

APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	PAPERLINX LIMITED
ABN:	70 005 146 350
For the half-year ended:	31 December 2009
Previous corresponding period:	31 December 2008

Results for announcement to the market	2009 A\$m	2008 A\$m		% Change
External revenues from ordinary activities:				
• continuing operations	2,643.0	3,331.6	down	21%
• discontinued operations	95.1	450.7	down	79%
	2,738.1	3,782.3	down	28%
Net loss for the period after tax:				
• continuing operations	(9.2)	(8.3)	down	11%
• discontinued operations	(166.1)	(552.6)	up	70%
	(175.3)	(560.9)	up	69%
attributable to:				
Equity holders of PaperlinX Limited	(175.3)	(560.9)	up	69%

Dividends

	Date	Amount per security	Franked amount per security
Interim dividend - current period	N/A	Nil	Nil
Interim dividend - previous corresponding period	N/A	Nil	Nil
Record date for determining entitlements to the dividend	N/A		
Date dividend is payable	N/A		

Commentary on results for the period

Refer to attached press release for explanation of results.

Net tangible assets

	31 December 2009	31 December 2008
Net tangible assets per security	\$0.60	\$1.34

Details of entities over which control has been gained or lost

Nil

Dividend reinvestment plan

The following dividend plans are in operation	Dividend Reinvestment Plan ('DRP')
The last date(s) for receipt of election notices for the dividend plans	N/A
Any other disclosures in relation to dividends	N/A

Details of associates and joint ventures

N/A

Information on audit or review

This report is based on accounts which have been subject to review. A copy of the review report is included in the attached interim financial report.



James Orr

Company Secretary

Date: 19 February 2010

INTERIM FINANCIAL REPORT

of PaperlinX Limited

31 December 2009



Interim Financial Report of PaperlinX Limited

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DIRECTORS' REPORT

The Directors of PaperlinX Limited ("the Company") present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries ("the Consolidated Entity") for the half-year ended 31 December 2009 and the auditors' review report thereon.

Directors

The Directors of the Company during or since the end of the half-year are:

Name	Period of directorship
Non-executive	
Mr D E (David) Meiklejohn AM	Director and Chairman since December 1999
Mr H (Harry) Boon	Director since May 2008
Mr J W (James) Hall	Director since May 2007
Mr B J (Barry) Jackson	Director since February 2000
Dr N L (Nora) Scheinkestel	Director from February 2000. Retired 31 December 2009
Mr L J (Lindsay) Yelland	Director since February 2000
Executive	
Mr T P (Thomas) Park	Managing Director and Chief Executive Officer since February 2004. Director since February 2004
Mr M R (Mark) Hooper	Chief Financial Officer since October 2008. Director appointed 1 January 2010

Review of operations

A review of the operations of the Consolidated Entity during the half-year, and the results of those operations is contained in PaperlinX's Statement to the Australian Stock Exchange and news media dated 19 February 2010.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2009.

Rounding off

The Company is the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

In accordance with a resolution of the Directors, dated at Melbourne, this 19th day of February 2010.



David E Meiklejohn AM
Chairman



Thomas P Park
Managing Director



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

To: the Directors of PaperlinX Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG


Paul J McDonald
Partner

Melbourne
19 February 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	CONSOLIDATED	
		2009	2008
		\$m	Restated (1) \$m
Continuing operations			
Revenue from sale of goods		2,643.1	3,332.1
Cost of inventory sold		(2,131.3)	(2,671.9)
Gross profit		511.8	660.2
Other income	5	7.2	10.7
Personnel costs		(270.3)	(336.3)
Logistics and distribution		(134.9)	(158.2)
Sales and marketing		(5.4)	(10.1)
Movement in fair value of currency option and loan	6	3.7	-
Other expenses		(87.2)	(104.6)
Result from operating activities		24.9	61.7
Net finance costs	7	(29.5)	(61.1)
(Loss)/profit before tax		(4.6)	0.6
Tax expense		(4.6)	(8.9)
Loss from continuing operations		(9.2)	(8.3)
Discontinued operations			
Loss from discontinued operations, net of tax	14	(166.1)	(552.6)
Loss for the period		(175.3)	(560.9)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(175.3)	(560.9)
Basic earnings per share (cents)	16	(29.0)	(111.9)
Basic earnings per share from continuing operations (cents)	16	(1.5)	(4.5)
Diluted earnings per share (cents)	16	(29.0)	(111.9)
Diluted earnings per share from continuing operations (cents)	16	(1.5)	(4.5)

(1) Refer Note 14 - discontinued operations

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	CONSOLIDATED	
	2009	2008
	\$m	\$m
Loss for the period	(175.3)	(560.9)
Other comprehensive income:		
Exchange differences on translation of overseas subsidiaries	(59.0)	74.9
Actuarial adjustments on defined benefit plans	(1.2)	(24.0)
Net change in fair value of employee share options and rights	2.0	1.4
Effective portion of changes in fair value of cash flow hedges	(3.3)	-
Income tax relating to components of other comprehensive income	0.3	-
Other comprehensive (loss)/income for the period, net of tax	(61.2)	52.3
Total comprehensive loss for the period, net of tax	(236.5)	(508.6)
Total comprehensive loss for the period attributable to:		
Equity holders of PaperlinX Limited	(236.5)	(508.6)

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	CONSOLIDATED	
		As at 31 December 2009 \$m	As at 30 June 2009 \$m
Current assets			
Cash and cash equivalents		274.3	394.2
Trade and other receivables		1,250.9	1,282.4
Income tax receivable		3.0	5.6
Inventories		535.7	632.8
Assets held for sale		19.0	20.9
Total current assets		2,082.9	2,335.9
Non-current assets			
Receivables		27.2	61.3
Investments		2.2	3.1
Property, plant and equipment		73.5	88.2
Intangible assets		363.2	395.0
Deferred tax assets		47.2	88.6
Total non-current assets		513.3	636.2
Total assets		2,596.2	2,972.1
Current liabilities			
Bank overdrafts		48.8	12.7
Trade and other payables		783.0	877.8
Loans and borrowings	12	292.2	598.2
Income tax payable		3.9	3.2
Employee benefits		21.5	21.5
Provisions		71.0	13.9
Total current liabilities		1,220.4	1,527.3
Non-current liabilities			
Payables		107.3	125.2
Loans and borrowings	12	184.8	-
Deferred tax liabilities		15.7	21.9
Employee benefits		10.8	16.6
Provisions		22.6	8.2
Other		-	1.9
Total non-current liabilities		341.2	173.8
Total liabilities		1,561.6	1,701.1
Net assets		1,034.6	1,271.0
Equity			
Issued capital	13	1,895.7	1,896.1
Reserves		(75.6)	(15.0)
Accumulated losses		(1,062.0)	(886.6)
Total equity attributable to holders of ordinary shares of Paperlinx Limited		758.1	994.5
PaperlinX step-up preference securities		276.5	276.5
Total equity		1,034.6	1,271.0

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2009	CONSOLIDATED								
	\$m								
	Issued capital	Exchange fluctuation reserve	Hedging reserve	Reserve for own shares	Accumul- ated losses	PaperlinX step-up preference securities	Total	Non- controlling interest	Total equity
Balance at 1 July 2009	1,896.1	(5.3)	-	(9.7)	(886.6)	276.5	1,271.0	-	1,271.0
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(175.3)	-	(175.3)	-	(175.3)
Other comprehensive income									
• Exchange differences on translation of overseas subsidiaries	-	(59.0)	-	-	-	-	(59.0)	-	(59.0)
• Effective portion of changes in fair value of cash flow hedges	-	-	(3.3)	-	-	-	(3.3)	-	(3.3)
• Actuarial adjustments on defined benefit plans	-	-	-	-	(1.2)	-	(1.2)	-	(1.2)
• Net change in fair value of employee share options and rights	(0.5)	-	-	1.7	0.8	-	2.0	-	2.0
• Income tax relating to components of other comprehensive income	-	-	-	-	0.3	-	0.3	-	0.3
Total other comprehensive (loss)/income	(0.5)	(59.0)	(3.3)	1.7	(0.1)	-	(61.2)	-	(61.2)
Total comprehensive (loss)/income for the period	(0.5)	(59.0)	(3.3)	1.7	(175.4)	-	(236.5)	-	(236.5)
Transactions with owners recorded directly in equity									
• Repayment of employee share plan loans	0.1	-	-	-	-	-	0.1	-	0.1
Total transactions with owners	0.1	-	-	-	-	-	0.1	-	0.1
Balance at 31 December 2009	1,895.7	(64.3)	(3.3)	(8.0)	(1,062.0)	276.5	1,034.6	-	1,034.6

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	CONSOLIDATED								
	\$m								
For the half-year ended 31 December 2008	Issued capital	Exchange fluctuation reserve	Hedging reserve	Reserve for own shares	Accumulated losses	PaperlinX step-up preference securities	Total	Non-controlling interest	Total equity
Balance at 1 July 2008	1,713.4	(36.7)	-	(9.7)	(19.0)	276.5	1,924.5	0.1	1,924.6
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(560.9)	-	(560.9)		(560.9)
Other comprehensive income									
• Exchange differences on translation of overseas subsidiaries	-	74.9	-	-	-	-	74.9	-	74.9
• Actuarial adjustments on defined benefit plans	-	-	-	-	(24.0)	-	(24.0)	-	(24.0)
• Net change in fair value of employee share options and rights	-	-	-	-	1.4	-	1.4	-	1.4
• Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	74.9	-	-	(22.6)	-	52.3	-	52.3
Total comprehensive (loss)/income for the period	-	74.9	-	-	(583.5)	-	(508.6)	-	(508.6)
Transactions with owners recorded directly in equity									
• 2,527,143 shares issued at \$2.20 each pursuant to the dividend reinvestment plan for the final dividend	5.5	-	-	-	-	-	5.5	-	5.5
• 147,909,264 shares issued at \$1.25 each pursuant to 2 for 5 rights issue	176.5	-	-	-	-	-	176.5	-	176.5
• Repayment of employee share plan loans	0.1	-	-	-	-	-	0.1	-	0.1
• Dividends paid on PaperlinX Limited ordinary shares	-	-	-	-	(15.9)	-	(15.9)	-	(15.9)
• Distributions paid on PaperlinX step-up preference securities	-	-	-	-	(14.9)	-	(14.9)	-	(14.9)
Total transactions with owners	182.1	-	-	-	(30.8)	-	151.3	-	151.3
Balance at 31 December 2008	1,895.5	38.2	-	(9.7)	(633.3)	276.5	1,567.2	0.1	1,567.3

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Note	CONSOLIDATED	
		2009	2008
		\$m	\$m
Cash flows from operating activities			
Receipts from customers		2,704.9	3,851.4
Payments to suppliers and employees		(2,780.5)	(3,955.5)
Dividends received		-	0.8
Interest received		1.2	1.7
Interest paid		(17.8)	(45.1)
Income taxes paid		(2.2)	(6.6)
Net cash used in operating activities	11	(94.4)	(153.3)
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		(0.4)	(1.1)
• Property, plant and equipment and intangibles		(13.0)	(133.1)
Net proceeds from the sale of:			
• Australian Paper business (proceeds less transaction costs)		11.7	-
• Property, plant and equipment		1.2	86.7
• Investments		9.5	5.4
Loans repaid by associated companies and other persons		(0.4)	-
Tasmanian operations closure provision payments		(1.0)	-
Net cash from/(used in) investing activities		7.6	(42.1)
Cash flows from financing activities			
Dividends paid		-	(10.3)
Proceeds from issue of shares		-	176.5
Repayment of employee share plan loans		0.1	-
Step-up preference securities distributions paid		-	(14.9)
Proceeds from borrowings		76.5	525.9
Repayment of borrowings		(155.9)	(355.4)
Principal finance lease repayments		(0.1)	(2.1)
Currency option		(19.2)	-
Cross currency swap close out		79.2	-
Capitalised borrowing costs paid		(1.3)	(3.2)
Other borrowing costs paid		(14.9)	(3.1)
Net cash (used in)/from financing activities		(35.6)	313.4
Net (decrease)/increase in cash and cash equivalents		(122.4)	118.0
Cash and cash equivalents at the beginning of the period		381.5	251.9
Effect of exchange rate changes on cash		(33.6)	(8.6)
Cash and cash equivalents at the end of the period	11	225.5	361.3

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 1. Reporting entity

The Company is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as "the Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at 307 Ferntree Gully Road, Mt Waverley Victoria 3149 or at www.paperlinx.com.au

This condensed consolidated interim financial report was approved by the Board of Directors on 19th February 2010.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Note 2. Statement of compliance

The condensed consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2009.

(a) Going concern basis of accounting

In preparing the condensed consolidated interim financial report, the Directors made an assessment of the ability of the Consolidated Entity to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2008 and 30 June 2009 the Consolidated Entity's balance sheet classified its debt obligations under the Syndicated Facility and US Private Placement Notes as current liabilities, as certain conditions of the loan facilities remained to be agreed following a breach of loan covenants at 31 December 2008, including financial covenants. The financiers formally agreed to these conditions on 31 August 2009 and therefore the Directors have classified as non-current liabilities all debt that has a repayment maturity of greater than 12 months from balance date (refer Note 12).

As part of the revised conditions with the lenders, the Consolidated Entity has obligations to make scheduled loan repayments during the next 12 months and will be obliged to meet certain covenants, including covenants relating to operating performance and net worth.

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

Should the ability of the Consolidated Entity to realise sufficient cash flows from trading operations to meet debt repayment obligations be restricted, the Consolidated Entity will actively pursue alternative funding arrangements and institute additional measures to preserve cash. These may include (but are not limited to) drawing down committed but undrawn debt facilities, sale of non-core assets, working capital reductions, further restriction of operating expenditures and, if necessary, obtaining new funding sources.

The Directors have also considered the ability of the Consolidated Entity to obtain alternative sources of debt finance, if required, to meet scheduled debt repayment obligations.

After making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Consolidated Entity and the Company have adequate resources to continue to operate and meet their obligations as they fall due for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial report.

Note 3. Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2009.

(a) Changes in accounting policy and disclosures

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 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

All non-owner changes in equity ('comprehensive income') must be presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). In addition, income tax relating to the components of other comprehensive income must be disclosed. The consolidated interim financial report has been prepared using the two statement approach - a separate income statement and a statement of comprehensive income. Comparative numbers have been restated for the previous corresponding period.

The revised AASB 101 also proposes changes to the titles of several financial statements. As a result, the 'balance sheet' has been renamed 'statement of financial position' and the 'cash flow statement' has been renamed 'statement of cash flows'.

The Consolidated Entity early adopted the revised AASB 8 *Operating Segments* in the prior annual reporting period.

Note 4. Accounting estimates and judgements

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant estimates and judgements in applying the Consolidated Entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2009.

In applying the policies to these financial statements, management have made estimates and judgements to determine the costs associated with the closure of the Tasmanian manufacturing operations. The closure costs are material to this financial report and have been disclosed as 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 discontinued operations.

Note 5. Other income from continuing operations

For the half-year ended 31 December	CONSOLIDATED	
	2009	2008
	\$m	Restated \$m
Net profit on disposal of non-current assets	-	7.6
Net profit on disposal of external investments	4.6	-
Other	2.6	3.1
Total other income	7.2	10.7

Note 6. Currency option from continuing operations

Movement in fair value of currency option

During the period the Controlled Entity entered into a currency option to hedge a foreign currency exposure on an intercompany loan. AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) permits reporting entities to separate the intrinsic value and time value of an option. AASB 139 allows for the intrinsic value of an option to be designated as part of a hedging relationship. However, the time value component does not qualify for hedge accounting and changes in fair values are recognised immediately in the Income Statement for the financial period as they do not form part of a hedging relationship.

Non-designated hedge relationships		
Currency option expense (time value)	(2.5)	-
Movement on revaluation of intercompany loan	6.2	-
Total movement in fair value of currency option and loan	3.7	-

Note 7. Net finance costs from continuing operations

Net interest		
Interest expense	(17.5)	(45.5)
Less capitalised interest expense on qualifying capital expenditure	-	11.3
Net interest expense	(17.5)	(34.2)
Interest income	1.2	1.6
Total net interest	(16.3)	(32.6)
Other finance costs		
Net foreign exchange losses	-	(25.4)
Other borrowing costs (including lender advisor fees)	(13.2)	(3.1)
Total other finance costs	(13.2)	(28.5)
Total net finance costs	(29.5)	(61.1)

Note 8. Individually significant items

For the half-year ended 31 December	CONSOLIDATED								
	Continuing operations			Discontinued operations			Total		
	Pre-tax \$m	Tax impact \$m	Post-tax \$m	Pre-tax \$m	Tax impact \$m	Post-tax \$m	Pre-tax \$m	Tax impact \$m	Post-tax \$m
2009									
Loss on sale of Australian Paper discontinued operation	-	-	-	(14.8)	-	(14.8)	(14.8)	-	(14.8)
Costs related to closure of discontinued Tasmanian operations	-	-	-	(103.0)	(31.0)	(134.0)	(103.0)	(31.0)	(134.0)
Total individually significant items	-	-	-	(117.8)	(31.0)	(148.8)	(117.8)	(31.0)	(148.8)
2008									
Impairment of paper manufacturing assets	-	-	-	(567.5)	-	(567.5)	(567.5)	-	(567.5)
Total individually significant items	-	-	-	(567.5)	-	(567.5)	(567.5)	-	(567.5)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 9. Operating segments

The Consolidated Entity comprises the following main business segments, based on the Consolidated Entity's management and internal reporting system.

Segment	Description of operations
Merchanting	International merchant supplying the printing and publishing industry and office supplies. North America comprises the United States of America and Canada. Europe comprises continental Europe, the United Kingdom, Irish Republic and South Africa.
Paper Manufacturing	Manufacture of communication papers, including office papers, graphic papers, converting papers and other speciality and coated papers. Manufacture of packaging papers and industrial papers. Paper Manufacturing is treated as a discontinued operation as a result of the disposal of the Australian Paper business (completed in May 2009) and the announced closure or sale of the remaining Tasmanian manufacturing operations at Burnie and Wesley Vale prior to the end of June 2010 - refer Note 14.

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

	Merchanting Europe \$m	Merchanting North America \$m	Merchanting Australia, New Zealand, Asia \$m	Unallocated \$m	Total Continuing Operations \$m	Discontinued Paper Manu- facturing \$m	Group Eliminations \$m	Group \$m
For the half-year ended 31 December 2009								
External sales revenue	1,818.2	521.6	303.2	-	2,643.0	95.1	-	2,738.1
Inter-segment sales revenue	-	-	2.7	(2.6)	0.1	39.7	(39.8)	-
Total revenue	1,818.2	521.6	305.9	(2.6)	2,643.1	134.8	(39.8)	2,738.1
Profit/(loss) before net finance costs, tax and significant items	8.5	9.4	10.8	(3.8)	24.9	(17.4)	-	7.5
Significant items (pre-tax)	-	-	-	-	-	(117.8)	-	(117.8)
Profit/(loss) before net finance costs and tax	8.5	9.4	10.8	(3.8)	24.9	(135.2)	-	(110.3)
Net other finance costs	-	-	-	(13.2)	(13.2)	0.1	-	(13.1)
Profit/(loss) before interest and tax	8.5	9.4	10.8	(17.0)	11.7	(135.1)	-	(123.4)
Net interest				(16.3)	(16.3)	-	-	(16.3)
Loss before tax				(33.3)	(4.6)	(135.1)	-	(139.7)
Tax expense - pre-significant items				(4.6)	(4.6)	-	-	(4.6)
Tax expense - significant items				-	-	(31.0)	-	(31.0)
Loss for the period				(37.9)	(9.2)	(166.1)	-	(175.3)
The loss for the period includes:								
Depreciation and amortisation	(9.1)	(2.8)	(1.1)	(0.2)	(13.2)	(0.6)	-	(13.8)
Impairment	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	(9.1)	(2.8)	(1.1)	(0.2)	(13.2)	(0.6)	-	(13.8)
Capital expenditure	5.2	1.0	0.2	1.8	8.2	0.6	-	8.8
As at 31 December 2009								
Total assets	1,671.6	362.2	338.8	129.8	2,502.4	93.8	-	2,596.2
Total liabilities	689.8	133.8	70.4	523.1	1,417.1	144.5	-	1,561.6
Net assets/(liabilities)	981.8	228.4	268.4	(393.3)	1,085.3	(50.7)	-	1,034.6

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
Note 9. Operating segments – (continued)

	Merchanting Europe \$m	Merchanting North America \$m	Merchanting Australia, New Zealand, Asia \$m	Unallocated \$m	Total Continuing Operations \$m	Discontinued Paper manu- facturing \$m	Group Eliminations \$m	Group \$m
For the half-year ended 31 December 2008								
External sales revenue	2,314.4	669.5	347.7	-	3,331.6	450.7	-	3,782.3
Inter-segment sales revenue	-	-	6.7	(6.2)	0.5	92.6	(93.1)	-
Total revenue	2,314.4	669.5	354.4	(6.2)	3,332.1	543.3	(93.1)	3,782.3
Profit before net finance costs, tax and significant items	52.9	9.9	11.7	(12.8)	61.7	18.8	-	80.5
Significant items (pre-tax)	-	-	-	-	-	(567.5)	-	(567.5)
Profit/(loss) before net finance costs and tax	52.9	9.9	11.7	(12.8)	61.7	(548.7)	-	(487.0)
Net other finance costs	-	-	-	(28.5)	(28.5)	(0.8)	-	(29.3)
Profit/(loss) before interest and tax	52.9	9.9	11.7	(41.3)	33.2	(549.5)	-	(516.3)
Net interest	-	-	-	(32.6)	(32.6)	(3.0)	-	(35.6)
Profit/(loss) before tax	-	-	-	(73.9)	0.6	(552.5)	-	(551.9)
Tax expense - pre-significant items	-	-	-	(8.9)	(8.9)	(0.1)	-	(9.0)
Tax expense - significant items	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	(82.8)	(8.3)	(552.6)	-	(560.9)
The loss for the period includes:								
Depreciation and amortisation	(12.5)	(3.4)	(1.4)	(3.6)	(20.9)	(26.2)	-	(47.1)
Impairment	-	-	-	-	-	(567.5)	-	(567.5)
Depreciation, amortisation and impairment	(12.5)	(3.4)	(1.4)	(3.6)	(20.9)	(593.7)	-	(614.6)
Capital expenditure	16.9	1.4	0.7	1.4	20.4	188.9	-	209.3
As at 30 June 2009								
Total assets	1,848.9	418.1	377.1	193.8	2,837.9	134.2	-	2,972.1
Total liabilities	772.1	132.2	68.0	659.6	1,631.9	69.2	-	1,701.1
Net assets	1,076.8	285.9	309.1	(465.8)	1,206.0	65.0	-	1,271.0

Note 10. Dividends and distributions

(a) Dividends on PaperlinX Limited ordinary shares

For the half-year ended 31 December	CONSOLIDATED	
	2009	2008
	\$m	\$m
Final dividend paid:		
• 3.5 cents per share paid on 15 October 2008, nil% franked at a 30% tax rate on fully paid shares	-	15.9
Total dividends on PaperlinX Limited ordinary shares	-	15.9

The Directors of the Company have determined that no interim dividend can be paid in respect of the period ended 31 December 2009. Dividends require approval from the primary financiers of the Consolidated Entity.

As no distribution will be paid on PaperlinX step-up preference securities in respect of the period ended 31 December 2009 (refer Note 10 (b) below), the Company is prohibited 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.

(b) Distributions on PaperlinX step-up preference securities

Interim distributions paid:		
• Rate of 10.36% for the period 1 July 2008 to 31 December 2008	-	14.9
Total distributions on PaperlinX step-up preference securities	-	14.9

The Directors of the Company have determined that a distribution in respect of the period ended 31 December 2009 will not be paid as distributions require approval from the primary financiers of the Consolidated Entity. The distribution rate for the period 1 July 2009 to 31 December 2009 would have been 5.6850%.

Note 11. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	CONSOLIDATED	
	2009	2008
	\$m	\$m
Reconciliation of loss after tax to net cash from operating activities		
Loss for the period	(175.3)	(560.9)
Add back non-cash items:		
• Depreciation and amortisation of property, plant, equipment and intangibles	13.8	47.1
• Impairment of property, plant, equipment and intangibles	-	567.5
• Loss on disposal of controlled entities	14.7	-
• Profit on disposal of investments	(4.6)	(3.8)
• Profit on disposal of property, plant and equipment	-	(3.0)
• Profit on disposal of assets held for sale	-	(3.4)
• Employee share options and rights expense	0.8	1.4
• Movement in fair value of currency option and loan	(3.7)	-
• Cross-currency swap (gain)/loss	(3.3)	4.0
• Interest capitalised	-	(11.3)
• Amortisation of capitalised borrowing costs	0.2	2.7
Add back other items classified as investing/financing:		
• Provision for costs related to closure of discontinued Tasmanian operations	103.0	-
• Borrowing costs expensed	13.2	3.1
(Increase)/decrease in trade and other receivables	(74.4)	27.9
Decrease/(increase) in inventories	36.4	(129.9)
Decrease in trade and other payables	(27.2)	(86.6)
Decrease in provisions	(19.5)	(10.4)
Decrease in current and deferred taxes	33.4	2.4
Decrease in other non-current liabilities	(1.9)	(0.1)
Net cash used in operating activities	(94.4)	(153.3)
Reconciliation of cash		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term money market investments, net of outstanding bank overdrafts. Cash as at 31 December as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	274.3	455.9
Bank overdrafts	(48.8)	(94.6)
	225.5	361.3

Note 12. Loans and borrowings

For the half-year ended 31 December	CONSOLIDATED	
	2009	2008
	\$m	\$m
Balance at beginning of period	598.2	1,027.9
Borrowings		
New issues		
• Trade receivable and inventory funding - New Zealand (1)	8.2	-
• Trade receivable funding - Canada (2)	-	-
• Trade receivable funding - Australia	-	50.0
• Trade receivable funding - Europe	-	106.2
Expiring facilities		
• Syndicated facility agreement (3)	(54.2)	(150.0)
• US private placement notes (3)	(34.6)	-
• Unsecured loan - New Zealand (1)	(19.3)	-
• Trade receivable funding - Australia	-	(50.0)
Other net drawdowns	20.5	214.3
Net (repayment of)/proceeds from borrowings	(79.4)	170.5
Finance Leases		
• New issues (4)	-	86.0
• Principal finance lease repayments	(0.1)	(2.1)
Movement in capitalised borrowing costs	(1.1)	(0.5)
Foreign exchange	(40.6)	141.6
Balance at end of period	477.0	1,423.4
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	140.3	-
• Bank loans - unsecured	3.2	766.6
• Notes - secured	98.0	-
• Notes - unsecured	-	466.1
• Other loans - secured	51.1	108.6
• Other loans - unsecured	-	0.2
• Finance lease liabilities	-	3.2
• Capitalised borrowing costs	(0.4)	(2.2)
	292.2	1,342.5
Non-current liabilities		
• Bank loans - secured	111.3	-
• Bank loans - unsecured	11.1	-
• Notes - secured	63.6	-
• Other loans - secured	0.3	-
• Finance lease liabilities	-	80.9
• Capitalised borrowing costs	(1.5)	-
	184.8	80.9
Total loans and borrowings	477.0	1,423.4

(1) New Zealand unsecured loan expired in July 2009 and was replaced with a trade receivable and inventory facility

(2) This new facility was operational during the period. No amounts were drawn during the period to 31 December 2009

(3) Repayments on syndicated facility agreement and US private placement notes reflect agreed amortisation commitments

(4) The prior period comprises the Maryvale Woodyard lease (part of the discontinued Australian Paper operations). This liability was divested as part of the sale of Australian Paper.

As per Note 2, at 31 December 2008 and 30 June 2009 the Consolidated Entity classified its debt obligations under the syndicated facility agreement and US private placement notes as current liabilities, as certain conditions of the loan facilities (including financial covenants) remained to be agreed following a breach of loan covenants in December 2008. On 31 August 2009, an agreement was reached with the financiers on revised loan covenants and repayment schedules. Given this agreement, the 31 December 2009 loans and borrowings that have a maturity date of greater than 12 months from balance date have been classified as non-current liabilities.

Note 13. Issued capital

	CONSOLIDATED	
	As at 31 December 2009 \$m	As at 30 June 2009 \$m
	Issued and paid-up share capital 603,580,761 ordinary shares (30 June 2009: 603,580,761 ordinary shares)	1,896.7
Employee share plan loans	(1.0)	(1.5)
Total issued capital	1,895.7	1,896.1

Employee share plan loans

Loans to executive Directors, officers and employees in the full-time employment of the Consolidated Entity are made in accordance with the Employee Share Purchase Plan to provide financial assistance to enable executive Directors and employees of the Consolidated Entity to purchase shares in the Company as approved by the Company shareholders. The plan ceased in 2004. The loans are interest free and are reduced either by dividends paid on the shares or by proceeds from sale of the shares in case of forfeiture. Loans remaining will be repaid.

Options

At the reporting date, there are 7,909,061 (2008: 6,156,960) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The details of the options on issue at balance date are as follows:

For the half-year ended 31 December	CONSOLIDATED	
	2009 number	2008 number
Outstanding at the beginning of the period	5,489,960	5,204,930
Lapsed during the period	(1,625,830)	(1,441,000)
Granted during the period (1)	4,044,931	2,443,030
Exercised	-	(50,000)
Outstanding at the end of the period	7,909,061	6,156,960

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

Rights

At the reporting date, there are 16,631,388 (2008: 11,847,468) rights to potentially acquire fully paid ordinary shares in the Company when performance conditions are met. The details of the rights on issue at balance date are as follows:

Outstanding at the beginning of the period	10,776,205	7,704,730
Lapsed during the period	(4,729,184)	(3,328,670)
Granted during the period (1)	10,873,995	7,471,408
Exercised	(289,628)	-
Outstanding at the end of the period	16,631,388	11,847,468

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

Note 14. Discontinued operations

On 16 February 2009 the Company announced the sale of a significant part of its Australian manufacturing business, Australian Paper. The sale excluded the two Tasmanian mills at Burnie and Wesley Vale. The sale of the manufacturing business was undertaken in order to concentrate the Consolidated Entity on its core paper merchandising and distribution operations. The sale was completed on 31 May 2009.

On 7 December 2009 the Company announced the closure of the Wesley Vale operation and part of the Burnie operations, with a sale of the remaining operations at Burnie being explored as an alternative to its complete closure. The exit is expected to be completed by the end of June 2010.

Australian Paper (including the Tasmanian operations) comprised the Paper Manufacturing segment of the Consolidated Entity. As the segment was not a discontinued operation or classified as held for sale as at 31 December 2008, the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

The operating result of the Tasmanian paper manufacturing operations is included in the discontinued result for the half-year ended 31 December 2009. The operating result of Australian Paper is included in the comparative discontinued result for the half-year ended 31 December 2008 as the sale was not completed until 31 May 2009.

For the half-year ended 31 December	Note	CONSOLIDATED	
		2009 \$m	2008 \$m
Result from discontinued operations:			
Revenue		134.8	543.3
Other income		1.9	7.8
Trading expenses		(154.1)	(532.3)
Result from operating activities pre-significant items		(17.4)	18.8
Individually significant item - impairment of paper manufacturing assets	8	-	(567.5)
Individually significant item - loss on sale of discontinued operation	8	(14.8)	-
Individually significant item - costs related to closure of discontinued Tasmanian operations	8	(103.0)	-
Result from operating activities		(135.2)	(548.7)
Net interest		-	(3.0)
Other finance costs		0.1	(0.8)
Tax expense		-	(0.1)
Individually significant tax expense on write-off of deferred tax balances re closure of discontinued Tasmanian operations	8	(31.0)	-
Loss for the period		(166.1)	(552.6)
Cash flows from discontinued operations			
Net cash from operating activities (1)		(19.3)	(108.5)
Net cash from investing activities		(4.9)	(108.3)
Net cash from financing activities		-	(2.1)
Net cash before internal funding		(24.2)	(218.9)
Internal funding		24.2	219.5
Net cash from discontinued operations		-	0.6

(1) Includes cash flows relating to internal sales

Note 15. Contingent liabilities

	CONSOLIDATED	
	As at 31 December 2009 \$m	As at 30 June 2009 \$m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (government)	2.2	2.1
• Bank guarantees (trade)	6.7	11.0
• Loan guarantees (external)	34.1	20.8
Total contingent liabilities	43.0	33.9

The bank guarantees (government), the beneficiaries of which are government departments, are in relation to the specific requirement of self-insurance licences for workers' compensation in Australia.

The bank guarantees (trade), the beneficiaries of which are third parties, comprise rental leases and obligations relating to service contracts in Tasmania.

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

Note 16. Earnings per share

For the half-year ended 31 December	Continuing		CONSOLIDATED Discontinued		Total	
	2009 \$m	2008 \$m	2009 \$m	2008 \$m	2009 \$m	2008 \$m
Loss for the period	(9.2)	(8.3)	(166.1)	(552.6)	(175.3)	(560.9)
Less PaperlinX step-up preference securities distributions	-	(14.9)	-	-	-	(14.9)
Loss for the period attributable to holders of ordinary shares in PaperlinX Limited	(9.2)	(23.2)	(166.1)	(552.6)	(175.3)	(575.8)
Add individually significant items	-	-	148.8	567.5	148.8	567.5
Profit/(loss) for the period pre significant items attributable to ordinary shares of PaperlinX Limited	(9.2)	(23.2)	(17.3)	14.9	(26.5)	(8.3)
Weighted average number of shares - basic (millions)	603.6	514.5	603.6	514.5	603.6	514.5
Basic EPS (cents)	(1.5)	(4.5)	(27.5)	(107.4)	(29.0)	(111.9)
Basic EPS pre significant items (cents)	(1.5)	(4.5)	(2.9)	2.9	(4.4)	(1.6)
Weighted average number of shares - diluted (millions)	603.6	514.5	603.6	514.5	603.6	514.5
Diluted EPS (cents)	(1.5)	(4.5)	(27.5)	(107.4)	(29.0)	(111.9)
Diluted EPS pre individually significant items (cents)	(1.5)	(4.5)	(2.9)	2.9	(4.4)	(1.6)

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

The diluted earnings per share are calculated in accordance with the requirements of AASB 133, whereby options are considered to be potential shares.

The options to purchase shares on issue during the half-year ended 31 December 2009 (weighted average 15.024 million shares) have not been included in determining the diluted earnings per share because they are anti-dilutive. The options to purchase shares on issue during the half-year ended 31 December 2008 (weighted average 12.695 million shares) have not been included in determining the diluted earnings per share for the prior period because they are anti-dilutive.

Note 17. Events subsequent to balance date

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 31 December 2009.

Distributions on PaperlinX step-up preference securities

No distribution for the period 1 July 2009 to 31 December 2009 has been paid.

DIRECTORS' DECLARATION

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

- 1 The financial statements and notes set out on pages 5 to 21 are in accordance with the Corporations Act 2001, including:
 - Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2009 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

In accordance with a resolution of the Directors, dated at Melbourne, this 19th day of February 2010.

Signed in accordance with a resolution of the Directors:



David E Meiklejohn AM
Chairman



Thomas P Park
Managing Director



Independent auditor's review report to the members of PaperlinX Limited

We have reviewed the accompanying interim financial report of PaperlinX Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 17 and the Directors' declaration set out on page 22 of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The Directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of PaperlinX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG


Paul J McDonald
Partner

Melbourne
19 February 2010