TRUST

(ARSN 123 839 814)

FOR THE HALF-YEAR ENDED

31 DECEMBER 2014

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report

For the half-year ended 31 December 2014

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity (the "Responsible Entity") of PaperlinX SPS Trust (the "SPS Trust") present their report together with the condensed interim financial statements of the SPS Trust for the half-year ended 31 December 2014 and the independent auditor's review report thereon.

Responsible Entity

The Trust Company (RE Services) Limited, a wholly owned subsidiary of Perpetual Limited (ASX: PPT), has acted in the capacity of responsible entity of the SPS Trust since it was established under the SPS Trust constitution dated 7 February 2007.

The registered office and principal place of business of the Responsible Entity is Level 12, 123 Pitt Street, Sydney, NSW, 2000.

The names of the Directors of the Responsible Entity holding office during the half-year ended 31 December 2014 and until the date of this report, unless otherwise stated, were:

Andrew Cannane

Christopher Green

Gillian Larkins

Anna O'Sullivan

Alternate Director for each of Andrew Cannane and Christopher Green

Glenn Foster

Alternate Director for Gillian Larkins

Joanne Hawkins

Alternate Director for Gillian Larkins

Principal activities

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

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

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

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

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the half-year ended 31 December 2014

Review of operations

Results

The SPS Trust's net income from operations for the current period was \$7,837,500 (2013: \$5,986,569). This increase reflects the increase in the fair value of the SPS Trust's investment based on the closing price of the SPS units at 31 December 2014.

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

Distributions on the PSPS are at the discretion of the Responsible Entity and ultimately, the Directors of PaperlinX. Distributions also require the approval of the main lender (in Europe) to PaperlinX, and are paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PSPS. If a distribution is not paid in full, PaperlinX will be restricted from paying dividends or making other distributions on any class of its share capital until such time as two consecutive distributions are paid by the PaperlinX SPS Trust or an optional distribution is paid equal to the unpaid amount of scheduled distributions for the 12 months preceding (but not including) the payment date of the optional distribution, in accordance with the SPS Trust Constitution which includes the SPS Terms.

The interim distribution on step-up preference securities scheduled for 31 December 2014 was not paid.

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

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

The Responsible Entity and ultimately the Directors of PaperlinX have decided to roll over the PSPS and begin paying discretionary distributions subject to the availability of funds at the step-up margin of 4.65%.

The distribution rate for the period 1 January 2015 to 30 June 2015 is 7.4600% p.a. The distribution rate includes a step-up in the margin by 2.25% which applied immediately after the remarketing date of 30 June 2012. The distribution will be payable at the ultimate discretion of the Directors of PaperlinX. PaperlinX has indicated no distributions are likely to be paid until there is a significant improvement in trading conditions and PaperlinX's financial performance and any such distributions will also require the approval of the main lender (in Europe) to PaperlinX.

The distribution on the 1 ordinary unit for the half-year ended 31 December 2014 was \$nil (2013: \$nil).

The Directors of the Responsible Entity have determined the fair value of the investment in LLC preference shares, using the methodology disclosed in note 9 to the condensed interim financial statements. During the period, there has been a gain in the fair value of the SPS Trust's investment in the LLC for the amount of \$7,837,500 recorded in the statement of comprehensive income.

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

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the half-year ended 31 December 2014

Interests of the Responsible Entity

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

	2014 \$	2013 \$
Responsible Entity and associates		
• Management fees	57,179	72,063
• Custody Fees	10,193	9,755
	<hr/> 67,372 <hr/>	<hr/> 81,818 <hr/>

Significant changes in the state of affairs

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

Going Concern basis of accounting

The SPS Trust's interim financial report has been prepared on a going concern basis with reference to the significant uncertainty referred to in Note 2(d). The considerations regarding PaperlinX's ability to continue as a going concern have flow on consequences for the SPS Trust's interim financial report in respect of the Directors' approach to determining fair value of the SPS Trust's assets. In determining the SPS Trust's going concern basis, the Directors of the Responsible Entity have relied on PaperlinX's assessment of its going concern status, as disclosed in the PaperlinX 31 December 2014 interim financial report (Note 2), which was released to the market by PaperlinX on 27th February 2015.

Events subsequent to balance date

The Directors of the Responsible Entity reviewed the results PaperlinX released to the market on the 27th February 2015.

As at 31 December 2014, the SPS units were trading on the ASX at \$12 per unit with a market capitalisation of \$34.2 million. As at 26 February 2015, the SPS units were trading at \$8 per unit with a market capitalisation of \$22.8 million.

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the half-year ended 31 December 2014.

PaperlinX SPS Trust (ARSN 123 839 814)

Directors' Report (cont.)

For the half-year ended 31 December 2014

Rounding off

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

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

A handwritten signature in black ink, appearing to read 'A. Cannane', with a stylized flourish at the end.

Andrew Cannane

Director

Sydney, 27th February 2015

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

	<i>Note</i>	As at 31 December 2014 \$000	As at 30 June 2014 \$000
Assets			
Current assets			
Cash and cash equivalents		4	9
Other receivables		79	43
Total current assets		83	52
Non-current assets			
Investments	9	34,200	26,362
Total non-current assets		34,200	26,362
Total assets		34,283	26,414
Liabilities			
Current liabilities			
Trade and other payables		83	52
Total current liabilities		83	52
Net assets		34,200	26,362
Equity			
Step-up preference securities	4	285,000	285,000
Ordinary units on issue	5	*	*
Accumulated losses		(250,800)	(258,638)
Total Equity		34,200	26,362
*\$100			

The Condensed Statement of Financial Position is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 11 to 20.

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

For the half-year ended 31 December		2014 \$000	2013 \$000
	<i>Note</i>		
Revenue			
Other revenue (1)		136	229
Total revenue		136	229
Expenses			
Management fees		(57)	(72)
Custody fees		(10)	(10)
Auditors' remuneration		(42)	(42)
Unit registry fees		(9)	(31)
Legal Fees		-	(56)
Other operating costs		(18)	(16)
Total expenses (2)		(136)	(227)
Movement in the fair value of investments			
Movement in fair value of investments	9	7,838	5,985
Total movement in the fair value of investments		7,838	5,985
Income attributable to unitholders		7,838	5,987
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders		7,838	5,987

- (1) Other revenue of \$136,318, relates to revenue received and accrued from PaperlinX Limited to cover SPS Trust expenses for the half-year ended 31 December 2014.
- (2) All of the above expenses include applicable GST, which is not recoverable from the taxation authority. Only the Responsible Entity's management fees and custody fees are entitled to reduced input tax credits.

PaperlinX SPS Trust
Earnings per Unit

For the half-year ended 31 December		2014	2013
Basic and Diluted Earnings per Unit (\$)	8	2.7500	2.1005

The Condensed Statement of Comprehensive Income and the Earnings per Unit are to be read in conjunction with the notes to the condensed interim financial statements set out on pages 11 to 20.

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

For the half-year ended 31 December 2014

	Step-up preference securities \$000	Ordinary units on issue * \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2014	285,000	-	(258,638)	26,362
Income for the period	-	-	7,838	7,838
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	7,838	7,838
Transactions with unitholders				
Distributions paid	-	-	-	-
Balance at 31 December 2014	285,000	-	(250,800)	34,200

* \$100 par value

For the year half-ended 31 December 2013

	Step-up preference securities \$000	Ordinary units on issue * \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2013	285,000	-	(265,033)	19,967
Income for the period	-	-	5,987	5,987
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	5,987	5,987
Transactions with unitholders				
Distributions paid	-	-	-	-
Balance at 31 December 2013	285,000	-	(259,046)	25,954

* \$100 par value

The Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 11 to 20.

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

For the half-year ended 31 December		2014	2013
	Note	\$000	\$000
Cash flows from operating activities			
Other income received		100	174
Payments to suppliers		(105)	(183)
Net cash flows (used in) / from operating activities	10	(5)	(9)
Net (decrease) / increase in cash and cash equivalents		(5)	(9)
Cash and cash equivalents at the beginning of the period		9	13
Cash and cash equivalents at the end of the period		4	4

The Condensed Statement of Cash Flows is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 11 to 20.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

1. Reporting Entity

PaperlinX SPS Trust (the "SPS Trust") is a registered for profit Managed Investment Scheme under the *Corporations Act 2001*. The interim financial report of the SPS Trust is presented as at and for the half-year ended 31 December 2014. The SPS Trust is quoted on the Australian Securities Exchange (ASX code: PXUPA).

2. Basis of Preparation

(a) Statement of compliance

This interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the SPS Trust as at and for the year ended 30 June 2014 and other announcements of the SPS Trust and PaperlinX Limited ("PaperlinX").

The interim financial report was authorised for issue by the Directors of the Responsible Entity on 27th February 2015.

(b) Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the SPS Trust in this interim financial report are the same as those applied by the SPS Trust in its financial report as at and for the year ended 30 June 2014.

Changes in accounting policy and disclosures

The SPS Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the SPS Trust include:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-5 *Amendments to AASB 10, AASB 12 and AASB 127 – Investment Entities*
- AASB 2014-1 *Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycles*

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

None of the other new and revised Standards and Interpretations issued by the AASB are considered relevant to the SPS Trust's results and disclosures for the six months ended 31 December 2014.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

2. Basis of Preparation (cont.)

(c) Accounting estimates and judgements

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

Except as described below, in preparing this interim financial report, the significant judgements made in applying the SPS Trust's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2014.

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

During the half-year ended 31 December 2014, the following significant estimates and judgements have been applied:

Investment carrying value

The SPS Trust has invested in preference shares issued by PaperlinX SPS LLC, a controlled entity of PaperlinX. Investments are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition investments are measured at fair value with movements in fair value recorded in the condensed statement of comprehensive income. The fair value of this investment has been determined using the market capitalisation of the SPS Trust based on the closing price of the SPS units at 31 December 2014. Refer to note 2(d) and note 9 for comments in relation to the uncertainties that exist in respect of the carrying value of the investment.

Fair value information

Fair value estimates are made at a specific point of time, based on market conditions and information about the financial instrument / investment. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

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

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

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

2. Basis of Preparation (cont.)

(d) Going Concern basis of accounting

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

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

Therefore, PaperlinX's ability to continue as a going concern has flow on consequences for the SPS Trust's financial report. The Directors of the Responsible Entity have relied on PaperlinX's assessment of its going concern status to determine the SPS Trust's going concern status, as disclosed in the PaperlinX 31 December 2014 interim financial report (Note 2), which noted the following:

- (i) Conditions in the UK and European market remain challenging, with overall paper consumption falling more than expected, together with strategic moves by some suppliers and competitors causing further pressure on market pricing. As announced on 22 December 2014, the Directors of PaperlinX engaged advisors to conduct a strategic review of Paper Associates Pty Ltd, the holding company for PaperlinX's European (which includes the UK), Asian and Canadian operations. On 11 February, PaperlinX announced that it had entered into an agreement to sell the Canadian operations, subject to a post-completion working capital adjustment. Under the terms of the debt facility from PaperlinX's main lender in Europe, 50% of the net sale proceeds (after pay down of local debt facilities) are required to be remitted to the European operations and there are restrictions on the ability to move cash within PaperlinX, as noted below.
- (ii) As part of the strategic review, the Directors of PaperlinX continue to explore various strategic options in regard to PaperlinX's operations in Europe and Asia. Interest has been expressed from certain parties in relation to a whole of Europe transaction or the sale of certain operations in Europe. A whole of Europe transaction would be subject to Company shareholder approval and requires the resolution of a number of factors including legal and commercial issues relating to material pension plan obligations. Expressions of interest at this stage remain preliminary and highly conditional, and may or may not result in the sale or restructure of part or all of PaperlinX's European operations.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

2. Basis of Preparation (cont.)

(d) Going Concern basis of accounting

- (iii) PaperlinX is primarily funded by receivables-backed and inventory-backed facilities. As disclosed in the PaperlinX 31 December 2014 interim financial report (Note 12), the debt facility from its main lender in Europe is due to expire in September 2015. In light of the lower than expected trading results for the European operations, together with pension plan adjustments and non-current asset impairments in these operations identified as part of the interim accounts preparations, the financial covenants under this facility were breached at 31 December 2014. A waiver for the EBITDA covenant was provided in December 2014, and waivers for the net worth and gearing level covenants were provided in February 2015, subject to certain administrative conditions. The financial covenants under this facility are due to be remeasured in the March 2015 and June 2015 quarters and based on current trading forecasts for the PaperlinX European operations, these financial covenants are expected to be breached in the absence of a covenant reset. PaperlinX is currently in discussions with its main lender in Europe in relation to the strategic review and will seek to renegotiate or obtain waivers from future financial covenants and extend the facility term. Accordingly, PaperlinX is reliant on the continued financial support of its main lender in Europe.
- (iv) The ability of PaperlinX to meet its operational cash requirements and remain within the limits of the existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows, and maintaining or agreeing trading/settlement terms with key creditors (including suppliers, credit insurers and taxing authorities). These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of PaperlinX.
- (v) The current economic environment in some of the major operating jurisdictions and structural changes in the traditional paper markets present challenges in terms of sales volume, pricing and input costs. The trading environment creates significant uncertainties about future trading results and cash flows, which heightens liquidity risk for certain operations that are reliant on group support. In addition, the existing facilities include regional specific covenants and restrictions on the ability to draw down debt facilities and move cash within PaperlinX. There are further restrictions on the ability to move cash between subsidiaries within PaperlinX due to local legal or regulatory requirements, including those relating to solvency.
- (vi) There are uncertainties in relation to the ability of PaperlinX to execute a sale or restructure of its European operations (including the resolution of legal and commercial issues relating to material pension plan obligations), meet its operational cash requirements in certain jurisdictions, complete the Canadian sale, remain within the requirements of the existing debt facilities and renegotiate the covenants and extend the term of its main facility in Europe.
- (vii) Should the ability of PaperlinX to realise sufficient cash flows from trading operations or existing facilities be restricted, PaperlinX will actively pursue alternative funding arrangements and implement additional measures to preserve cash. These may include (but are not limited to) further asset sales, drawing down committed but undrawn debt facilities (subject to relevant restrictions), working capital reductions, renegotiating lease obligations, further restrictions of operating and capital expenditures, improving debtor collections, deferral of creditor payments and the exiting of certain loss making operations.

The Directors of the Responsible Entity are aware that a material uncertainty exists due to the above events which may cast significant doubt upon the SPS Trust's ability to continue as a going concern. On this basis and after making enquiries, and considering the uncertainties described above, the Directors of the Responsible Entity consider that it is appropriate for the SPS Trust to continue to adopt the going concern basis of accounting in preparing the interim financial report. Accordingly, no adjustments have been made to the carrying value and classification of assets and the amount and classification of liabilities that may be required if the SPS Trust does not continue as a going concern.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

3. Operating Segments

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

4. Step-up preference securities

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

	31 Dec 2014 \$000	31 Dec 2013 \$000
Opening balance	285,000	285,000
Closing balance	285,000	285,000

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

The Responsible Entity has the discretion to pay distributions on the PSPS, which is economically dependent on the performance of the PaperlinX Group, and is paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. Distributions are therefore only paid after declaration by the Responsible Entity and ultimately at the discretion of the Directors of PaperlinX. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PSPS. If a distribution is not paid in full, PaperlinX will be restricted from paying dividends or making other distributions on any class of its share capital until such time as two consecutive distributions are paid by the PaperlinX SPS Trust or an optional distribution is paid equal to the unpaid amount of scheduled distributions for the 12 months preceding (but not including) the payment date of the optional distribution. This is in accordance with the SPS Trust Constitution which includes the SPS Terms.

PaperlinX has indicated no distributions are likely to be paid until there is a significant improvement in trading conditions and PaperlinX's financial performance and any such distributions will also require the approval of the main lender (in Europe) to PaperlinX.

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

- a remarketing process may be conducted to establish a new margin and add or adjust such other terms of the PSPS, which if successful would apply until the next remarketing date;
- PSPS may be realised (redeemed for cash, exchanged for PaperlinX ordinary shares or resold to a third party); or
- begin paying discretionary distributions subject to the availability of funds at the step-up margin on the PSPS. The step-up margin is the sum of the margin which applies immediately before the relevant remarketing date, 2.40% and an additional 2.25% per annum taking the total margin to 4.65% per annum.

The Responsible Entity and ultimately, the Directors of PaperlinX decided on the third option noted above (applying the step-up margin) on the first remarketing date of 30 June 2012. The distribution rate for future discretionary distributions will be 180 day bank bill swap rate plus a margin of 4.65%. The next remarketing date is 30 June 2015. The same options as above are applicable at the next remarketing date; however the additional step-up margin applies only once.

PaperlinX SPS Trust (ARSN 123 839 814)**Notes to the condensed interim financial statements****For the half-year ended 31 December 2014****5. Ordinary units on issue**

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

6. Distributions on step-up preference securities	31 December 2014		31 December 2013	
	\$000	Dollar per unit	\$000	Dollar per unit
Distribution for period 1 July 2014 to 31 December 2014 not paid (Distribution rate 7.3600% p.a.)	-	-	-	-
Distribution for period 1 July 2013 to 31 December 2013 not paid (Distribution rate 7.4550% p.a.)	-	-	-	-
	-	-	-	-

7. Distribution on ordinary units

	31 December 2014	31 December 2013
	\$000	\$000
Distribution for period 1 July 2014 to 31 December 2014	-	-
Distribution for period 1 July 2013 to 31 December 2013	-	-

8. Earnings per Unit

	31 December 2014	31 December 2013
Net income (\$)	7,837,500	5,986,569
Weighted average number of units	2,850,001	2,850,001
Basic and Diluted Earnings per Unit (\$)	2.7500	2.1005

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

9. Financial Risk Management

Fair Value of financial instruments

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

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

Fair Value measurements recognised in the condensed statement of financial position

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

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

(\$000)	Level 1	Level 2	Level 3	Total
31 December 2014				
<i>Financial assets held at fair value through profit or loss</i>				
Equity investments	-	34,200	-	34,200
Total		34,200		34,200

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

As noted above, the equity investment has been valued using a Level 2 method as at 31 December 2014. The Directors of the Responsible Entity consider that the valuation technique (based on the market price of SPS units on the ASX) is a Level 2 method, being based on observable market prices.

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

9. Financial Risk Management (cont.)

Valuation Methodology and Assumptions

In relation to the SPS Trust's investment in the LLC preference shares ("LLC investment") as at 31 December 2014:

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

Results

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

A valuation of the investment in the LLC based on the market capitalisation of the SPS Trust is considered to be the most appropriate valuation methodology proxy in order to value the LLC investment as at 31 December 2014. The Directors determined that the fair value of the LLC preference shares can be reasonably estimated to be \$34.2 million (\$12 per LLC preference share) as at 31 December 2014 (30 June 2014: \$26.36 million; \$9.25 per LLC preference share).

Sensitivity analysis

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

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

Based on the market price valuation methodology used for 31 December 2014, for every \$1 movement in the market price of the SPS units the fair value of the investment and impact on profit or loss would be approximately \$2.9m.

PaperlinX SPS Trust (ARSN 123 839 814)
Notes to the condensed interim financial statements
For the half-year ended 31 December 2014

10. Reconciliation of cash flows (used in) / from operating activities

For the half-year ended 31 December	2014 \$000	2013 \$000
Income from operating activities	7,838	5,987
Add/(Less) non-cash item:		
Movement in fair value of investments	(7,838)	(5,985)
Changes in assets and liabilities during the period		
Decrease / (increase) in receivables	(36)	(56)
Increase / (decrease) in payables	31	45
Net cash flows (used in) / from operating activities	(5)	(9)

11. Related parties

Parent entity and Responsible entity

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

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

Key Management Personnel

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

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

Related party transactions

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

Reimbursement of expenses from related parties

The SPS Trust has earned \$136,318 of other revenue from PaperlinX, due to its right to reimbursement for out of pocket third party expenses (2013: \$229,293).

Related party investments held by the SPS Trust

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

Units in the SPS Trust held by related parties

At 31 December 2014 neither the Responsible Entity nor any of its related entities held units in the SPS Trust (2013: nil).

At 31 December 2014 the parent entity of the SPS Trust, PaperlinX held 223,602 PSPS units acquired under the takeover offer which closed on 28 February 2014 (2013: nil).

PaperlinX SPS Trust (ARSN 123 839 814)

Notes to the condensed interim financial statements

For the half-year ended 31 December 2014

11. Related parties (cont.)

Units in the SPS Trust held by other related parties

As at 31 December 2014, there was no Key Management Personnel of PaperlinX who held units in the SPS Trust (2013: nil).

Key Management Personnel loan disclosures

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

Other transactions within the SPS Trust

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

Investments

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

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

12. Contingent Assets and Liabilities

At the date of this report, the Directors of the Responsible Entity are not aware of any contingent liabilities or contingent assets that relate to the SPS Trust. The Directors of the Responsible Entity were not aware of any contingent liabilities or contingent assets that related to the prior financial year ended 30 June 2014.

13. Subsequent Events

The Directors of the Responsible Entity reviewed the results PaperlinX released to the market on the 27th February 2015.

As at 31 December 2014, the SPS units were trading on the ASX at \$12 per LLC preference share with a market capitalisation of \$34.2 million. As at 26 February 2015, the SPS units were trading at \$8 with a market capitalisation of \$22.8 million.

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

Directors' Declaration

1. In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of PaperlinX SPS Trust ("the SPS Trust"):
 - (a) the condensed interim financial statements and notes, set out on pages 7 to 20, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the SPS Trust's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (b) with reference to note 2(d), there are reasonable grounds to believe that the SPS Trust will be able to pay its debts as and when they become due and payable; and
 - (c) the condensed interim financial statements and notes, set out on pages 7 to 20, are in accordance with the provisions of the Constitution of the SPS Trust.

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



Andrew Cannane

Director

Sydney, 27th February 2015



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

In relation to our review of the financial report of PaperlinX SPS Trust for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rob Lewis
Partner
27 February 2015

To the Unit Holders of PaperlinX SPS Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PaperlinX SPS Trust ("the Trust"), which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PaperlinX SPS Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Trust a written Auditor's Independence Declaration, a copy of which is included in the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PaperlinX SPS Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

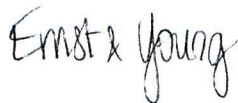
Material Uncertainties Regarding Continuation as a Going Concern and the Fair Value of the Investment in PaperlinX SPS LLC

Without qualifying our conclusion, we draw attention to the following matters:

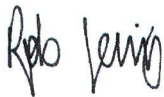
The matters as set forth in note 2(d) which indicate the existence of a material uncertainty that may cast significant doubt about the Trust's ability to continue as a going concern and therefore the Trust may be unable to realise its assets and discharge its liabilities in the normal course of business.

Note 9 in the financial report highlights that the Directors believe there is inherent uncertainty in determining a valuation of the PaperlinX SPS Trust's Investment in PaperlinX SPS LLC due to a lack of information and the dependence on a number of significant assumptions. This inherent uncertainty materially impacts the assessment of the fair value of the Trust's Investment in PaperlinX SPS LLC.

As a result of this matter, there is significant uncertainty regarding the valuation of the Trust's investment in PaperlinX SPS LLC at 31 December 2014 and the ability of the Trust to realise the value of the investment in the ordinary course of business and at the amount stated in the financial report.



Ernst & Young



Rob Lewis
Partner
Sydney
27 February 2015