PaperlinX Limited
ACN 005 146 350
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31 August 2009

Company Announcement Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

2009 Full Year Results

We attach the following for release to the market:-

1. Appendix 4E – Preliminary Final Results
2. ASX Release "PaperlinX 2009 Full Year Results"
3. 2009 Full Year Results Presentation

Regards,

James Orr
Company Secretary

Encl.

Appendix 4E
Preliminary Financial Report

(Rules 4.3A)

Name of Entity	**PAPERLINX LIMITED**
ABN	**70 005 146 350**
For the year ended	**30 June 2009**

(Previous Corresponding Period: 30 June 2008)

Results for announcement to the market	**2009 A$m**	**2008 A$m**		**% Change**
Revenues from ordinary activities	7,109.7	7,488.1	down	5.1%
(Loss) / Profit from ordinary activities after tax attributable to equity holders of PaperlinX Limited	(798.2)	72.2	down	>100%
Net (loss) /profit for the period attributable to:				
Equity holders of PaperlinX Limited	(798.2)	72.2	down	>100%
Minority interest	-	0.1	down	100%
	(798.2)	72.3	down	>100%
Equity holders of PaperlinX Limited attributable to:				
Ordinary shares of PaperlinX Limited	(813.1)	45.5		
PaperlinX step-up up preference securities	14.9	26.7		
	(798.2)	72.2		

Dividends	**Amount per security**	**Franked Amount per security**
Final dividend – current period	Nil	Nil
Final dividend – previous corresponding period	3.5¢	Nil
Record date for determining entitlements to the dividend	NA	
Date dividend is payable	NA	

Commentary on results for the period

Refer to attached press release for explanation of results

	30 June 2009 A$	30 June 2008 A$
Net tangible assets per security	1.13	2.59

Details of Entities Over Which Control Has Been Gained or Lost

Control Lost Over Following Entities effective 1 June 2009.

Paper Australia Pty Ltd
Australian Paper Pty Ltd
Josef Frohlen Papiergrosshandlung–WilliReddeman Import–Export GmbH
Paper Products Marketing (Singapore) Pte Ltd
Paper Products Marketing (Hong Kong) Ltd
Paper Products Marketing (Taiwan) Ltd
Paper Products Marketing (USA) Inc
Paper Products Marketing Pty. Ltd.

Dividend Reinvestment Plan

The dividend plans shown below are in operation.

Dividend Reinvestment Plan ('DRP')

The last date(s) for receipt of election notices for the dividend plans: NA

Any other disclosures in relation to dividends

NA

Details of Associates and Joint Ventures

N/A

Information on Audit or Review

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

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

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

James Orr
Company Secretary

Date: 31 August 2009

PaperlinX Limited
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ASX RELEASE

31 August 2009

PAPERLINX 2009 FULL YEAR RESULT

PaperlinX today announced results for the year ended 30 June 2009. Divisional EBIT (excluding corporate costs and significant items) was $110.1 million (down 42% on the prior year), while reported EBIT before significant items but including a range of debt related costs was $16.4 million. Total loss after tax for the year was $(798.2) million, including $(727.9) million in significant items ($(734.6) million pre tax). There will be no final dividend for the year.

The key features of this result are:

- The sale of Australian Paper (excluding the Tasmanian operations), substantially reducing debt
- An unprecedented deterioration in global paper demand reduced volumes in our key markets by 15 – 20% in the second half
- Structural cost reduction programmes were undertaken
- Release of cash from working capital was increasingly positive through the year
- PaperlinX's banks and noteholders have agreed to commit to terms and new covenants that will secure bank borrowings out to February 2011 and note holder debt to 2013/15.

Commenting on the result, PaperlinX CEO Mr Tom Park said, "This has been an extremely difficult year, with paper demand in all markets severely depressed by the global recession."

In response to this negative environment, PaperlinX has undertaken a series of actions to mitigate earnings pressure, to strengthen the balance sheet, and to position the Company for the future:

- Substantial debt repayment through the sale of Australian Paper and European properties and an equity raising. Net debt of $217 million at 30 June 2009 compares with $1,062 million at 31 December 2008 and $776 million at 30 June 2008.

- Net working capital at 30 June 2009 reduced by $184 million versus the prior year end. This includes the impact of the sale of Australian Paper offset by unfavourable currency movements. The year end working capital/sales ratio for the Company is the lowest it has ever been at 13.6%, led by structural reductions in inventory.

- Major expense reductions including a 13% reduction in North America and a 9% reduction in Europe versus the prior year, underpinned by a worldwide headcount reduction of 632 (8%) in the financial year (excluding the sale of Australian Paper). Expense reductions accelerated in the second half of the year.

- Additional head office restructuring activities resulting from the sale of Australian Paper will benefit 2010 with a lower cost base and a more efficient structure.

- A freeze on management salaries and Board fees, along with senior management not receiving cash bonuses in 2009 are also a part of the Company's cost reductions.

"The difficult conditions that began to impact in the first half of the 2009 financial year accelerated throughout the second half, with volume declines overwhelming the many positive actions that were completed to support the Company results", Mr Park said. "The depressed results, compounded by foreign exchange losses in the first half and expected property sales not completed by 31 December 2008 (subsequently completed in the second half of the 2009 fiscal year) caused the Company to breach banking covenants which in turn led to significant lender fees and advisor charges that would otherwise not have been incurred."

"We have actively addressed our cost base with headcount reduced by 632, excluding the sale of Australian Paper. In local currency, second half expenses in Europe were down 12% versus the prior period, in North America down 21% and down 5% in Australia / New Zealand / Asia, showing the momentum being achieved in this area."

"We have raised equity, sold Australian Paper and other assets, and structurally reduced working capital which has significantly reduced our debt. Our banks and noteholders have agreed to commit to terms which give us time to better align our funding structure with our business structure post the Australian Paper sale."

"The 2009 financial year was particularly challenging. The global financial crisis and its impact on business and consumer confidence had a severe impact on volumes in the paper industry leading to unprecedented falls in the second half. Along with this, the paper supply chain lost confidence and all participants reduced inventory at the same time. This has exacerbated and extended the volume impact beyond what we had assumed even a few months ago. While the benefits from the changes we made were initially overwhelmed by the sheer magnitude of the volume falls, we are now realising the full year effect of cost reductions taken over the past year."

"While the first half of 2010 will remain tough coming off a weak second half of 2009, it will see the net benefits from cost reductions already made. The improving consumer and economic sentiment seen in our major markets has yet to be reflected in a lift in demand in these markets."

PaperlinX

RESULTS FOR THE YEAR ENDED 30 JUNE 2009

PAPERLINX LIMITED AND CONTROLLED ENTITIES		Year ended 30 June		
		2009	2008	% change
Sales revenue	$M	7,106.6	7,485.1	(5)
Total earnings from operating activities before interest, income tax, amortisation, depreciation and significant items (EBITDA pre significant items)	$M	93.6	254.3	(63)
Divisional EBIT	$M	110.1	190.4	(42)
Total earnings from operating activities before interest, income tax and significant items (EBIT pre significant items)	$M	16.4	160.4	(90)
Significant items (pre tax)	$M	(734.6)	0.0	
(Loss)/profit from operating activities before interest and income tax (EBIT post significant items)	$M	(718.2)	160.4	
(Loss)/profit after tax (pre significant items)	$M	(70.3)	72.2	
(Loss)/profit after income tax (post significant items)	$M	(798.2)	72.2	
Step-up Preference Security (SPS) distribution	$M	(14.9)	(26.7)	
Key ratios				
Earnings before interest, income tax and significant items to average funds employed	%	0.6	5.7	
Net working capital (30 June)	$M	966	1,150	(16)
Operating cash flow	$M	(6.0)	117.1	
Net debt	$M	217	776	(72)
Net debt/net debt & equity	%	14.6	28.7	(14.1) pts
Basic earnings per share post SPS distribution	cps	(145.6)	10.1	
Dividend per share (total annual)	cps	0.0	6.5	(6.5)¢

***Note**: In this statement, currency is in Australian dollars unless otherwise indicated.*

The results include the results of both continued and discontinued manufacturing operations

Introduction

The reported after tax loss of $(798.2) million for the year has been significantly impacted by impairment charges, loss on sale of Australian Paper and related restructuring costs totalling $(727.9) million after tax. Results were additionally impacted by the weak operating environment, foreign exchange losses primarily in the first half, one-off restructuring costs and increased finance costs and charges. A reported after tax loss (before significant items) of $(70.3) million for the year compared with a profit of $72.2 million in the prior year. Reported EBIT before significant items was $16.4 million, while divisional EBIT (reported EBIT before corporate and related costs) of $110.1 million was down 42% on the prior year.

A breach of banking covenants resulted in significant fees charged by lenders and their advisors, along with increased margins and fees related to the granting of waivers for those breaches. Total costs in 2009 were $68.9 million, including a $25 million make whole fee incurred on the paydown of the US Private Placement notes.

The average working capital sales ratio was impacted during the middle of the year due to the sharp decline in volume resulting in an average working capital / sales ratio of 19.4% versus 17.9% for fiscal 2008, although inventory reductions resulting from improved processes in the second half helped year end working capital reduce by $184 million, with the 30 June 2009 working capital / sales ratio reduced to 13.6% (versus 15.4% at 30 June 2008). At constant currency, year end Merchanting working capital reduced by $127 million during this period.

Merchanting

The Merchanting businesses achieved reported EBIT of $82.3 million, down 56% on the prior year. Trading EBIT in North America was down 76% in local currency with volumes and margins impacted by weak demand as was the case in all markets, Europe was down 69% in local currency while Australia, NZ and Asia was up 23% as early year currency movements led to necessary price increases and markets held up better than in other regions. Overall Merchanting volume for the year was down 13% due to the general market weakness, but down 19% in the second half. Lower market volumes led to reduced EBIT margins as the falls in volume ran ahead of an aggressive set of cost reduction measures.

Total Merchanting return on average funds employed was 4.8% before significant items. Overall trading expenses were down in all markets in local currency, with second half reductions versus prior of (12)% in Europe, (21)% in North America and (5)% in Australia / NZ / Asia. The year end working capital to sales ratio reduced to 13.5% from 14.2% at the end of the prior year, supporting the positive free cash flow of $164 million from the combined Merchanting businesses.

Manufacturing

Earnings for Manufacturing in Australia this year have been separated between discontinued and continuing operations following the sale of Australian Paper (excluding the Tasmanian operations). Continuing operations are the results of the Tasmanian operations, now called Tas Paper, and are included for the full 12 months. Discontinuing operations are the results for 11 months for the balance of the Manufacturing operations of PaperlinX in Australia, including Dalton Web and the paper trading business, PPM (previously reported in Australia / New Zealand / Asia Merchants). Historic earnings have been adjusted to match this year's reporting structure.

Reported EBIT of $27.8 million was up on the adjusted $4.7 million in 2008 as the business benefited from a lower average exchange rate and the second half contribution from the completed pulp mill upgrade, though the strengthening Australian dollar towards year end depressed 4th quarter earnings.

OPERATING EARNINGS

The following table shows, for PaperlinX Limited and controlled entities, earnings, sales revenue and total assets by industry segment for the year to 30 June in Australian dollars. Segment results exclude significant items, but include one-off costs and benefits, including restructuring charges to benefit future years. Historical comparisons are adjusted for the sale of Australian Paper.

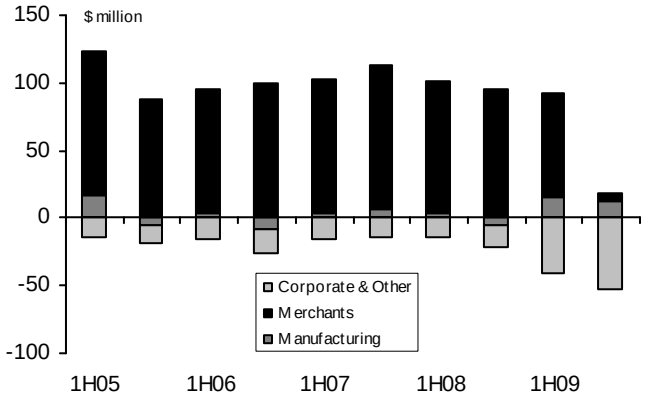
	Earnings		Sales revenue		Total assets	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	$M	$M	$M	$M	$M	$M
Merchanting						
Europe	56.5	139.0	4,375	4,573	1,824	2,020
North America	7.9	32.4	1,276	1,275	418	457
Australia, NZ and Asia	17.9	14.3	655	670	378	376
Inter-merchant Sales			(10)	(6)		
Total Merchanting	82.3	185.7	6,296	6,512	2,620	2,853
Manufacturing						
Continuing	(8.7)	(26.1)	240	287	134	112
Discontinuing	36.5	30.8	752	863	-	1,309
Inter-segment sales			(15)	-		
Total Manufacturing [1]	27.8	4.7	977	1,150	134	1,422
Divisional EBIT	110.1	190.4				
Corporate[2]	(93.7)	(30.0)	-	-	99	35
Operating earnings before interest, income tax and significant items (EBIT pre significant items)	16.4	160.4				
Significant Items						
Continuing	(107.9)	-				
Discontinuing	(626.7)	-				
Total significant items	(734.6)	0.0				
Operating earnings before interest and income tax (Reported EBIT)	(718.2)	160.4				
Net interest [3]	(81.8)	(60.0)				
Income tax expense	1.8	(28.1)				
Minority interests	-	(0.1)				
Inter-segment sales			(166)	(177)		
Unallocated assets (deferred tax assets)					94	68
Total	(798.2)	72.2	7,107	7,485	2,947	4,378

Notes –
(1) Manufacturing includes discontinuing operations for 11 months and continuing operations (Tas Paper) for 12 months.
(2) Corporate includes Group overheads, governance and compliance costs, lender advisor costs, public company costs, Group wide long term incentive costs and applicable one-off items including unfavourable FX impact primarily in the first half.
(3) Interest

A$M	2009	2008
Interest	86.5	84.2
Default interest	10.1	0.0
Interest received	(3.4)	(5.4)
Capitalised interest	(11.4)	(18.8)
Net interest	81.8	60.0

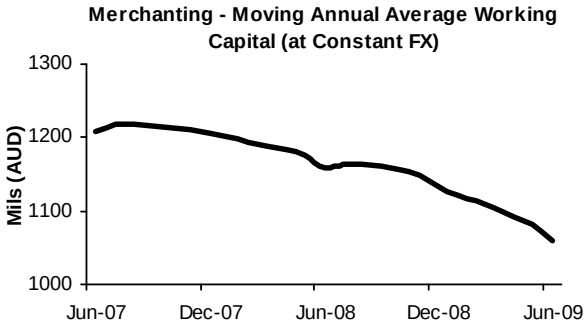
Divisional EBIT

This chart shows the divisional operating earnings over time. Divisional EBIT is total EBIT before corporate costs and significant items. It clearly shows the sharp decline in earnings in the second half, bringing full year divisional EBIT to $110.1 million excluding corporate of $(93.7) million and pre-tax significant items of $(734.6) million.



Merchant working capital

The moving annual average working capital (at constant FX) for the Merchants at June 2009 was $1,060 million (shown in graph). This was 8.4% lower than at 30 June 2008 though year end working capital was 16% lower than prior as second half initiatives materialised.



Financial position

At 30 June 2009, PaperlinX had a gearing ratio of net debt to net debt plus equity of 15%.

Having resolved issues surrounding breaches of covenants in the 2009 financial year, PaperlinX and its banks and noteholders have agreed to commit to terms that will secure bank borrowings out to February 2011 and noteholder debt to 2013/15. The covenants for fiscal 2010 will be based on the company meeting earnings targets after an allowance for contingencies for this financial year. After that period covenants will revert to a combination of gross interest cover, gross leverage ratio and a total debt to total capitalisation ratio. PaperlinX will be committing to a set repayment schedule for its current debt facilities through to the maturity of its bank lending facility in February 2011. Remaining US Private Placement Notes will mature variously between 2013 and 2015.

Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA) was $93.6 million. Net cash flow from operating activities was an outflow of $(56) million, as compared with a net inflow of $117 million in the prior year with depressed earnings and one-off restructuring costs more than offsetting improvements in working capital and asset sales.

Net debt decreased to $217 million compared to $776 million at the same period last year, and $1,062 million at 31 December 2008. The decrease since December was driven by the cash received for the sale of Australian Paper, property sales in Europe and a strong reduction in working capital. Gross debt for the Group at 30 June 2009 was $586 million, down from $1,410 million at 31 December 2008 and $1,017 million at 30 June 2008.

Capital expenditure in the year was $180.1 million (including $118.9 million on the pulp mill upgrade and on ancillary catch-up capital, with normal sustenance capital below depreciation).

Average funds employed were down only $71 million primarily due to the late in the year (1 June 2009) impact of the sale of Australian Paper and reductions in working capital, partially countered by currency movements.

During Oct/Nov 2008 a net $177 million was raised through a share rights issue.

Property and other asset sales realised net cash of $153.2 million during the year.

Significant Items

A key feature of this years result is the level of significant items. A total charge of $(734.6) million pre-tax ($(727.9) million post-tax) is included in this result. This includes, on a pre tax basis, $(47.7) million loss on sale of discontinued operations, $(25.4) million transaction costs, $(37.2) million financing costs, $(19.2) million restructuring costs for a total of $(129.5) million compared with guidance of $(150) million loss on sale. Additionally, a $(37.6) million impairment of European assets has been booked. It also includes the $(567.5) million impairment taken in the first half result.

Dividend and Distributions

There will be no final dividend on the Ordinary shares of PaperlinX Limited for the 2009 financial year.

As the Company was not able to secure approval from its lenders for the 30 June distribution on the PaperlinX Step-up Preference Securities (SPS), a dividend block on the Ordinary shares is now in place until such time as PaperlinX has paid two consecutive distributions on the SPS. While SPS distributions are non-cumulative, the Company has the option of making up missed payments, subject to lender approval. The Company remains in discussion with lenders over SPS distributions, but there is no certainty that this approval will either be given, or withheld. Lenders retain the right of approval until such time as they choose to waive the right, or lending facilities mature.

Remuneration

Given the company's circumstances, senior management have volunteered to receive no cash payment under the short term incentive plan for 2008/09 even where agreed performance targets had been met or exceeded. Likewise, there will be no increase in employee salaries including executive remuneration and non-executive director fees in 2009/10, with the exception of increases required to be paid under industrial awards or agreements.

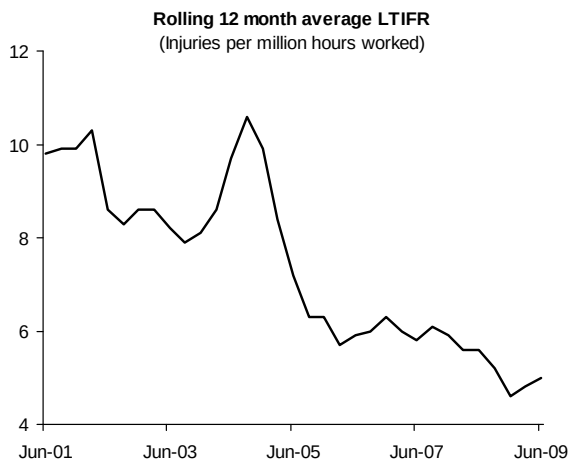
Employees

As at 30 June 2009, PaperlinX had 7,199 employees, down 23.1% on 2008. Adjusting for the sale of Australian Paper (excluding Tasmanian operations) the reduction in head count over the year was 8.1% (632). Of our employees 15.7% are in Australia, New Zealand and Asia, 65.3% in Europe and 19.0% in North America. Around 93 % of employees are in Merchanting, 6% in Manufacturing and less than 1% are in the Group Office.

Safety

Achieving our goal of no accidents and injuries is a continuous challenge. Over the past eight years the overall lost time injury frequency rate (LTIFR) has been reduced 49%, with the Group's rolling LTIFR decreasing from 5.6 to 5.0 in the last 12 months (down 11%). This is adjusted for the sale of Australian Paper.

Safety and health will continue to be a key focus for PaperlinX at all levels of management and operations. 44% of employees around the world took advantage of the free health check offered as part of HealthLinX, PaperlinX's global health and wellbeing programme.



Sustainability

PaperlinX has a long-term commitment to the environment and is focusing on areas where sustainability can deliver real and credible benefits at many levels. Our merchants seek to be leaders in providing environmental information and product options in their markets and environmental solutions for their customers.

We believe there are three critical areas our organisation should focus on:

1. Energy use and carbon footprint (greenhouse gas emissions)
2. Resource use and water management
3. Waste reduction and recycling

PaperlinX had no significant environmental breaches or non-compliance with environmental regulations during the period.

Sustainability highlights for the year include:

- Ranking equal-first in the 2009 WHK Horwath Corporate Governance Report, which assesses the corporate governance structures and policies of Australia's largest 250 listed companies.
- For the fifth consecutive year, PaperlinX has satisfied the requirements of the FTSE4Good Index Series by meeting global standards of corporate responsibility for social, ethical and environmental performance. We once again participated in the Carbon Disclosure Project Survey in Australia.
- Our Australian-made range of carbon-neutral papers, ENVI™, won three categories in the 2009 Australian Business Awards: Best Eco-Friendly Product, Product Innovation, and Marketing Excellence.
- Reached our target of 100 per cent of operating companies achieving multiple chain-of-custody certification.

Impact of Carbon Pollution Reduction Scheme

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction scheme (CPRS). While actively preparing for the introduction of such a scheme, with well developed carbon reporting systems and significant reductions made over a number of years, PaperlinX has not yet incorporated the potential impacts of a CPRS into its cash flow assumptions as insufficient market information exists.

With the sale of Australian Paper (excluding Tasmanian operations), PaperlinX's carbon footprint is significantly reduced and any potential cost of a CPRS is not expected to be material.

PaperlinX has implemented a global carbon policy to ensure consistent explanations across the Group in measurement of carbon intensity of our own operations and of the products the Group buy and sell.

BALANCE SHEET

PAPERLINX LIMITED AND CONTROLLED ENTITIES		June 2009	June 2008
Current assets	$M	2,311.3	2,677.7
Non current assets	$M	636.2	1,700.0
Total assets	$M	2,947.5	4,377.7
Current liabilities	$M	1,502.7	1,536.0
Non current liabilities	$M	173.8	917.1
Total liabilities	$M	1,676.5	2,453.1
Shareholders equity	$M	1,271.0	1,924.6
Key balance sheet ratios			
Net debt	$M	217.0	776.0
Net tangible assets per share	$	1.13	2.59

INCOME STATEMENT

PAPERLINX LIMITED AND CONTROLLED ENTITIES	Year ended 30 June 2009 $M	Year ended 30 June 2008 $M
SALES REVENUE	7,106.6	7,485.1
Operating earnings before depreciation, amortisation, interest, income tax and significant items (EBITDA)	93.6	254.3
Depreciation, amortisation and non-significant impairments	(77.2)	(93.9)
Significant items	(734.6)	0.0
Operating (loss)/earnings before interest and income tax (EBIT)	(718.2)	160.4
Net interest expense	(81.8)	(60.0)
Operating (loss)/profit from ordinary activities before income tax	(800.0)	100.4
Income tax expense on operating profit	1.8	(28.1)
NET (LOSS)/PROFIT AFTER TAX	(798.2)	72.3

RETURN ON AVERAGE FUNDS EMPLOYED [1]

		Year June 2009	Year June 2008
Merchanting*	%	4.8	11.4
PaperlinX Group	%	0.6	5.7

* before allocation of corporate overheads

[1] EBIT excluding significant items / average funds employed

DIVISIONAL COMMENTARY

MERCHANTING – TOTAL

		Year June 2009	Year June 2008
Sales volume	'000 tonnes	2,989	3,424
Sales revenue	A$M	6,296	6,512
Earnings before interest, tax and significant items	A$M	82.3	185.7
EBIT/sales ratio	%	1.3	2.9
Return on average funds employed	%	4.8	10.9

- Overall sales volume for Merchanting was down 13%, in line with lower volumes in key markets. Second half volumes were down 19%.
- Revenue in sign and display, graphics and industrial packaging was down in source currency, with these non-paper businesses accounting for 17% of gross profit.
- Sales revenue for the total Merchanting business was down 3% benefiting from currency translation to Australian dollars.
- Margins benefited from an improved ratio of warehouse sales (higher margin) to indent sales (lower margin).
- Trading expenses were down in all regions. Across all merchanting businesses head count was down 8.1%, adjusted for the sale of Australian Paper.
- Average working capital was $1.1 billion, similar to the prior year; while the year-end working capital reduction of $71 million ($127 million at a constant currency) versus the prior year was a decrease of 8% despite negative currency translation impacts. Notwithstanding second half volume falls, year end inventory days were down from 64.5 to 58.9 across merchanting as a result of improved processes.

Europe

		Year June 2009	Year June 2008
NW Europe	'000 tonnes	616	690
UK & Ireland (1)	'000 tonnes	990	1,147
Central & Southern Europe	'000 tonnes	474	528
Total European sales volume	'000 tonnes	2,080	2,365
Sales revenue	€M	2,337	2,743
Trading earnings before interest and tax	€M	20.9	67.3
Reported Earnings before Interest, tax and significant items	€M	30.2	83.3
Trading EBIT/sales ratio	%	0.9	2.5

Note (1) Also includes volume from South Africa

- Overall sales volumes were down 12%, with second half volumes down by 18%, in line with falls in the market. Our key markets in the UK and the Netherlands both suffered market driven volume declines, with reduced indent volumes and office products sales.
- Non-paper sales were also impacted by the weak advertising market.
- The average paper price realisation across the European merchanting platform was in line with last year, with the benefits from mix mitigating price declines.

- Trading expenses were down 9% on the prior year, with a headcount reduction of over 7%. Second half expenses were down 12% on the prior year as reductions gathered momentum.
- Trading EBIT was significantly lower than the prior year with the lower volume and margin more than offsetting favourable expenses. Gains on asset sales were more than offset by negative one-off items, restructuring, and significant items. Restructuring costs incurred in the 2009 financial year will provide benefits in 2010 and beyond.
- Net working capital at 30 June 2009 was 22% below the prior June level although the average working capital to sales ratio suffered from an averaging effect and rose slightly from 17.4% to 18.2%.

North America

		Year June 2009	Year June 2008
Sales volume	'000 tonnes	541	645
Sales revenue	US$M	962	1,138
Trading Earnings before interest and tax	US$M	6.5	26.7
Reported Earnings before interest, tax and significant items	US$M	6.0	28.9
Trading EBIT/sales ratio	%	0.7	2.3

- Overall market conditions were soft, with the US showing reduced market volumes (US coated woodfree paper apparent consumption down 25.7% in the 12 months to June, 31.6% down in the second half).
- Sales volume decline for North America of 16% was favourable to a sharply lower market, but was impacted by the 25% market decline in the second half. Market share growth was positive.
- US paper selling prices continued to be supported by mill capacity reductions. Realised prices were flat in total across North American Operations in US$ over last year, however they were up in local currencies in both the US and Canada.
- Operating expenses were down around 13%, as a result of both the slower market and an active cost reduction programme. Second half expenses were down 21% on the prior year as reductions gathered momentum. Head count was down 16.5% versus last year.
- Average working capital to sales at 13.7% was a slight deterioration over the prior years' 12.7%, but credible in light of the external environment. Year end working capital/sales ratio at 10.3% reflected the strong improvement in inventories realised in the second half, with year end stock days falling from 69.8 to 60.8.

Australia, NZ and Asia

		Year June 2009	Year June 2008
Sales volume	'000 tonnes	375	419
Sales revenue	A$M	655	670
Trading earnings before interest and tax	A$M	20.0	16.2
Reported earnings before interest, tax and significant items	A$M	17.9	14.3
Trading EBIT/sales ratio	%	3.1	2.4

- Historic comparables have been adjusted to reflect the sale of Australian Paper. Restatements include the removal of historic results from Dalton Web and the paper trading business, PPM, which have been sold as a part of the Australian Paper sale.
- Revenue was down 2% as higher prices balanced lower volumes. Reported EBIT included a net $(4.2) million in non-recurring items as compared with a net $(1.8) in the prior year. The major driver of the EBIT improvement was an improved gross profit percentage.
- Average working capital was negatively impacted by changes in creditor terms as volumes were shifted to Australian Paper during the year, with shorter terms than previous suppliers. There was, however, a good result on June 2009 inventories which were down around 13%, ahead of the fall in volumes.
- Operating expenses were down 2%, with good performances on labour, delivery and discretionary spending, and improving momentum with the second half expenses down 5%. At the end of June, head count was down 5% versus last year adjusted for the sale of Australian Paper.

MANUFACTURING

		Year June 2009	Year June 2008
Discontinued operations			
Sales volume	'000 tonnes	585	721
Sales revenue	A$M	752	863
Reported earnings before interest, tax and significant items	A$M	36.5	30.8
Continuing operations (Tas Paper)			
Sales volume	'000 tonnes	184	234
Sales revenue	A$M	240	287
Reported earnings before Interest, tax and significant items	A$M	(8.7)	(26.1)

- On 1 June 2009, the sale of Australian Paper (excluding Tasmanian operations) was completed. The results reported here include the operations that have been sold (discontinued operations) for 11 months and the operations that have been retained (continuing operations) for the full 12 months. Historic comparatives have been adjusted.
- The upgrade of the pulp capacity at the Maryvale Mill was completed in December 2008, benefiting the second half of the year.
- Overall sales volumes were impacted by the work relating to the pulp mill upgrade, planned shift reductions and one month less for discontinued operations. Underlying volumes were lower in both domestic and export markets due to weaker global demand.
- Price increases implemented at the start of fiscal 2009 were supported by currency, however, the final quarter was impacted by the rising Australian dollar and weakening demand.
- A review is underway of the Tas Paper operations looking at a range of options for this business.

CORPORATE AND OTHER

		Year June 2009	Year June 2008
Corporate overhead	A$M	(32.8)	(41.8)
Financing charges excluding significant items	A$M	(30.6)	(3.9)
FX gains and losses	A$M	(30.3)	15.7
Reported earnings before interest and tax	A$M	(93.7)	(30.0)

- Underlying corporate overhead costs of $32.8 m were significantly lower than the prior year due to reduced incentives and head count.
- The breach of banking covenants resulted in significant fees charged by lenders and their advisors, along with increased margins and fees related to the granting of waivers for those breaches. Total additional costs included in Corporate in 2009 were $30.6 million.
- Earnings also included a significant negative impact resulting from unrealised and realised FX losses that arose from foreign exchange losses on overseas purchases in the Australian businesses and mark to market adjustments on a cross currency swap. This was largely as a consequence of the significant weakening of the AUD from August onwards.

SUMMARY AND OUTLOOK

Weak market volumes continued throughout the second half of 2009 and have carried into the seasonally slow (Northern Hemisphere holidays) first quarter of 2010. We will also see the full benefit of our fiscal 2009 cost reduction activities flow through to fiscal 2010 results. At this stage we have not yet seen the upturn in consumer confidence or economic sentiment evident in our major markets translated into a lift in print demand.

For further information, please contact:

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Forward looking Statements:
Certain statements in this release relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Subject to any continuing obligations under applicable law or any relevant listing rules of the ASX, PaperlinX disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

FINANCIAL REPORT

OF

PAPERLINX LIMITED

YEAR ENDED 30 JUNE 2009

Introduction

The June 2009 Financial Report has been prepared in accordance with the Australian Accounting Standards and other mandatory requirements applicable for the year to 30 June 2009. This is similar in format and content to the June 2008 Financial Report.

INCOME STATEMENTS

For the year ended 30 June		CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
Continuing operations					
Revenue	Note 5	6,528.3	6,800.2	35.9	31.0
Other income	Note 6	41.6	40.5	90.0	34.5
Expenses	Note 7	(6,596.0)	(6,728.6)	(15.1)	(14.0)
Result from operating activities		(26.1)	112.1	110.8	51.5
Financial income	Note 8 (a)	3.4	27.0	-	-
Financial expenses	Note 8 (a)	(181.2)	(69.5)	-	-
Net financing costs		(177.8)	(42.5)	-	-
(Loss) / profit before tax		(203.9)	69.6	110.8	51.5
Tax expense	Note 9	2.8	(27.4)	(7.0)	(5.5)
(Loss) / profit after tax expense from continuing operations		(201.1)	42.2	103.8	46.0
Discontinued operations					
(Loss) / profit from discontinued operations, net of tax	Note 12	(597.1)	30.1	(904.2)	-
(Loss) / profit for the period		(798.2)	72.3	(800.4)	46.0
(Loss) / profit for the period attributable to:					
Equity holders of PaperlinX Limited	Note 34	(798.2)	72.2	(800.4)	46.0
Minority interest	Note 36	-	0.1	-	-
		(798.2)	72.3	(800.4)	46.0
Basic earnings per share (cents)	Note 48	(145.6)	10.1		
Basic earnings per share from continuing operations (cents)	Note 48	(38.7)	3.4		
Diluted earnings per share (cents)	Note 48	(145.6)	9.9		
Diluted earnings per share from continuing operations (cents)	Note 48	(38.7)	3.4		

Notes 1 to 50 form part of these financial statements and are to be read in conjunction therewith.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June		CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
Net foreign exchange differences on translation of overseas subsidiaries	Note 33	31.4	41.5	-	-
Actuarial losses on defined benefit plans	Note 34	(42.7)	(43.8)	-	-
Net income recognised in equity		(11.3)	(2.3)	-	-
(Loss) / profit for the period		(798.2)	72.3	(800.4)	46.0
Total recognised (loss) / income for the period		(809.5)	70.0	(800.4)	46.0
Total recognised (loss) / income for the period attributable to:					
Equity holders of PaperlinX Limited		(809.5)	69.9	(800.4)	46.0
Minority interest		-	0.1	-	-
		(809.5)	70.0	(800.4)	46.0

Notes 1 to 50 form part of the financial statements and are to be read in conjunction therewith.

BALANCE SHEETS

As at 30 June		CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
Current assets					
Cash and cash equivalents	Note 13	369.6	240.7	-	-
Trade and other receivables	Note 14	1,282.4	1,522.8	669.9	1.9
Income tax receivable	Note 24	5.6	-	-	-
Inventories	Note 15	632.8	822.0	-	-
Assets held for sale	Note 16	20.9	92.2	-	-
Total current assets		2,311.3	2,677.7	669.9	1.9
Non-current assets					
Receivables	Note 17	61.3	54.4	-	-
Investments	Note 18	3.1	13.6	415.8	1,912.1
Property, plant and equipment	Note 19	88.2	1,155.3	-	-
Intangible assets	Note 20	395.0	409.0	-	-
Deferred tax assets	Note 21	88.6	67.7	-	-
Total non-current assets		636.2	1,700.0	415.8	1,912.1
Total assets		2,947.5	4,377.7	1,085.7	1,914.0
Current liabilities					
Trade and other payables	Note 22	877.8	1,182.6	0.6	191.0
Loans and borrowings	Note 23	586.3	293.1	-	-
Income tax payable	Note 24	3.2	0.4	0.7	5.0
Employee benefits	Note 25	21.5	50.8	-	-
Provisions	Note 26	13.9	9.1	-	-
Total current liabilities		1,502.7	1,536.0	1.3	196.0
Non-current liabilities					
Payables	Note 27	125.2	96.4	-	-
Loans and borrowings	Note 23	-	723.6	-	-
Deferred tax liabilities	Note 28	21.9	50.8	-	-
Employee benefits	Note 29	16.6	39.0	-	-
Provisions	Note 30	8.2	5.7	-	-
Deferred income	Note 31	1.9	1.6	-	-
Total non-current liabilities		173.8	917.1	-	-
Total liabilities		1,676.5	2,453.1	1.3	196.0
Net assets		1,271.0	1,924.6	1,084.4	1,718.0
Equity					
Issued capital	Note 32	1,896.1	1,713.4	1,896.1	1,713.4
Reserves	Note 33	(15.0)	(46.4)	(9.7)	(9.7)
(Accumulated losses)/retained profits	Note 34	(886.6)	(19.0)	(802.0)	14.3
Total equity attributable to holders of ordinary shares of PaperlinX Limited		994.5	1,648.0	1,084.4	1,718.0
PaperlinX step-up preference securities	Note 35	276.5	276.5	-	-
Minority interest	Note 36	-	0.1	-	-
Total equity		1,271.0	1,924.6	1,084.4	1,718.0

Notes 1 to 50 form part of these financial statements and are to be read in conjunction therewith.

STATEMENTS OF CASH FLOWS

For the year ended 30 June	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
Cash flows from operating activities				
Receipts from customers	7,304.5	7,526.1	37.2	30.0
Payments to suppliers and employees	(7,214.1)	(7,300.8)	(15.0)	(14.0)
Dividends received	0.8	0.6	90.0	34.5
Interest received	3.6	5.4	-	-
Interest paid	(98.3)	(87.1)	-	-
Income taxes paid	(13.0)	(38.8)	-	-
Other income received	10.5	11.7	-	-
Net cash (used in)/from operating activities (1)	(6.0)	117.1	112.2	50.5
Cash flows from investing activities				
Acquisition of:				
Controlled entities and businesses (net of cash and bank overdraft acquired) Note 46	(3.4)	(17.8)	-	-
Property, plant and equipment and intangibles	(180.1)	(326.0)	-	-
Net proceeds from the sale of:				
Controlled entities and businesses (net of cash and bank overdraft disposed) Note 12	565.1	-	604.5	-
Property, plant and equipment	153.2	55.3	-	-
Proceeds from sale of investments	5.3	-	-	-
Net cash from/(used in) investing activities	540.1	(288.5)	604.5	-
Cash flows from financing activities				
Dividends paid	(10.3)	(28.8)	(10.3)	(28.8)
Proceeds from issue of shares	176.9	-	176.9	-
Proceeds from employee share plan loans	0.2	0.1	0.2	0.1
Step-up preference securities distributions paid	(14.9)	(33.3)	-	-
Issue costs of step-up preference securities	-	0.1	-	-
Intercompany loan movement	-	-	(883.5)	(21.8)
Proceeds from borrowings	1,700.8	1,387.6	-	-
Repayment of borrowings	(2,190.4)	(1,337.4)	-	-
Principal finance lease repayments	(3.6)	(0.2)	-	-
Borrowing costs paid	(43.6)	(5.7)	-	-
Net cash used in financing activities	(384.9)	(17.6)	(716.7)	(50.5)
Net increase/(decrease) in cash and cash equivalents	149.2	(189.0)	-	-
Cash and cash equivalents at the beginning of the period	240.7	448.8	-	-
Effect of exchange rate changes on cash	(20.3)	(19.1)	-	-
Cash and cash equivalents at the end of the period (2)	369.6	240.7	-	-

Notes 1 to 50 form part of these financial statements and are to be read in conjunction therewith.

STATEMENTS OF CASH FLOWS (cont'd)

For the year ended 30 June	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
(1) Reconciliation of (loss)/profit after tax to net cash from operating activities				
(Loss)/profit for the period	(798.2)	72.3	(800.4)	46.0
Depreciation and amortisation of property, plant, equipment and intangibles	69.7	93.9	-	-
Impairment of property, plant equipment and intangibles	612.6	-	-	
Impairment of investments	-	-	49.5	-
Amortisation of capitalised borrowing costs	15.4	2.0	-	-
Borrowing costs expensed	29.0	4.1	-	-
Loss/(profit) on disposal of non-current assets	62.9	(38.0)	776.3	-
Profit on disposal of assets held for sale	(28.3)	-	-	-
Loans from subsidiaries forgiven	-	-	78.4	-
Loss on repayment of borrowings	24.4	-	-	-
Interest capitalised	(11.3)	(18.8)	-	-
(Decrease)/increase in current and deferred taxes	(14.7)	(10.7)	(4.2)	2.0
Decrease in provisions	(2.6)	(9.6)	-	-
Movement in accrued and prepaid interest	(1.6)	(2.9)	-	-
Employee share options	4.1	4.7	-	-
Movement in deferred income	0.4	1.0	-	-
Impact of unrealised loss/(profit) in inventories	0.7	(0.1)	-	-
Operating profit before changes in working capital	(37.5)	97.9	99.6	48.0
Decrease/(increase) in trade and other receivables	232.5	31.9	1.3	(1.0)
Decrease in inventories	32.5	21.8	-	-
Decrease in trade and other payables	(233.5)	(34.5)	-	-
Net cash (used in)/from operating activities	(6.0)	117.1	100.9	47.0

(2) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short-term money market investments, net of outstanding bank overdrafts. Cash as at 30 June as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

Cash and cash equivalents - refer Note 13	369.6	240.7	-	-
Bank overdrafts - refer Note 23	-	-	-	-
	396.6	240.7	-	-

Notes 1 to 50 form part of these financial statements and are to be read in conjunction therewith.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009

Note 1. Reporting entity

PaperlinX Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 307 Ferntree Gully Road, Mount Waverley VIC 3149, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as "the Consolidated Entity") and its interest in associates. The Consolidated Entity is primarily involved in the merchanting and manufacture of paper and paper-related products.

Note 2. Basis of preparation

(a) **Statement of compliance**

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report complies with the International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the Directors of the Company on 31 August 2009.

(b) **Basis of measurement**

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

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit and loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Investment property is measured at fair value; and
- Assets held for sale are measured at probable realisation value.

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

(c) **Functional and presentation currency**

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

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

(d) **Use of estimates and judgements**

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Note 2. Basis of preparation (cont'd)

(e) **Going concern basis of accounting**

In preparing the 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 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, including financial covenants. The financiers have now formally agreed to these conditions.

As set out in Note 23 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 budgeted 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 debt facilities.

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 its obligations as they fall due for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

Note 3. Accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been represented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

(a) **Basis of consolidation**

The Financial Report of the Consolidated Entity is in accordance with Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. In preparing the Consolidated Financial Report, all balances and transactions between entities included in the Consolidated Entity have been eliminated.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Investments in subsidiaries are carried at cost less accumulated impairment losses.

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

Dividend distributions from subsidiaries are recognised by the parent entity when they are declared by the subsidiaries. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Minority interest in the equity and results of the entities that are controlled by the Consolidated Entity are shown as a separate item in the Financial Report.

Note 3. Accounting policies (cont'd)

Basis of consolidation (cont'd)

Other entities

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

PaperlinX step-up preference securities

The PaperlinX step-up preference securities are recorded in equity, based on the terms and conditions attached thereto, and are measured as the proceeds received on issue net of the issue costs. The distributions paid/payable thereon are recorded as a distribution from retained earnings.

(b) **Revenue recognition**

Sales revenue

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

Commissions

Revenue for commissions is recognised when the applicable sale is completed.

(c) **Government grants**

Grants are recognised initially as deferred income when received. Grants that compensate the Group for expenses incurred are recognised in profit on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit as other income on a systematic basis over the useful life of the asset.

(d) **Taxation**

Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Note 3. Accounting policies (cont'd)

Taxation (cont'd)

Tax consolidation - Australia

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

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

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

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

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

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

Nature of tax funding arrangements and tax sharing agreements

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

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

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

Note 3. Accounting policies (cont'd)

(e) **Goods and Services Tax – Australia**

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

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

The net amount of GST payable to the ATO is included as a current liability in the Balance Sheet.

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

(f) **Depreciation**

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

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

Land improvements:	between 1% - 3%	(2008 1% - 3%)
Buildings:	between 1% - 4%	(2008 1% - 4%)
Plant and equipment:	between 4% - 20%	(2008 4% - 20%)
Finance leases for equipment:	between 4% - 20%	(2008 4% - 20%)

Depreciation and amortisation are expensed except to the extent they are included in the carrying amount of an asset as an allocation of production overheads.

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

(g) **Employee benefits**

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

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

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

<u>Employee share plans</u>

The Consolidated Entity maintains two employee share plans, the Employee Share Purchase Plan ("ESPP") and the Employee Share and Option Plan ("ESOP").

Note 3. Accounting policies (cont'd)

Employee benefits (cont'd)

Employee share purchase plan

Non-recourse loan plan

Eligibility to participate in this plan is based on each employee's service period. An employee is to have been employed continuously by the Consolidated Entity for a period of twelve months or more at the date the invitation to subscribe is made, unless determined to be eligible at the discretion of the Directors. The number of shares offered and the issue price are determined at the discretion of the Directors, subject to the satisfaction of performance criteria. The performance criteria relate to the growth in the profit after tax of the Consolidated Entity.

When issues relating to this plan are made, non-recourse loans to assist in the purchase of the shares will be classified against share capital. The loans can be repaid at any time and must be fully paid when an individual ceases to be employed by the Consolidated Entity. The issues are accounted for as an option and the fair value at grant date of the option is independently determined using an appropriate options pricing model that takes into account the discount to market price at grant date (40% and 75% as appropriate), the expected life/term of the interest free loan and its non-recourse nature, the expected price volatility (20%), the expected dividend yield (5.5%) and the risk-free interest rate for the term (5.6%). The fair value of the option has been fully recognised in the accounts of the Consolidated Entity. Eligibility to participate in this plan ceased in 2004 with the loans remaining at this date being repaid over time in accordance with the rules of the plan.

Purchase plan

During the 2006 financial year, the plan was introduced and eligibility to participate is restricted to Australian resident permanent employees who are employed at the closing date of the relevant offer period. There are no other service criteria and no performance criteria under the plan. Employees contribute on a pre-tax salary sacrifice basis over a pre-determined period. The shares are purchased "on market" at the end of the contribution period and the number of shares allocated to each employee is determined by the weighted average purchase price of the shares at that time.

The Consolidated Entity contributes an additional 5% of the number of shares and these shares are also purchased "on market" and granted to participating employees under the plan for no consideration. The "on market" purchase value of these shares is recognised as an employee benefits expense in the period during which the employee becomes unconditionally entitled to the shares.

The plan did not operate in 2009.

Employee share and option plan

Subject to the satisfaction of specified performance and service criteria, senior management of the Consolidated Entity may be offered a specified number of shares, options or rights as part of their total remuneration, at the discretion of the Directors. The performance criteria relate to earnings per share, total shareholder return of the Consolidated Entity and certain specified strategic initiative targets. In accordance with the rules of the ESOP, shares, options and rights may be issued upon such terms and conditions as determined by the Directors.

Issue or purchase of shares

The shares relating to the performance rights or performance options under the ESOP may either be new issued shares or, as required, shares purchased "on market" and held on trust for distribution to participants if the performance criteria are satisfied.

The cost of shares purchased "on market" is recognised as a deduction from total equity and charged directly to retained earnings when they are allocated to employees.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity. In the financial statements the transactions relating to shares held on trust are treated as being executed directly by the Consolidated Entity. Accordingly, shares held on trust are deducted from equity.

Note 3. Accounting policies (cont'd)

Employee benefits (cont'd)

Performance options and performance rights

For options and performance rights granted before 7 November 2002 and/or vested before 1 January 2005, no expense is recognised. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

For options and performance rights granted after 7 November 2002 and vested after 1 January 2005, the fair value of options and performance rights granted under the ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date of the options and the performance rights is independently determined using an appropriate options pricing model that takes into account the exercise price, the expected life/term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term.

The fair value of the options and performance rights granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and performance rights that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options and performance rights, the exercise price paid is recognised in equity.

Employee retirement benefit obligations

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

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

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

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

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

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

Note 3. Accounting policies (cont'd)

(h) **Net financing costs**

Net financing costs comprise interest and other financing charges including net foreign exchange gains and losses, net of interest on funds invested. These costs are brought to account in determining profit for the year, except to the extent the interest incurred relates to major capital items in which case interest is capitalised as a cost of the asset up to the time it is ready for its intended use or sale.

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

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

(i) **Property, plant and equipment**

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

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(j) **Inventories**

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

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

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

(k) **Cash and cash equivalents**

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

Note 3. Accounting policies (cont'd)

(l) **Foreign currency**

Functional currency

The financial statements of foreign subsidiaries are measured using the currency of the primary economic environment in which the entity operates, being the entity's functional currency. The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions

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

Translation of foreign subsidiaries

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Any exchange gains/losses arising on transactions entered into to hedge the currency fluctuations on the net investment in foreign subsidiaries are recorded, net of tax, in the exchange fluctuation reserve on consolidation where it is determined to be an effective hedge. They are released into income upon disposal of the entity.

(m) **Financial instruments**

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

Derivative instruments

Derivative instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value.

Changes in the fair value of derivative instruments are recognised immediately in the income statement, except for those derivatives designated as cash flow hedges which are recognised in the hedge reserve as outlined below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Note 3. Accounting policies (cont'd)

Financial instruments (cont'd)

Financial instruments included in liabilities

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

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

Financial instruments included in assets

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

(n) **Leased assets**

Plant and equipment leases under which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Minimum lease payments made under finance leases are apportioned between the finance lease expense and the reduction in outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

(o) **Research and development expenditure**

Expenditure on research activities is charged against operating profit in the year in which the expenditure is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible, and completion is intended.

(p) **Goodwill**

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

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

Note 3. Accounting policies (cont'd)

(q) **Other intangible assets**

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses (see Note 3(t)). The period of amortisation equates to the period over which benefits are expected to be derived.

(r) **Brand names**

Brand names acquired are carried at cost less any impairment losses and are not amortised on the basis that they have indefinite useful lives. The associated brands are supported by expenditure annually, consistent with the stated strategy to further develop the brands.

Brand names are allocated to cash-generating units for the purpose of impairment testing.

(s) **Business combinations**

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Australian Generally Accepted Accounting Practice ("AGAAP").

The classification and accounting treatment of business combinations (including goodwill) that occurred prior to 1 July 2004 has not been reconsidered in preparing the Consolidated Entity's opening AIFRS balance sheet at 1 July 2004.

Business combinations since 1 July 2004

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the net fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the net fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(t) **Impairment of assets**

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

Recoverable amount

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

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

Note 3. Accounting policies (cont'd)

Impairment (cont'd)

Reversals of impairment

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

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

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

(u) **Provisions**

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

Dividends on ordinary shares

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Distribution on PaperlinX step-up preference securities

A provision for distributions payable is recognised in the reporting period in which the distributions are declared, for the entire undistributed amount.

Surplus leased premises

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

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

Workers' compensation

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

Restructuring

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

Environmental remediation

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

Note 3. Accounting policies (cont'd)

(v) **Earnings per share**

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

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

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

(w) **Revisions of accounting estimates**

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

(x) **Accounting estimates and judgements**

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

Impairment of non-current assets

The Consolidated Entity assesses whether non-current assets (incl. assets held for sale) are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash generating units to which the non-current assets are allocated based on forecast future cash flows and certain related assumptions. These assumptions are discussed in Notes 3(t) and 19.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of the Consolidated Entity's defined benefit superannuation fund obligations. These assumptions are discussed in Notes 3(g) and 45.

Carbon Pollution Reduction Scheme

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme ("CPRS") by 2010. The introduction of the CPRS has the potential to impact the assumptions used to determine future cash flows generated from the continuing use of the Consolidated Entity's assets for the purpose of value-in-use calculations in impairment testing. The Consolidated Entity has not yet incorporated the impact of CPRS into their forecast cash flow assumptions at 30 June 2009 as insufficient market information exists. Uncertainties exist around the following areas:

- The level of emissions the Consolidated Entity is expected to emit;
- Abatement opportunities;
- The price or range of prices of emission permits;
- The number of permits required to be purchased;
- The impacts on cost charged by suppliers;
- The ability to pass on the cost of the permits; and
- Government assistance.

The level of exposure to the CPRS has significantly reduced following the sale of Australian Paper and the assets in the continuing manufacturing operation have a carrying value of nil.

Sale of Australian Paper

The loss on sale calculation and capital debtor raised for the net asset adjustment is based on preliminary results received from Nippon Paper. Completion accounts have not yet been received. Any differences from the preliminary accounts will be reflected in the 2010 accounts as an adjustment to the net loss from discontinued operations.

Note 3. Accounting policies (cont'd)

Accounting estimates and judgements (cont'd)

Earnout from sale of Australian Paper

The sale agreement between the Company and Nippon Paper for the sale by the Company of its Australian Paper business entitles the Company to additional sale proceeds (the "Earn Out") for each of the next three financial years commencing 1 July 2009 assuming the divested business can achieve certain earnings targets in those years. The maximum potential Earn Out that the Company is entitled to receive for this period is $100 million.

Given the underperformance of this division in 2009 due to current market conditions, the Company has not recognised a receivable from Nippon Paper for any of the Earn Out when calculating the loss on sale of the business in the 2009 Income Statement (refer Note 12).

The Company will re-assess the likelihood of the divested business achieving the Earn Out earnings criteria at each balance date up to June 2012. If market conditions improve and the circumstances suggest that it seems probable that an Earn out will be received, the Company will recognise a receivable from Nippon Paper and include this benefit in the Income Statement as discontinued operations earnings in that period.

(y) **Discontinued operation**

A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period. During the year the Consolidated Entity disposed of the Australian Paper business. The comparative results for 2008 have been restated to separate continuing from discontinued operations.

(z) **Segment reporting**

The Consolidated Entity has elected to early adopt AASB 8 *Operating Segments*, which requires segment information disclosure based on segments monitored by management rather than on a business/geographical basis. This change in accounting policy has been recognised retrospectively in accordance with transitional provisions of the standard, and comparatives have been restated. As a result of the standard's early adoption, segment information is now provided in respect of Paper Merchanting, Paper Manufacturing and Corporate. Paper Manufacturing is further split between continuing and discontinued operations as a result of the disposal of the Australian Paper business. In addition, the Paper Manufacturing, Paper Merchanting and Corporate segments have been amended to reflect the transfer of entities to the discontinued operation.

(aa) **Non-current assets held for sale**

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

(ab) **New standards and interpretations not yet adopted**

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

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income".
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Note 3. Accounting policies (cont'd)

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries.

These standards become mandatory for the Consolidated Entity's financial statements for the year ending 30 June 2010. The Consolidated Entity has not yet determined the potential effect of the amending standards on the Consolidated Entity's financial report.

Note 4. Determination of fair values

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

(a) **Property, plant and equipment**

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

(b) **Intangible assets**

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

(c) **Inventories**

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

(d) **Trade and other receivables**

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

(e) **Derivatives**

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(f) **Non-derivative financial liabilities**

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

Note 4. Determination of fair values (cont'd)

(g) **Share-based payment transactions**

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(h) **Financial guarantees**

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

		CONSOLIDATED		PAPERLINX LIMITED	
		2009	2008	2009	2008
		$m	$m	$m	$m
Note 5.	**Revenue from continuing operations**				
	Sales of goods	6,527.0	6,798.7	-	-
	Commissions	1.3	1.5	35.9	31.0
	Total revenue	6,528.3	6,800.2	35.9	31.0
Note 6.	**Other income from continuing operations**				
	Rent	1.5	2.2	-	-
	Dividends	0.8	0.6	90.0	34.5
	Net profit on disposal of non-current assets [1]	38.4	36.0	-	-
	Other	0.9	1.7	-	-
	Total other income	41.6	40.5	90.0	34.5

[1] Includes $29.6 million (2008: $34.7 million) in relation to profits arising on the disposal of certain properties within the European Merchanting business, some of which are subject to commercial sale and lease back arrangements. The income tax expense arising on disposal of these properties is $10.9 million (2008: $4.3 million). In accordance with the on-going review of owned properties, it is intended that further commercial sale and lease back arrangements will be undertaken in the future. Also refer to Note 16.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009	2008	2009	2008
		$m	$m	$m	$m
Note 7.	**Expenses from continuing operations**				
	Expenses (excluding financing costs)				
	Cost of sales	(5,298.3)	(5,508.9)	-	-
	Personnel costs non-manufacturing	(659.7)	(662.5)	-	-
	Logistics and distribution	(313.5)	(301.8)	-	-
	General and administration	(236.3)	(231.7)	(15.1)	(14.0)
	Sales and marketing	(17.5)	(23.7)	-	-
	Individually significant items – Note 10	(70.7)	-	-	-
	Total expenses (excluding financing costs) [1] [2]	(6,596.0)	(6,728.6)	(15.1)	(14.0)
	[1] **Personnel costs from continuing operations included above:**				
	Wages and salaries	(516.5)	(508.8)	-	-
	Increase in liability for employee benefits	(12.6)	(7.9)	-	-
	Contributions to defined contribution plans	(20.5)	(20.6)	-	-
	Employee share options and rights	(3.5)	(4.7)	-	-
	Pension expense for defined benefit plans – refer Note 45	(12.6)	(8.1)	-	-
	Personnel costs	(565.7)	(550.1)	-	-

[2] Included in expenses is $12.5 million (2008: $20.2 million) of business restructure costs.

		CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PAPERLINX LIMITED 2009 $m	PAPERLINX LIMITED 2008 $m
Note 8.	**a) Net financing costs from continuing operations**				
	Financial income:				
	• Interest income	3.4	5.4	-	-
	• Net foreign exchange gains	-	21.6	-	-
	Total financial income	3.4	27.0	-	-
	Financial expenses:				
	• Interest expense [1]	(90.6)	(84.2)	-	-
	• Less capitalised interest expense on qualifying capital expenditure	11.3	18.8	-	-
		(79.3)	(65.4)	-	-
	• Net foreign exchange losses	(33.1)	-	-	-
	• Individually significant items – Note 10	(37.2)	-	-	-
	• Other borrowing costs [2]	(31.6)	(4.1)	-	-
	Total financial expenses	(181.2)	(69.5)	-	-
	Total net financing costs	**(177.8)**	**(42.5)**	**-**	**-**
	b) Net interest from continuing operations:				
	• Interest income	3.4	5.4	-	-
	• Interest expense	(90.6)	(84.2)	-	-
	• Less capitalised interest expense on qualifying capital expenditure	11.3	18.8	-	-
		(79.3)	(65.4)	-	-
	Total net interest	**(75.9)**	**(60.0)**	**-**	**-**

(1) Current year includes default interest associated with breach of bank covenants.

(2) Borrowing costs in the current year include waiver fees and adviser fees incurred due to breach of bank covenants. Refer Note 23.

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 9. Tax expense				
Prima facie income tax benefit/(expense) attributable to profit from operations at the company domestic nominal rate of 30% (2008: 30%)	240.0	(30.1)	238.0	(15.5)
(Add)/deduct the tax effect of:				
• Non assessable dividends from Australian subsidiaries	-	-	27.0	10.4
• Amortisation of goodwill allowable	1.0	1.7	-	-
• Overseas tax rate differential	1.8	2.5	-	-
• Research and development incentives	-	1.5	-	-
• Tax losses not brought to account	(68.3)	(14.9)	-	-
• Tax benefit of deductions in foreign operations	6.2	8.1	-	-
• Foreign exchange loss allowable	5.0	3.6	-	-
• Non deductible expense for employee share options and rights	(1.2)	(1.4)	-	-
• Other	2.4	(0.2)	-	(0.4)
• Over / (under) provision in prior years	(0.6)	1.1	(0.7)	-
• Non deductible impairment of Australian Paper business	(170.2)	-	-	-
• Non deductible impairment of investment	-	-	(14.9)	-
• Non deductible loss on sale of Australian Paper business	(14.3)	-	(256.4)	-
Total tax benefit/(expense) [1]	1.8	(28.1)	(7.0)	(5.5)

[1] The tax benefit for the Consolidated Entity is $1.8 million which represents $2.8 million for continuing operations and $(1.0) million for discontinued operations (2008: $(27.4) million for continuing operations and $(0.7) million for discontinued operations).

Recognised in the income statement

Current tax expense				
Current year	2.4	(29.2)	(6.3)	(5.5)
Adjustments for prior years	(0.6)	1.1	(0.7)	-
Total tax expense in income statement	1.8	(28.1)	(7.0)	(5.5)
Recognised directly in equity:				
Tax effect of actuarial (losses)/gains on defined benefit plans	15.9	18.3	-	-

The balance of the consolidated franking account as at 30 June 2009 was Nil (2008: Nil).

Note 10. Individually significant items

The individually significant items for the consolidated entity in 2009 were as follows:

	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
Impairment of paper manufacturing assets[1]	(13.9)	-	(13.9)	(553.6)	-	(553.6)	(567.5)	-	(567.5)
Loss on sale of discontinued operation [2]	-	-	-	(47.7)	-	(47.7)	(47.7)	-	(47.7)
Transaction costs related to sale of discontinued operation [3]	-	-	-	(25.4)	-	(25.4)	(25.4)	-	(25.4)
Restructure costs [4]	(19.2)	1.6	(17.6)	-	-	-	(19.2)	1.6	(17.6)
Impairment of European assets [5]	(37.6)	5.1	(32.5)	-	-	-	(37.6)	5.1	(32.5)
Total pre financing costs	(70.7)	6.7	(64.0)	(626.7)	-	(626.7)	(697.4)	6.7	(690.7)
Financing costs [6]	(37.2)	-	(37.2)	-	-	-	(37.2)	-	(37.2)
Total	(107.9)	6.7	(101.2)	(626.7)	-	(626.7)	(734.6)	6.7	(727.9)

(1) An impairment loss of $567.5m was recognised in December 2008 relating to the discontinued Australian Paper business and subsequent long term outlook for the continuing Tasmanian mill operations. This impairment loss was an estimated charge based on the sale agreement with Nippon Paper.

(2) Loss incurred on the sale of the Australian Paper business which reflects the difference between sale consideration and net assets of the disposed group.

(3) Transaction costs incurred which are directly attributable to the sale of Australian Paper. These costs primarily relate to adviser fees, Maryvale Woodyard lease agreement novation, legal costs and stamp duty associated with the sale of assets between legal entities.

(4) Following the sale of Australian Paper, restructure costs were incurred in Europe and Australia to reflect the Consolidated Entity becoming a stand alone paper merchanting business.

(5) An impairment review of goodwill and intangibles identified asset impairments within the European merchanting operations. Refer to Notes 19 and 20 for further details.

(6) Financing costs associated with the repayment of Noteholder debt from the proceeds from the sale of Australian Paper.

There were no individually significant items in 2008.

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m

Note 11. Dividends and distributions

(a) Dividends on PaperlinX Limited ordinary shares

Interim dividend paid:				
• 3.0 cents per share paid on 4 April 2008, Nil% franked at a 30% tax rate on fully paid share	-	13.5	-	13.5
Final dividend paid:				
• 6.0 cents per share paid on 26 September 2007, Nil % franked at a 30% tax rate on fully paid shares	-	26.9	-	26.9
• 3.5 cents per share paid on 15 October 2008, Nil % franked at a 30% tax rate on fully paid shares	15.9	-	15.9	-
	15.9	40.4	15.9	40.4

The Directors of the Company have determined that no final dividend can be paid in respect of the period ended 30 June 2009. Future dividends require lender approval.

(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	-	-	-
• Rate of 8.97% for the period 1 July 2007 to 31 December 2007	-	12.9	-	-
Final distributions paid:				
• Rate of 9.72% for the period 1 January 2008 to 30 June 2008	-	13.8	-	-
	14.9	26.7	-	-

The Directors of the Company have determined that a distribution in respect of the period ended 30 June 2009 will not be paid. The distribution rate for the period 1 January 2009 to 30 June 2009 would have been 6.02%.

The interim distribution rate for the period 1 July 2009 to 31 December 2009 is 5.6850%. Future distributions require lender approval.

Note 12. Discontinued operations

On 16 February 2009 the Consolidated Entity 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 merchanting and distribution operations. The sale was completed on 31 May 2009.

Australian Paper 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 30 June 2008, the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

The loss on sale calculation and capital debtor raised for the net asset adjustment is based on preliminary results received from Nippon Paper. Completion accounts have not yet been received. Any differences from the preliminary accounts will be reflected in the 2010 accounts as an adjustment to the net loss from discontinued operations.

The operating result of Australian Paper is included in the consolidated result from 1 July 2008 until the disposal date of 31 May 2009.

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Results from discontinued operations:				
Revenue	753.8	864.4	-	-
Other income	11.2	9.3	-	-
Trading expenses	(727.8)	(842.9)	-	-
Individually significant items:				
Impairment – Note 10	(553.6)	-	(49.5)	-
Transaction costs related to sale of discontinued operation – Note 10	(25.4)	-	-	-
Net interest	(5.9)	-	-	-
Other financing costs	(0.7)	-	-	-
Results from operating activities	(548.4)	30.8	(49.5)	-
Tax expense	(1.0)	(0.7)	-	-
Results from operating activities after tax	(549.4)	30.1	(49.5)	-
Loss on sale of discontinued operations	(47.7)	-	(854.7)	-
Tax expense on loss on sale of discontinued operation	-	-	-	-
(Loss)/profit for the period	(597.1)	30.1	(904.2)	-

Note 12. Discontinued operations (cont'd)

	CONSOLIDATED 2009 $m
Effect of disposal on the financial position of the consolidated entity:	
Current assets	
Cash and cash equivalents	44.6
Trade and other receivables	122.3
Inventories	194.5
Non-current assets	
Property, plant and equipment	679.2
Intangible assets	0.2
Deferred tax assets	20.1
Total assets	1,060.9
Current liabilities	
Trade and other payables	130.4
Loans and borrowings	4.1
Income tax payable	0.5
Employee benefits	26.1
Provisions	0.8
Non-current liabilities	
Loans and borrowings	82.1
Employee benefits	22.7
Deferred tax liabilities	51.5
Total liabilities	318.2
Total net assets disposed	742.7
Gross consideration received, satisfied in cash	628.3
Transaction costs paid	(18.6)
Cash disposed of	(44.6)
Net cash inflow	565.1
Cash flows from discontinued operation:	
Net cash from operating activities	(25.4)
Net cash from investing activities	430.3
Net cash from financing activities	(3.4)
Net cash from discontinued operations	401.5

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 13.	**Cash and cash equivalents**				
	Cash on hand and at bank [1]	333.6	234.2	-	-
	Deposits at call	36.0	6.5	-	-
	Total cash and cash equivalents	369.6	240.7	-	-

[1] Net of $25.4 million bank overdraft (2008: $65.6 million).

Note 14.	**Trade and other receivables**				
	Trade debtors	1,170.9	1,421.1	-	-
	Provision for impairment losses	(69.3)	(74.0)	-	-
	Net trade debtors	1,101.6	1,347.1	-	-
	Other debtors [1]	148.2	133.9	66.1	1.3
	Prepayments	32.6	41.8	-	-
	Amounts owing from subsidiaries	-	-	603.8	0.6
	Total trade and other receivables	1,282.4	1,522.8	669.9	1.9

[1] Other debtors includes $87.5 million (2008: $48.3 million) relating to asset sale proceeds to be received. Refer Note 3(x) and Note 3(aa).

The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 49.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 15.	**Inventories**				
	At cost:				
	Raw materials and stores	29.8	102.3	-	-
	Provision for impairment losses	(2.2)	(8.5)	-	-
	Net raw materials and stores	27.6	93.8	-	-
	Work in progress	13.0	12.7	-	-
	Finished goods at net realisable value	605.8	729.5	-	-
	Provision for impairment losses	(13.6)	(14.0)	-	-
	Net finished goods	592.2	715.5	-	-
	Total inventories	632.8	822.0	-	-

The amount of provision charged to the income statement for diminution in value of inventories was $2.1 million (2008: $(7.6) million).

Note 16. Assets held for sale

The assets held for sale represent certain freehold land and buildings within the European Merchanting business. These assets were first classified as held for sale in 2008. In 2009, $64.6 million of assets were sold, net of foreign exchange translation differences, and at 30 June 2009 the assets remaining as held for sale were $20.9 million. During the course of the year, an impairment charge of $6.7 million was booked to ensure that the remaining assets were being carried at the lower of cost or fair value less costs to sell.

At 30 June 2008, the European properties held for sale had a book value of $92.2 million. In the 2008 year, $61.9 million of property assets were sold.

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 17. Receivables – non current				
Cross currency swap	43.6	43.7	-	-
Other debtors	17.7	10.7	-	-
Total receivables	61.3	54.4	-	-

Note 18. Investments				
Shares in controlled entities [1]:				
• At cost	-	-	465.3	1,912.1
• Impairment	-	-	(49.5)	-
Total investment in shares in controlled entities	-	-	415.8	1,912.1
Shares in other companies - Not listed on stock exchanges:				
• At cost	3.8	13.6	-	-
• Impairment	(0.7)	-	-	-
Total investment in other companies	3.1	13.6	-	-
Total investments	3.1	13.6	415.8	1,912.1

(1) A list of controlled entities is contained in Note 46.

Note 19. Property, plant and equipment

	CONSOLIDATED $m					
	Land	Land Improve-ments	Buildings	Plant and Equipment	Leased Assets	Total
Balance as at 1 July 2008						
Cost	8.0	15.3	218.4	2,324.5	1.5	2,567.7
Accumulated depreciation and impairment losses	(2.3)	(3.8)	(109.1)	(1,296.2)	(1.0)	(1,412.4)
Net balance at beginning of year	5.7	11.5	109.3	1,028.3	0.5	1,155.3
Additions [1]	0.1	0.1	3.7	143.8	86.0	233.7
Disposals	(1.7)	-	(4.9)	-	-	(6.6)
Disposal of businesses [2]	(1.7)	(5.8)	(45.6)	(573.4)	(52.7)	(679.2)
Impairment	(1.4)	(4.7)	(36.4)	(484.9)	(37.8)	(565.2)
Depreciation	-	(1.1)	(4.3)	(49.3)	(1.8)	(56.5)
Transfers [3]	(0.5)	-	0.4	(7.3)	6.0	(1.4)
Foreign currency movements	0.2	-	2.0	5.9	-	8.1
Net balance at 30 June 2009	0.7	-	24.2	63.1	0.2	88.2
Balance as at 1 July 2007						
Cost	70.3	12.7	363.2	2,061.5	1.3	2,509.0
Accumulated depreciation and impairment losses	(2.3)	(3.3)	(171.0)	(1,264.8)	(1.0)	(1,442.4)
Net balance at beginning of year	68.0	9.4	192.2	796.7	0.3	1,066.6
Additions [1]	-	2.6	7.3	306.5	0.2	316.6
Acquisition of businesses	-	-	6.8	0.6	-	7.4
Disposals	(24.7)	-	(37.9)	(1.9)	-	(64.5)
Impairment	-	-	-	-	-	-
Depreciation	-	(0.5)	(7.9)	(68.7)	-	(77.1)
Transfers [3]	(37.8)	-	(50.4)	(1.7)	-	(89.9)
Foreign currency movements	0.2	-	(0.8)	(3.2)	-	(3.8)
Net balance at 30 June 2008	5.7	11.5	109.3	1,028.3	0.5	1,155.3

(1) Additions primarily comprise Maryvale pulp mill capital expenditure.

(2) Relates to sale of Australian Paper.

(3) Includes transfers to assets held for sale and intangibles.

The Company does not have any property, plant and equipment in the current year or prior year.

Refer Note 20 for details of the impairment review.

Note 20. Intangible assets

	CONSOLIDATED $m				
	Goodwill	Computer Software	Brand Names	Other	Total
Balance at 1 July 2008					
Cost	330.2	188.2	22.3	4.8	545.5
Accumulated amortisation and impairment losses	-	(135.6)	-	(0.9)	(136.5)
Net balance at beginning of year	330.2	52.6	22.3	3.9	409.0
Additions	-	20.7	-	-	20.7
Acquisition of businesses	-	-	-	-	-
Disposals	-	-	-	-	-
Disposal of businesses	-	(0.2)	-	-	(0.2)
Amortisation	-	(11.2)	-	(2.0)	(13.2)
Impairment	(7.4)	(25.3)	(7.2)	-	(39.9)
Transfers [1]	(5.0)	1.1	-	6.1	2.2
Foreign currency movements	14.1	2.1	0.3	(0.1)	16.4
Net balance at 30 June 2009	331.9	39.8	15.4	7.9	395.0
Balance at 1 July 2007					
Cost	343.4	168.0	24.9	2.8	539.1
Accumulated amortisation and impairment losses	-	(120.6)	-	(0.6)	(121.2)
Net balance at beginning of year	343.4	47.4	24.9	2.2	417.9
Additions	0.1	21.8	-	-	21.9
Acquisition of businesses	7.5	-	-	2.7	10.2
Disposals	-	(0.3)	-	-	(0.3)
Disposal of businesses	-	-	-	-	-
Amortisation	-	(16.3)	-	(0.4)	(16.7)
Impairment	-	-	-	-	-
Transfers [1]	-	0.2	-	(0.3)	(0.1)
Foreign currency movements	(20.8)	(0.2)	(2.6)	(0.3)	(23.9)
Net balance at 30 June 2008	330.2	52.6	22.3	3.9	409.0

[1] Includes transfers from property, plant and equipment.

The Company does not have any intangible assets in the current year or prior year.

Impairment review

As required under AASB 136 *Impairment of Assets,* the Consolidated Entity performs an impairment assessment when there is an indication or 'trigger' of a possible impairment of its non current assets and in addition, at least annually performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment trigger has been identified. An impairment review was performed at 30 June 2009.

Cash generating units

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

Note 20. Intangible assets (cont'd)

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

	Goodwill		Intangible assets with indefinite useful lives	
	2009 $m	2008 $m	2009 $m	2008 $m
Merchanting CGUs				
North West Europe	78.0	73.7	-	-
UK, Ireland and South Africa	101.0	107.2	15.4	22.3
Central and Southern Europe	19.1	18.4	-	-
USA	32.3	27.1	-	-
Canada	39.6	38.2	-	-
Australia, NZ and Asia	61.9	60.5	-	-
Manufacturing CGUs				
Tas Paper [1]	-	-		
Australian Paper [1]	-	5.1	-	-
	331.9	330.2	15.4	22.3

[1] The Australian Paper business was sold, effective 31 May 2009. Tas Paper comprises the Tasmanian mills which were not included in the Australian Paper sale. They formed part of the Australian Paper CGU in the prior reporting period.

Impairment testing

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

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

The following assumptions have been used in determining the recoverable amount of CGUs to which goodwill or indefinite life intangible assets have been allocated:

- Discount rate of 12.5%. The discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk adjusted discount rate
- Terminal growth rate of 2%. The terminal growth rate represents the growth rate applied to extrapolate cash flows beyond the five year forecast period. The growth rate is based upon expectations of the CGUs long-term performance.

The value in use estimate is sensitive to changes in assumptions regarding sales volumes and to changes in the discount rate. A +/- 1% change in sales volumes affects the overall value in use of the merchanting business by approximately +/- $3 million. A 50 basis point change in the discount rate will affect the merchanting business value in use by +/- $50 million. If either of these sensitivities was to move adversely in relation to current assumptions, further impairment may arise.

As a result of the impairment review, no impairment of the carrying value of goodwill within any of the CGU's of the Consolidated Entity was identified. However when comparing the carrying values of the net assets of a small number of operating companies in Europe against their value in use, an impairment against non current assets of $26.9 million (post tax $24.8 million) was identified. This amount has been brought to account in the 30 June 2009 accounts. The impairment has been caused by changed market conditions resulting in significantly reduced demand.

The review of intangible assets with indefinite lives identified an impairment of brand name assets. The carrying value of brand names owned and maintained by the Consolidated Entity in Europe has been impaired by $7.2 million. Based upon a royalty stream contribution methodology the future cash flows of these brands were assessed as being insufficient to support their carrying value. As a result of this impairment charge, the carrying value of these brand names is now $15.4 million.

Note 20. Intangible assets (cont'd)

The review of other intangible assets identified an impairment of European computer software. The carrying value of computer software has been impaired by $3.5 million. The impairment relates to capitalised software development costs in Ireland which have been superseded by a later version of software.

In addition to the above discussion, the Consolidated Entity booked an impairment charge of $567.5 million in the 31 December 2008 interim accounts associated with the carrying value of its Paper Manufacturing assets.

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 21. Deferred tax assets				
Deferred tax assets comprise of the following:				
Provisions and employee benefits	42.7	49.6	-	-
Property, plant and equipment	25.4	-	-	-
Accrued expenses not claimed	2.8	1.0	-	-
Other items	7.1	8.9	-	-
Tax losses [1]	10.6	8.2	-	-
Total deferred tax assets [2]	88.6	67.7	-	-

[1] Potential further future income tax benefits of the Consolidated Entity relating to accumulated tax losses at 30 June 2009 of $179.1 million (2008: $104.7 million) were not recognised on the basis that it is not probable that future taxable profit will be available against which the Consolidated Entity can use the benefit.

[2] All movements in temporary differences have been recorded in the income statement.

Note 22. Trade and other payables				
Trade creditors	681.8	917.5	-	-
Other creditors	196.0	265.1	0.6	0.6
Amounts owing to subsidiaries	-	-	-	190.4
Total trade and other payables	877.8	1,182.6	0.6	191.0

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 23. Loans and borrowings				
a) Loans and borrowings - current				
Secured loans and borrowings [1]:				
• Bank overdrafts [2]	-	-	-	-
• Bank borrowings [3] [4]	364.7	289.3	-	-
• CAD notes [4]	32.5	3.2	-	-
• USD notes [4]	76.4	-	-	-
• GBP notes [4]	106.5	-	-	-
• Other loans	6.1	0.5	-	-
Finance lease liabilities	0.1	0.1	-	-
Total loans & borrowings	586.3	293.1	-	-

[1] Relates to the following secured and unsecured loans and borrowings:

	Currency	Nominal Interest Rate[5]	CONSOLIDATED 2009 $m
Bank loans secured	EUR	EURIBOR	22.8
Bank loans secured	SGD	SIBOR	1.5
Bank loans secured	MYR	BBLR [7]	0.6
Bank loans secured	NZD	NZBAB [8]	18.4
Bank loans secured	EUR	EURIBOR	187.6
Bank loans secured	CAD	LIBOR	77.0
Bank loans secured	EUR	EURIBOR	57.6
Notes – secured	USD	7.88%	36.0
Notes – secured	USD	5.70%	31.0
Notes – secured	USD	6.05%	9.4
Notes – secured	CAD	7.59%	4.7
Notes – secured	CAD	8.01%	27.8
Notes – secured	GBP	6.67%	59.9
Notes – secured	GBP	6.48%	46.6
Other loans unsecured	Various	Various	6.1
Finance lease liabilities			0.1
Capitalised borrowing costs			(0.8)
			586.3[6]

Note 23. Loans and borrowings (cont'd)

a) Loans and borrowings - current

	Currency	Nominal Interest Rate[5]	2008 $m
Bank loans unsecured	GBP	LIBOR	115.8
Bank loans unsecured	AUD	BBSY	135.0
Bank loans unsecured	SGD	SIBOR	3.0
Bank loans unsecured	MYR	BBLR [7]	3.9
Bank loans unsecured	MYR	BBLR [7]	1.8
Bank loans unsecured	CAD	LIBOR	10.6
Bank loans unsecured	NZD	NZBAB [8]	20.0
Notes – unsecured	CAD	7.59%	3.2
Other loans unsecured	AUD	BBSY	0.5
Finance lease liabilities			0.1
Capitalised borrowing costs			(0.8)
			293.1

(2) The Consolidated Entity has committed bank overdraft facilities to a maximum of $3.0 million (2008: $13.7 million). As at 30 June 2009, the unused portions of the facilities were $3.0 million (2008: $13.7 million). The bank overdrafts are payable on demand and are subject to annual review. Other bank overdrafts have been netted into cash. Refer Note 13.

(3) Bank borrowings are net of capitalised borrowing costs.

(4) The bank loans for the Syndicate Facility Agreement and the US Private Placement Notes were unsecured in 2008.

(5) Excludes company specific margins.

(6) Bank borrowings and US Private Placement Notes have been reclassified to current liabilities. Refer Note 2(e) for further details.

(7) BBLR: Bank Based Lending Rate

(8) NZBAB: New Zealand Bank Accepted Bill Rate

Note 23. Loans and borrowings (cont'd)

b) Loans and borrowings – non-current

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Secured loans and borrowings [1]:				
• Bank borrowings [2] [3]	-	322.0	-	-
• USD notes [3]	-	127.0	-	-
• CAD notes [3]	-	61.4	-	-
• GBP notes [3]	-	213.1	-	-
Finance lease liabilities	-	0.1	-	-
Total loans and borrowings	-	723.6	-	-
Reconciliation of consolidated loans and borrowings				
Current loans and borrowings	586.3	293.1	-	-
Non-current loans and borrowings	-	723.6	-	-
Total loans and borrowings	586.3	1,016.7	-	-
Cash and cash equivalents - refer Note 13	(369.6)	(240.7)	-	-
Net loans and borrowings	216.7	776.0	-	-

Note 23. Loans and borrowings (cont'd)

b) Loans and borrowings – non-current

(1) Relates to the following secured and unsecured loans and borrowings:

			CONSOLIDATED	
			2009	**2008**
	Currency	Nominal Interest Rate(4)	$m	$m
Bank loans unsecured	GBP	LIBOR	-	105.3
Bank loans unsecured	AUD	BBSY	-	60.0
Bank loans unsecured	CAD	LIBOR	-	74.2
Bank loans unsecured	AUD	BBSY	-	83.0
Notes – unsecured	USD	7.88%	-	58.8
Notes – unsecured	USD	5.70%	-	52.5
Notes – unsecured	USD	6.05%	-	15.7
Notes – unsecured	CAD	7.59%	-	9.5
Notes – unsecured	CAD	8.01%	-	51.9
Notes – unsecured	GBP	6.67%	-	121.0
Notes – unsecured	GBP	6.48%	-	92.1
Other loans unsecured	EUR	EURIBOR	-	0.3
Capitalised borrowing costs			-	(0.8)
Finance lease liabilities			-	0.1
			- (5)	723.6

(2) Bank borrowings are net of capitalised borrowing costs. As at 30 June 2009, the unused portions of both current and non-current facilities totalled $114.8 million (2008: $82.7 million).

(3) The bank loans for the Syndicate Facility Agreement and the US Private Placement Notes were classified as unsecured in 2008.

(4) Excludes company specific margins.

(5) Bank borrowings and US Private Placement Notes have been reclassified to current liabilities. Refer Note 2(e) for further details.

The Consolidated Entity's bank borrowings under the Syndicated Multi Currency facility and Senior Unsecured Notes are subject to certain covenants which specify minimum earnings, net asset and interest cover amounts.

Note 23. Loans and borrowings (cont'd)

c) Pro-forma disclosure

Subsequent to balance date the Consolidated Entity has agreed to commit to new loan covenants for the financial year ending 30 June 2010. This will allow the Consolidated to contractually defer a part of the Consolidated Entity's borrowings to a period of greater than 12 months from balance date. If this agreement had been in place at balance date, Note 23 would have been shown as follows:

	CONSOLIDATED		PAPERLINX LIMITED	
	2009	2008	2009	2008
	$m	$m	$m	$m
Pro-forma current				
Secured and unsecured loans and borrowings:				
• Bank borrowings	158.1	289.3	-	-
• USD notes	33.3	-	-	-
• CAD notes	14.5	3.2	-	-
• GBP notes	44.8	-	-	-
• Other loans	-	0.5		
Finance lease liabilities	0.1	0.1	-	-
Total pro-forma current loans and borrowings	250.8	293.1	-	-
Pro-forma non current				
Secured and unsecured loans and borrowings:				
• Bank borrowings	212.6	322.0	-	-
• USD notes	43.2	127.0	-	-
• CAD notes	18.0	61.4	-	-
• GBP notes	61.7	213.1	-	-
Finance lease liabilities	-	0.1	-	-
Total pro-forma non-current loans and borrowings [1]	335.5	723.6	-	-
Reconciliation of consolidated loans and borrowings				
Current loans and borrowings	250.8	293.1	-	-
Non-current loans and borrowings	335.5	723.6	-	-
Total loans and borrowings	586.3	1,016.7	-	-
Cash and cash equivalents - refer Note 13	(369.6)	(240.7)	-	-
Net loans and borrowings	216.7	776.0	-	-

[1] The pro-forma contractual maturity of non-current borrowings is as follows:

- 1 – 2 years ($263.8 million) 2008 ($0.3 million)
- 2 – 5 years ($49.9 million) 2008 ($331.2 million)
- More than 5 years ($21.8 million) 2008 ($392.1 million)

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 24.	**Income tax (receivable)/payable**				
	Income tax payable	3.2	0.4	0.7	5.0
	Income tax receivable	(5.6)	-	-	-
	Total income tax (receivable)/payable	(2.4)	0.4	0.7	5.0
Note 25.	**Employee benefits - current**				
	Employee benefits	21.5	50.8	-	-
	Total employee benefits	21.5	50.8	-	-

Note 26. Provisions – current

	CONSOLIDATED $m						PAPERLINX LIMITED $m	
	Dividend	Step-up Preference Securities Distributions	Reorgan-isation	WorkCover	Other	Total	Dividend	Total
Balance at 1 July 2008	-	-	1.7	6.5	0.9	9.1	-	-
Provided/(released) during the year	15.9	14.9	5.6	1.1	1.7	39.2	15.9	15.9
Paid during the year - cash	(10.3)	(14.9)	(1.4)	(0.4)	(1.0)	(28.0)	(10.3)	(10.3)
- non cash	(5.6)	-	-	-	-	(5.6)	(5.6)	(5.6)
Disposal of businesses	-	-	-	-	(0.8)	(0.8)	-	-
Balance at 30 June 2009	-	-	5.9	7.2	0.8	13.9	-	-
Balance at 1 July 2007	-	6.6	0.8	7.4	4.3	19.1	-	-
Provided/(released) during the year	40.4	26.7	1.4	(0.3)	-	68.2	40.4	40.4
Paid during the year - cash	(28.7)	(33.3)	(0.5)	(0.6)	(1.4)	(64.5)	(28.7)	(28.7)
- non cash	(11.7)	-	-	-	-	(11.7)	(11.7)	(11.7)
Transfers	-	-	-	-	(2.0)	(2.0)	-	-
Balance at 30 June 2008	-	-	1.7	6.5	0.9	9.1	-	-

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 27. Payables – non current				
Other creditors				
• Net defined benefit obligations (Note 45)	120.5	85.0	-	-
• Other creditors	4.7	11.4	-	-
Total Payables	125.2	96.4	-	-

Note 28. Deferred tax liabilities				
Deferred tax liabilities comprise of the following:				
Property, plant and equipment	5.1	27.1	-	-
Intangibles	4.3	14.0	-	-
Other	1.7	1.8	-	-
LIFO reserve	10.8	7.9	-	-
Total deferred tax liabilities	21.9	50.8	-	-

Note 29. Employee benefits – non-current				
Employee benefits [1]	16.6	39.0	-	-
Total employee benefits	16.6	39.0	-	-

The aggregate employee benefits at end of year:				
Current – refer Note 25	21.5	50.8	-	-
Non-current	16.6	39.0	-	-
Total employee benefits	38.1	89.8	-	-

[1] Included in the above employee benefits of the Consolidated Entity are Directors' retirement allowances of $2.0 million (2008: $2.5 million), which are disclosed in detail in the Directors' Report. These benefits only relate to those Non-Executive Directors of the Company appointed before 31 December 2006 and are in accordance with the Company's Constitution and with agreements between the Company and individual Directors and have now been frozen. An earnings rate equal to the 5 year Australian Government Bond Rate applies to frozen entitlements. No liability exists for Directors' retiring allowances in respect of Directors in full time employment of the Company or its subsidiaries.

Note 30. Provisions – non current

	CONSOLIDATED		
	Reorganisation	Other [1]	Total
	$m	$m	$m
Balance at 1 July 2008	0.7	5.0	5.7
Provided/ (released) during the year	5.5	(0.7)	4.8
Paid during the year	(0.8)	(1.5)	(2.3)
Foreign currency movements	(0.2)	0.2	-
Balance at 30 June 2009	5.2	3.0	8.2
Balance at 1 July 2007	1.5	6.1	7.6
Provided during the year	-	0.5	0.5
Paid during the year	(0.9)	(2.9)	(3.8)
Transfers	-	1.3	1.3
Foreign currency movements	0.1	-	0.1
Balance at 30 June 2008	0.7	5.0	5.7

	CONSOLIDATED		PAPERLINX LIMITED	
	2009	2008	2009	2008
	$m	$m	$m	$m
Current – refer Note 26	13.9	9.1	-	-
Non Current	8.2	5.7	-	-
Total	22.1	14.8	-	-

[1] Included in the above aggregate other provisions of the Consolidated Entity are provisions relating to surplus leased premises of $1.5 million (2008: $3.3 million).

Note 31. Deferred income

Government grants	1.9	1.6	-	-
Total deferred income	1.9	1.6	-	-

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 32.	**Issued capital**				
	Issued and paid-up share capital 603,580,761 ordinary shares (2008: 453,094,354 ordinary shares)	1,897.6	1,715.2	1,897.6	1,715.2
	Employee share plan loans	(1.5)	(1.8)	(1.5)	(1.8)
	Total issued capital	1,896.1	1,713.4	1,896.1	1,713.4
	Movement in ordinary share capital:				
	Balance at beginning of year	1,715.2	1,703.5	1,715.2	1,703.5
	50,000 (2008: nil) shares issued at $nil exercise price on exercise of 50,000 (2008: nil) options	-	-	-	-
	Nil (2008: 2,445,838) shares issued at $nil (2008: $2.13) each pursuant to the dividend reinvestment plan for interim dividend	-	5.3	-	5.3
	2,527,143 (2008: 1,910,956) shares issued at $2.20 (2008: $3.34) each pursuant to the dividend reinvestment plan for the final dividend	5.5	6.4	5.5	6.4
	147,909,264 (2008: nil) shares issued at $1.25 each pursuant to 2 for 5 Rights Issue [1]	176.9	-	176.9	-
	Balance at end of year	1,897.6	1,715.2	1,897.6	1,715.2

[1] Rights issue proceeds are net of share issue costs.

Movement in employee share plan loans:				
Balance at beginning of year	(1.8)	(2.0)	(1.8)	(2.0)
Repayments	0.3	0.2	0.3	0.2
Balance at end of year	(1.5)	(1.8)	(1.5)	(1.8)

Note 32. Issued capital (cont'd)

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Employee shares

The Company has in prior years issued employee shares at a discount to the market price, on the date of the issue, in accordance with the terms of the Employee Share Purchase Plan as approved by shareholders. Each of the share plan issues is at a varying discount to the market price on the date of the issue in order to comply with the local legislative requirements, and to ensure that the issues in each country are approximately equivalent in value to employees.

The granting of employee shares was generally subject to specific performance criteria being achieved – refer Note 3(g). This plan ceased in 2004 and no future issuances of shares will be made under this plan.

Options exercised

- During the year, the following options over shares were exercised:

  50,000 options, which had been granted on 30 April 2008 at an exercise price of $Nil, were exercised on 15 September 2008. The market price of the shares was $2.22.

- During the prior year, no options over shares were exercised.

Options lapsed

- During the year, the following options lapsed:

  200,000 options, which had been granted on 14 April 2000, at an exercise price of $3.13.

  45,000 options, which had been granted on 20 November 2000, at an exercise price of $3.32.

  10,000 options, which had been granted on 13 September 2001, at an exercise price of $4.12.

  4,000 options, which had been granted on 20 September 2002, at an exercise price of $5.13.

  806,120 performance options, which had been granted on 2 September 2005, at an exercise price of $2.77.

  317,710 performance options, which had been granted on 5 September 2006, at an exercise price of $3.11.

  316,570 performance options, which had been granted on 24 August 2007, at an exercise price of $3.80.

  408,600 performance options, which had been granted on 30 October 2008, at an exercise price of $2.05.

  An aggregate of 2,108,000 options lapsed during the year ended 30 June 2009.

Note 32. Issued capital (cont'd)

- During the prior year, the following options lapsed:

  10,000 options, which had been granted on 14 April 2000, at an exercise price of $3.13.

  5,000 options, which had been granted on 20 November 2000, at an exercise price of $3.32.

  75,000 performance options, which had been granted on 19 April 2001 at an exercise price of $3.50.

  40,800 options, which had been granted on 13 September 2001 at an exercise price of $4.12.

  21,000 options, which had been granted on 20 September 2002 at an exercise price of $5.13.

  530,080 performance options, which had been granted on 22 December 2004, at an exercise price of $4.85.

  70,530 performance options, which had been granted on 2 September 2005 at an exercise price of $2.77.

  28,170 performance options, which had been granted on 28 August 2006, at an exercise price of $3.11.

  26,040 performance options, which had been granted on 24 August 2008, at an exercise price of $3.80.

  An aggregate of 806,620 options lapsed during the year ended 30 June 2008.

Options granted

During the year, the Company granted options over ordinary shares as follows:

- Employee Share and Option Plan

  2,000,020 performance options over 2,000,020 ordinary shares on the grant date of 30 October 2008 at an exercise price of $2.05, which was the weighted average share price on the Australian Securities Exchange for the 30 days prior to 30 June 2008.

  293,010 performance options over 293,010 ordinary shares on the grant date of 11 November 2008 at an exercise price of $2.05, which was the weighted average share price on the Australian Securities Exchange for the 30 days prior to 30 June 2008.

  150,000 options over 150,000 ordinary shares on the grant date of 14 November 2008 at an exercise price of $1.35 which was the weighted average share price on the Australian Securities Exchange for the week prior to 31 October 2008.

During the prior year, the Company granted options over ordinary shares as follows:

- Employee Share and Option Plan

  958,110 performance options over 958,110 ordinary shares on the grant date of 24 August 2007 at an exercise price of $3.80 per option, which was the weighted average share price in the Australian Securities Exchange for the 30 days prior to 30 June 2007.

  649,120 performance options over 649,120 ordinary shares on the grant date of 30 November 2007 at an exercise price of $3.80 per option, which was the weighted average share price in the Australian Securities Exchange for the 30 days prior to 30 June 2007.

  50,000 options over 50,000 ordinary shares on the grant date of 30 April 2008 at a zero exercise price per option.

Note 32. Issued capital (cont'd)

At reporting date, there are 5,489,960 (2008: 5,204,930) 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:

75,000	(2008: 275,000)	at	$3.13 at the grant date of 14 April 2000
112,500	(2008: 157,500)	at	$3.32 at the grant date of 20 November 2000
300,000	(2008: 300,000)	at	$3.50 at the grant date of 19 April 2001
167,900	(2008: 177,900)	at	$4.12 at the grant date of 13 September 2001
50,000	(2008: 50,000)	at	$4.18 at the grant date of 13 September 2001
141,000	(2008: 145,000)	at	$5.13 at the grant date of 20 September 2002
150,000	(2008: 150,000)	at	$4.76 at the grant date of 18 June 2003
150,000	(2008: 150,000)	at	$4.64 at the grant date of 26 November 2003
Nil	(2008: 806,120)	at	$2.77 at the grant date of 2 September 2005
150,000	(2008: 150,000)	at	$2.77 at the grant date of 28 February 2006
150,000	(2008: 150,000)	at	$3.11 at the grant date of 4 September 2006
744,510	(2008: 1,062,220)	at	$3.11 at the grant date of 5 September 2006
615,500	(2008: 932,070)	at	$3.80 at the grant date of 24 August 2007
649,120	(2008: 649,120)	at	$3.80 at the grant date of 30 November 2007
Nil	(2008: 50,000)	at	$Nil at grant date of 30 April 2008
1,884,430	(2008: Nil)	at	$2.05 at the grant date of 30 October 2008
150,000	(2008: Nil)	at	$1.35 at the grant date of 14 November 2008

	CONSOLIDATED	
	2009	**2008**
	Number	Number
Outstanding at beginning of year	5,204,930	4,354,320
Lapsed during the period	(2,108,000)	(806,620)
Granted during the period	2,443,030	1,657,230
Exercised	(50,000)	-
Outstanding at end of year	5,489,960	5,204,930

The weighted average exercise price for options outstanding at the end of the financial year was $3.05 (2008: $3.45).

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 a scheme 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. These loans are interest free and are reduced either by the dividends paid on the shares issued or in certain instances in accordance with an agreed schedule of repayments which does not exceed three years. The plan ceased in 2004 and loans remaining will be paid.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009	2008	2009	2008
		$m	$m	$m	$m
Note 33.	**Reserves**				
	Reserve for own shares				
	Balance at beginning of year	(9.7)	(9.7)	(9.7)	(9.7)
	Balance at end of year	(9.7)	(9.7)	(9.7)	(9.7)
	Exchange fluctuation reserve				
	Balance at beginning of year	(36.7)	(78.2)	-	-
	Exchange fluctuation on translation of overseas subsidiaries	30.5	41.5	-	-
	Loss on disposal of controlled entities	0.9	-	-	-
	Balance at end of year	(5.3)	(36.7)	-	-
	Hedging reserve				
	Balance at beginning of year	-	-	-	-
	Effective portion of changes in fair value of Cash flow hedges	-	-	-	-
	Balance at end of year	-	-	-	-
	Total reserves	(15.0)	(46.4)	(9.7)	(9.7)

Nature and purpose of reserves

Reserve for own shares

The reserve for own shares represents the value of shares held by an equity compensation plan by the Consolidated Entity. This reserve will be reversed against share capital when the underlying shares vest to the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments. Refer to Note 43.

Exchange fluctuation reserve

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

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to the hedged transactions that have not yet occurred.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009	2008	2009	2008
		$m	$m	$m	$m
Note 34.	**(Accumulated losses)/retained profits**				
	Balance at beginning of year	(19.0)	15.0	14.3	8.7
	Net (loss)/ profit attributable to equity holders of PaperlinX Limited	(798.2)	72.2	(800.4)	46.0
	Employee share options and rights	4.1	4.7	-	-
	Actuarial losses on defined benefit plans (Note 45)	(42.7)	(43.8)	-	-
	Dividends paid on PaperlinX Limited ordinary shares	(15.9)	(40.4)	(15.9)	(40.4)
	Distributions provided and paid on PaperlinX step-up preference securities	(14.9)	(26.7)	-	-
	Total (accumulated losses)/ retained profits	(886.6)	(19.0)	(802.0)	14.3

Note 35.	**PaperlinX step-up preference securities**				
	Balance at beginning of year	276.5	276.4	-	-
	Issue costs	-	0.1	-	-
	Total PaperlinX step-up preference securities	276.5	276.5	-	-

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

Distributions on the PSPS are at the discretion of Permanent Investment Management Limited ("the Responsible Entity") and are 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 approved by the lenders. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PSPS. If a distribution is not paid in full, the Company will be prohibited from paying dividends or making other distributions on any class of its share capital until such time as two subsequent distributions are paid by the PaperlinX SPS Trust. The distribution rate is the 180 day bank bill swap rate plus a margin of 2.40%. The first periodic remarketing date is 30 June 2012 and provides PaperlinX SPS Trust with the following options:

- conduct a remarketing process to establish a new margin and add or adjust such other terms of the PaperlinX SPS as it may request, to apply until the next remarketing date;
- realise PaperlinX SPS (redeem for cash, exchange for PaperlinX Limited ordinary shares or resell to a third party); or
- begin paying distributions at the step-up margin on the PaperlinX SPS.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 36.	**Minority interest**				
	Issued capital	-	0.1	-	-
	Total minority interest	-	0.1	-	-

Note 37.	**Capital expenditure commitments**				
	Capital expenditure contracted but not provided for:				
	• Not later than one year	0.9	50.2	-	-
	• Later than one year but not later than five years	-	-	-	-
	Total capital expenditure commitments	0.9	50.2	-	-

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 38.	**Lease commitments**				
	Finance lease liability				
	Lease expenditure contracted and provided for:				
	• Not later than one year	0.1	0.1	-	-
	• Later than one year but not later than five years	-	0.1	-	-
	Minimum lease payments	0.1	0.2	-	-
	Less: Future finance charges	-	-	-	-
	Total finance lease liability	0.1	0.2	-	-
	Current lease liabilities – refer Note 23	0.1	0.1	-	-
	Non-current lease liabilities – refer Note 23	-	0.1	-	-
	Total finance lease liability	0.1	0.2	-	-

The Consolidated Entity enters into finance leases from time to time in relation to property, plant and equipment. At the end of the lease term, the Consolidated Entity has the option to purchase the property plant and equipment at a price established at the time of entering the lease.

Operating lease commitments				
Lease expenditure contracted but not provided for:				
• Not later than one year	101.8	94.5	-	-
• Later than one year but not later than five years	268.4	224.4	-	-
• Later than five years	267.9	150.6	-	-
Total operating lease commitments [1]	638.1	469.5	-	-

[1] Operating lease commitments have increased on prior year due to the sale and lease back of European warehouses.

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

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

	CONSOLIDATED		PAPERLINX LIMITED	
	2009	2008	2009	2008
	$m	$m	$m	$m
Note 39. Other expenditure commitments				
Expenditure contracted but not provided for covering supplies and services to be provided:				
• Not later than one year	3.9	71.9	-	-
• Later than one year but not later than five years	7.1	234.4	-	-
• Later than five years	0.7	318.3	-	-
Total other expenditure commitments [1]	11.7	624.6	-	-

[1] The sale of Australian Paper has resulted in the reduction in other expenditure commitments compared to prior year.

Note 40. Contingent asset and liabilities

Contingent liabilities arising in respect of related bodies corporate:				
• Bank guarantees (government)	-	-	9.3	8.9
• Bank guarantees (trade)	4.5	12.0	4.5	4.2
• Loan guarantees (subsidiaries)	-	-	215.5	404.8
• Loan guarantees (external)	35.0	-	35.0	-
• Payment guarantees (external)	-	40.4	-	40.4
Total contingent liabilities	39.5	52.4	264.3	458.3

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, are primarily in relation to the importation of products.

The subsidiary loan guarantees of $215.5 million (2008: $404.8 million) relate to the following items:

- $36.0 million (2008: $58.8 million), being USD 28.7 million (2008: USD 56.0 million) Senior Unsecured Notes issued by subsidiary companies.
- $32.5 million (2008: $64.6 million), being CAD 29.6 million (2008: CAD 61.0 million) Senior Unsecured Notes issued by subsidiary companies.
- $40.5 million (2008: $68.2 million), being USD 32.3 million (2008: USD 65.0 million) Senior Unsecured Notes issued by subsidiary companies.
- $106.5 million (2008: $213.1 million), being GBP 50.8 million (2008: GBP 101.2 million) Senior Unsecured Notes issued by subsidiary companies.

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.

Capital expenditure is incurred annually to enhance environmental performance. There can be no assurance that material new expenditure will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

Under the terms of the ASIC Class Order 98/1418 dated 13 August 1998 (as amended) the Company and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities with those subsidiaries identified in Note 46.

Note 40. Contingent asset and liabilities (cont'd)

Tasmanian Operations – Contingent Environmental Liabilities

The Company announced on 29 June 2009 that it has completed an initial review of its Tasmanian paper mills as a result of these assets being excluded from the sale to Nippon Paper of the Australian Paper division on 31 May 2009. This review has identified a number of scenarios that the Company could pursue with regard to the future operations of the two mills in Tasmania. The four main options identified include retention of the existing business model, partial closure, full closure or sale. Since this announcement, the Company has continued to pursue all available options. No decision has been made by the Company at this stage regarding which option or options will be chosen. The Company continues to operate both mills on the same basis as they were prior to the sale of the Australian Paper division.

If it is decided to partially or fully close the two mills, this decision may create an environmental liability for the Company with regard to remediation works to the sites. The extent of this remediation work is yet to be determined but the Company will need to ensure that it meets the requirements of its obligations under Tasmanian State legislation. The amount of the contingent liability cannot currently be measured reliably.

The Directors believe that no liability exists whilst the mills are being operated as a going concern and therefore there is no provision in the 30 June 2009 accounts for environmental liabilities at our Tasmanian operations. This treatment is in accordance with the Company's accounting policy on environmental provisioning (refer Note 3 (u)) which states that a provision for environmental remediation is only recognised when a legal or constructive obligation exists due to the impact of a past event, and the provision can be reliably estimated.

		CONSOLIDATED		PAPERLINX LIMITED	
		2009 $m	2008 $m	2009 $m	2008 $m
Note 41.	**Auditors' remuneration**				
	Amounts received or due and receivable for audit services by:				
	• Auditors of the Company [1]	4.964	4.533	-	-
	Amounts received or due and receivable for other services by:				
	• Auditors of the Company				
	Other assurance services	0.182	0.101	-	-
	Taxation services	0.168	0.180	-	-
	Other services [2]	0.781	0.098	-	-
	Total auditors' remuneration	6.095	4.912	-	-

(1) Increase in audit fees reflects an unfavourable foreign exchange translation for amounts paid to KPMG in foreign currencies, compared to 2008.

(2) Includes fees in relation to Investigating Accountant Services associated with equity raising.

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

Note 42. Key Management Personnel

The following were key management personnel of the Consolidated Entity at any time during the reporting period and unless otherwise indicated, were key management personnel for the entire period. In accordance with disclosure requirements, Non-Executive Directors are deemed to be key management personnel.

1 *Non-Executive Directors*

D E Meiklejohn	Chairman
H Boon	Director
A F Guy	Director (retired 31 December 2008)
J W Hall	Director
B J Jackson	Director
N L Scheinkestel	Director
L J Yelland	Director

2 *Executive Directors*

T P Park	Managing Director & Chief Executive Officer
D M Lamont	Chief Financial Officer (resigned 26 September 2008)

3 *Executives*

C B Creighton	President North America
T R Marchant	Chief Executive Officer PaperlinX Europe (appointed 1 July 2008)
M J Fothergill	Executive General Manager Merchanting (employment ceased on 14 August 2009)
J A Henneberry	Executive General Manager Australian Paper (resigned on 1 June 2009)
M R Hooper	Chief Financial Officer (appointed 27 October 2008)
R F O'Brien	Executive General Manager Human Resources
P L Jackson	Executive General Manager Merchanting Australia, New Zealand & Asia (appointed 1 October 2008)

(a) Key management personnel compensation for the period is as follows:

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $	2008 $	2009 $	2008 $
Short-term benefits	7,754,866	8,748,171	-	-
Post-employment benefits	994,917	921,109	-	-
Equity plans	831,371	965,337	-	-
Termination benefits	301,785	286,383	-	-
	9,882,939	10,921,000	-	-

(b) Individual Directors and Executives compensation contracts

Disclosures of remuneration policies, service contracts and details of remuneration, are included in the Remuneration Report.

Note 42. Key management personnel (cont'd)

(c) Maximum potential shares – Executive Directors and Executives

The maximum number of shares that may be earned under the Long and Short Term Incentive Plans (comprising the performance rights plan) by Executive Directors and Executives over a specified period subject to the satisfaction of specified performance criteria is as follows:

	MAXIMUM POTENTIAL ENTITLEMENT		
	At 30 June 2008	Movement [1]	At 30 June 2009
Executive Directors			
T P Park	1,178,300	74,370	1,252,670
D M Lamont [2]	225,570	(225,570)	-
Executives			
C B Creighton	175,290	67,170	242,460
M J Fothergill [3]	165,860	51,810	217,670
J A Henneberry [4]	150,320	(150,320)	-
M R Hooper [5]	-	119,800	119,800
R F O'Brien	142,820	46,502	189,322
T R Marchant	149,750	90,142	239,892
P L Jackson	50,610	89,368	139,978

In the year ended 30 June 2009, none of those shares were vested to any Executive Director or Executive.

	MAXIMUM POTENTIAL ENTITLEMENT		
	At 30 June 2007	Movement [1]	At 30 June 2008
Executive Directors			
T P Park	755,570	422,730	1,178,300
D M Lamont [2]	110,140	115,430	225,570
Executives			
C B Creighton	174,590	700	175,290
M J Fothergill [3]	162,050	3,810	165,860
J A Henneberry [4]	73,110	77,210	150,320
R F O'Brien	143,900	(1,080)	142,820

(1) Includes performance shares/rights that have lapsed as at the respective balance date.
(2) Ceased to be a Director on 26 September 2008.
(3) Employment ceased on 14 August 2009.
(4) Ceased to be employed on 1 June 2009.
(5) Commenced employment on 27 October 2008.

Note 42. Key management personnel (cont'd)

(d) Loans to key management personnel and their related parties

The Company has not made any loan to any key management personnel and their related parties other than those in accordance with the terms of the Employee Share Purchase Plan – Refer Note 32. No individual loan is greater than $100,000.

The reconciliation of the aggregate movement in the Employee Share Purchase Plan loans to the key management personnel of the Company and the Consolidated Entity is as follows:

	At 30 June 2008 $	Repayments $	At 30 June 2009 $
Executive Directors	-	-	-
Executives (number included at the end of the year - 1)	25,154	(773)	24,381

	At 30 June 2007 $	Repayments $	At 30 June 2008 $
Executive Directors	-	-	-
Executives (number included at the end of the year - 1)	27,140	(1,986)	25,154

Note 42. Key management personnel (cont'd)

(e) Shareholdings of key management personnel

The reconciliation of the movement in the relevant interest in the share capital of the Company, held by key management personnel, excluding the potential entitlement amounts:

	At 1 July 2008	Purchased	Ceased Employ-ment	Earned as Remun-eration	Exercise of Options	At 30 June 2009	Shares Held Nominally at 30 June 2009
Directors							
D E Meiklejohn	117,612	77,045		-	-	194,657	-
T P Park	300,000	560,000		-	-	860,000	-
D M Lamont (1)	15,000	-	(15,000)	-	-	-	-
A F Guy (2)	79,761	-	(79,761)	-	-	-	-
J W Hall	7,000	12,800		-	-	19,800	-
B J Jackson	40,980	16,392		-	-	57,372	-
N L Scheinkestel	40,191	3,368		-	-	43,559	-
L J Yelland	45,423	50,045		-	-	95,468	-
H Boon (3)	15,000	6,000		-	-	21,000	-
Executives							
C B Creighton	76,700	15,000		-	-	91,700	-
T R Marchant	-	-		-	-	-	-
M J Fothergill (4)	-	7,500		-	-	7,500	-
J A Henneberry (5)	-	-		-	-	-	-
M R Hooper (6)	-	-		-	-	-	-
R F O'Brien	5,224	52,173		-	-	57,397	-
P L Jackson (7)	855	-		-	-	855	-
Total:	743,746	800,323	(94,761)	-	-	1,449,308	-

No shares were granted to key management personnel during the reporting period as compensation.

	At 1 July 2007	Purchased	Ceased Employ-ment	Earned as Remun-eration	Exercise of Options	At 30 June 2008	Shares Held Nominally at 30 June 2008
Directors							
D E Meiklejohn	97,612	20,000		-	-	117,612	-
T P Park	100,000	200,000		-	-	300,000	-
D M Lamont (1)	-	15,000		-	-	15,000	-
A F Guy (2)	80,048	(287)		-	-	79,761	-
J W Hall	7,000	-		-	-	7,000	-
B J Jackson	40,980	-		-	-	40,980	-
N L Scheinkestel	38,932	1,259		-	-	40,191	-
D A Walsh (8)	30,898	-	(30,898)	-	-	-	-
L J Yelland	35,460	9,963		-	-	45,423	-
H Boon (3)	-	15,000		-	-	15,000	-
Executives							
C B Creighton	76,700	-		-	-	76,700	-
M J Fothergill (4)	-	-		-	-	-	-
J A Henneberry (5)	-	-		-	-	-	-
R F O'Brien	5,000	224		-	-	5,224	-
Total:	512,630	261,159	(30,898)	-	-	742,891	-

Note 42. Key management personnel (cont'd)

(1) Ceased to be a Director on 26 September 2008.
(2) Ceased to be a Director on 31 December 2008.
(3) Appointed 5 May 2008.
(4) Employment ceased on 14 August 2009.
(5) Ceased employment on 1 June 2009.
(6) Commenced employment on 27 October 2008.
(7) Opening balance has been amended to reflect shareholding of P L Jackson who became key management personnel on 1 October 2008.
(8) Ceased to be a Director on 31 December 2007.

(f) Options holdings of key management personnel

The options are exercisable subject to the satisfaction of the terms of the option agreement – Refer Note 32.

The reconciliation of the movement in the equity compensation in the form of options for the key management personnel for the year is as follows:

	MAXIMUM POTENTIAL ENTITLEMENT					
	At 30 June 2008	Granted as compensation (1)	Exercised	Lapsed	At 30 June 2009	Vested and Exercisable at 30 June 2009
Executive Directors						
T P Park	749,120	293,010	-	(100,000)	942,130	-
D M Lamont (2)	285,750	-	-	(135,750)	150,000	150,000
Executives						
C B Creighton	173,870	86,910	-	(61,140)	199,640	66,300
T R Marchant	91,640	89,130	-	(50,630)	130,140	-
M J Fothergill (3)	148,880	87,180	-	(53,590)	182,470	50,000
J A Henneberry (4)	240,210	-	-	(90,210)	150,000	150,000
M R Hooper (5)	-	228,730	-	-	228,730	-
R F O'Brien	235,660	77,120	-	(46,200)	266,580	150,000
P L Jackson	78,230	69,130	-	(31,220)	116,140	21,100

	MAXIMUM POTENTIAL ENTITLEMENT					
	At 30 June 2007	Granted as compensation (1)	Exercised	Lapsed	At 30 June 2008	Vested and Exercisable at 30 June 2008
Executive Directors						
T P Park	200,000	649,120	-	(100,000)	749,120	-
D M Lamont (2)	223,430	62,320	-	-	285,750	-
Executives						
C B Creighton	182,690	46,430	-	(55,250)	173,870	66,300
M J Fothergill (3)	158,030	45,290	-	(54,440)	148,880	50,000
J A Henneberry (4)	198,740	41,470	-	-	240,210	-
R F O'Brien	245,940	39,460	-	(49,740)	235,660	150,000

Note 42. Key management personnel (cont'd)

(1) The details of options granted during the year are detailed in Note 32.
(2) Ceased employment on 26 September 2008 and 150,000 options issued prior to becoming a Director expire on 30 September 2009.
(3) Employment ceased on 14 August 2009.
(4) Ceased employment on 1 June 2009 and 150,000 options expire on 21 June 2010.
(5) Commenced employment on 27 October 2008.

Note 43. Employee share options and plans

The Consolidated Entity maintains an Employee Share and Option Plan (ESOP).

The ESOP includes the following performance plans:

- Performance Share Plan
- Performance Rights Plan
- Performance Options Plan

All shares issued under the ESOP on exercise of options or termination of employment and all options granted under the ESOP are detailed in Note 32.

Performance Share Plan

In prior years, the Company had offered to certain senior management the ability to receive shares for $Nil consideration at a date in the future subject to specific performance criteria being achieved. At 30 June 2009 there were no participants in this plan.

The following shares have been purchased "on market" and are currently held in trust:

- 2003/2004 – on 27 August 2003, 4 September 2003 and 11 March 2004, 454,262 shares, 1,689 shares and 534,333 shares respectively at a cost of $4.9 million.
- 2002/2003 – on 20 November 2002 and 27 November 2002, 183,049 shares and 810,000 shares respectively at a cost of $4.8 million.

Shares retained in the trust are available to satisfy future issues under the ESOP.

The aggregate amounts of the above items are recorded in the balance sheet as a reserve for own shares. The voting rights attached to the shares are held by the trust, and the dividends attached to the shares are retained by the trust.

The shares purchased have an aggregate fair value of $0.8 million at 30 June 2009 (2008: $3.4 million).

The reconciliation of the number of shares purchased by the plan to date that may be earned as equity compensation by employees, including Executive Directors and Executives, under the ESOP is as follows:

	At 30 June 2008	Distributed on	Purchased	At 30 June 2009
Balance	1,990,133	-	-	1,990,133

At 1 June 2009, entitlements for certain Executives under the Performance Rights Plan had vested upon sale of the Australian Paper business and 68,163 shares have been transferred to these Executives during July 2009.

	At 30 June 2007	Distributed on	Purchased	At 30 June 2008
Balance	1,990,133	-	-	1,990,133

None of the shares held by the trust at 30 June 2008 have vested.

Note 43. Employee share options and plans (cont'd)

Performance Rights Plan

The Company has offered to certain senior management rights to receive shares at an exercise price of $Nil at a date in the future, subject to specific performance criteria being achieved. The rights are independently valued at the grant date using the Monte Carlo simulation model. The value of the right is expensed to profit over the applicable measurement period.

During the year, the following issues of rights were made:

- to receive a maximum of 5,282,960 options over 5,282,960 shares at an exercise price of $Nil (grant date 30 October 2008). The fair value at the date of the grant was $1.30 per option.
- to receive a maximum of 890,070 options over 890,070 shares at an exercise price of $Nil (grant date 30 October 2008). The fair value at the grant date was $1.16 per option.
- to receive a maximum of 439,510 options over 439,510 shares at an exercise price of $Nil (grant date 11 November 2008). The fair value at the grant date was $1.21 per option.
- to receive a maximum of 439,510 options over 439,510 shares at an exercise price of $Nil (grant date 11 November 2008). The fair value at the date of the grant was $1.34 per option.

At 30 June 2009, the aggregate issues of rights are:

- to receive a maximum of 439,510 options over 439,510 shares at an exercise price of $Nil (grant date 11 November 2008). The fair value at the date of the grant was $1.34 per option.
- to receive a maximum of 439,510 options over 439,510 shares at an exercise price of $Nil (grant date 11 November 2008). The fair value at the date of the grant was $1.21 per option.
- to receive a maximum of 719,150 options over 719,150 shares at an exercise price of $Nil (grant date 30 October 2008). The fair value at the date of the grant was $1.16 per option.
- to receive a maximum of 4,953,360 options over 4,953,360 shares at an exercise price of $Nil (grant date 30 October 2008). The fair value at the date of the grant was $1.30 per option.
- to receive a maximum of 313,160 options over 313,160 shares at an exercise price of $Nil (grant date 30 November 2007). The fair value at the grant date was $1.54 per option.
- to receive a maximum of 500,000 options over 500,000 shares at an exercise price of $Nil (grant date 30 November 2007). The fair value at the date of the grant was $1.31 per option.
- to receive a maximum of 315,205 options over 315,205 shares at an exercise price of $Nil (grant date 27 August 2007). The fair value at the date of the grant was $3.19 per option.
- to receive a maximum of 1,331,940 options over 1,331,940 shares at an exercise price of $Nil (grant date 24 August 2007). The fair value at the date of the grant was $2.64 per option.
- to receive a maximum of 1,764,370 options over 1,764,370 shares at an exercise price of $Nil (grant date 27 August 2006). The fair value at the date of the grant was $2.52 per option.

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

The details of the above offers which have been made to Executive Directors of the Company and Executives are set out in Note 42.

Note 43. Employee share options and plans (cont'd)

Performance Options Plan

The Company has issued to certain senior management options at a fixed exercise price at a date in the future subject to specific performance criteria being achieved. If exercised, the exercise price is recognised in equity. The options are independently valued at the grant date. These values have been determined using an appropriate valuation model (either Monte Carlo simulation model or Black-Scholes formula, as appropriate) incorporating assumptions in relation to the following: the life of the option/ the vesting period; the volatility in the share price (range of 20 per cent to 46 per cent); the dividend yield (range of 2.7 per cent to 7.25 per cent); and the risk-free interest rate (range of 4.4 per cent to 5.95 per cent). The value of the option is expensed to profit over the applicable measurement period.

During the year, the following issues were made:

- to receive a maximum of 293,010 options over 293,010 shares at an exercise price of $2.05 (grant date 11 November 2008). The fair value at the date of grant was $0.53 per option.
- to receive a maximum of 2,000,020 options over 2,000,020 shares at an exercise price of $2.05 (grant date 30 October 2008). The fair value at the date of grant was $0.51 per option.

At 30 June 2009, aggregate issues are:

- to receive a maximum of 293,010 options over 293,010 shares at an exercise price of $2.05 (grant date 11 November 2008). The fair value at the date of grant was $0.53 per option.
- to receive a maximum of 1,591,420 options over 1,591,420 shares at an exercise price of $2.05 (grant date 30 October 2008). The fair value at the date of grant was $0.51 per option.
- to receive a maximum of 149,120 options over 149,120 shares at an exercise price of $3.80 (grant date 30 November 2007). The fair value at the date of grant was $0.47 per option.
- to receive a maximum of 500,000 options over 500,000 shares at an exercise price of $3.80 (grant date 30 November 2007). The fair value at the date of grant was $1.31 per option.
- to receive a maximum of 615,500 options over 615,500 shares at an exercise price of $3.80 (grant date 24 August 2007). The fair value at the date of the grant was $1.05 per option.
- to receive a maximum of 644,510 options over 644,510 shares at an exercise price of $3.11 (grant date 5 September 2006). The fair value at the date of the grant was $0.94 per option.

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

The details of the above offers which have been made to Executive Directors of the Company and Executives are set out in Note 42.

Note 44. Segment reporting

Business 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
Paper Merchanting	International paper merchant and paper trader supplying the printing and publishing industry and office supplies.
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 split between continuing and discontinued operations as a result of the disposal of the Australian Paper business. The comparative results for 2008 have been restated to separate continuing from discontinued operations.
Corporate	Corporate operations.

Note 44. Segment reporting (cont'd)

	CONSOLIDATED											
	Segment Revenue		Depreciation, Impairment & Amortisation [1]		Segment Result [2]		Segment Assets		Segment Liabilities		Capital Expenditure [3]	
Business segments	**2009 $m**	**2008 $m**	**2009 $m**	**2008 $m**	**2009 $m**	**2008 $m**	**2009 $m**	**2008 $m**	**2009 $m**	**2008 $m**	**2009 $m**	**2008 $m**
Paper Merchanting												
• Europe	4,375.3	4,573.1	(31.5)	(24.1)	56.5	139.0	1,824.3	2,019.5	759.4	812.8	31.4	57.0
• North America	1,275.6	1,275.0	(7.0)	(5.4)	7.9	32.4	418.1	457.5	132.2	163.7	3.4	14.1
• Australia, New Zealand, Asia	655.3	670.3	(2.8)	(2.9)	17.9	14.3	377.9	376.2	68.0	116.4	1.0	4.3
• Inter-segment sales [4]	(10.4)	(6.1)										
	6,295.8	6,512.3	(41.3)	(32.4)	82.3	185.7	2,620.3	2,853.2	959.6	1,092.9	35.8	75.4
Paper Manufacturing												
• Continuing	240.3	286.6	(2.4)	(2.0)	(8.7)	(26.1)	134.2	112.1	69.2	50.1	5.3	5.0
• Discontinued	751.9	862.9	(27.1)	(47.3)	36.5	30.8	-	1,309.4	-	211.6	209.0	275.0
• Inter-segment sales [4]	(15.1)	-										
	977.1	1,149.5	(29.5)	(49.3)	27.8	4.7	134.2	1,421.5	69.2	261.7	214.3	280.0
Corporate	-	-	(6.3)	(12.2)	(93.7)	(30.0)	98.8	35.3	36.3	30.6	2.8	0.9
Profit before net interest and tax pre significant items					16.4	160.4						
Significant items (pre tax)												
• Continuing			(51.5)	-	(107.9)	-						
• Discontinued			(553.6)	-	(626.7)	-						
			(605.1)	-	(734.6)	-						
(Loss)/profit before net interest and tax					(718.2)	160.4						
Net interest [5]					(81.8)	(60.0)						
Profit before tax					(800.0)	100.4						
Tax expense [5]					1.8	(28.1)						
(Loss)/profit for the period					(798.2)	72.3						
Inter-segment sales [4]	(166.3)	(176.7)										
Unallocated asset (current/deferred tax balances)							94.2	67.7				
Unallocated liabilities [6]									611.4	1,067.9		
Total	7,106.6	7,485.1	(682.2)	(93.9)	(798.2)	72.3	2,947.5	4,377.7	1,676.5	2,453.1	252.9	356.3

Note 44. Segment reporting (cont'd)

(1) Impairment expenses were booked in the following segments:

	2009 $m	2008 $m
Paper Merchanting		
Europe	37.6	-
North America	-	-
Australia, New Zealand and Asia	-	-
	37.6	-
Paper Manufacturing		
Continuing	13.9	-
Discontinued	553.6	-
	567.5	-
Total	605.1	-

(2) The segment result for the individual business segments is the profit before net interest and income tax. Reconciliation of continuing and discontinued pre-tax and before significant items is as follows:

2009	Continuing $m	Discontinued $m	Total $m
Loss after tax	(201.1)	(597.1)	(798.2)
Add back tax expense	(2.8)	1.0	(1.8)
Add back net interest	75.9	5.9	81.8
Add back individually significant items	107.9	626.7	734.6
(Loss)/profit pre-tax, before significant items	(20.1)	36.5	16.4

(3) Capital Expenditure above comprises the following items:

• Acquisition of property, plant, equipment and intangibles- refer Statements of Cash Flows	180.1	326.0
• Capitalised interest	11.3	18.8
• Finance lease additions	86.0	0.2
• Movement in accruals	(24.5)	(6.9)
	252.9	338.1
• Goodwill in relation to acquisitions of subsidiaries - refer Note 46	-	7.6
• Other intangibles acquired on acquisition of subsidiaries - refer Note 46	-	2.8
• Property, plant and equipment acquired on acquisition of subsidiaries - refer Note 46	-	7.8
Total	252.9	356.3

(4) Inter-segment sales comprise sales of paper, which are priced on an arm's length basis.

(5) Interest and income tax expense are not allocated internally to the segments but held centrally.

(6) The unallocated segment liabilities comprise the following items:

• Current loans and borrowings - refer Note 23	586.3	293.1
• Current tax liabilities - refer Note 24	3.2	0.4
• Non-current loans and borrowings - refer Note 23	-	723.6
• Non-current deferred tax liabilities - refer Note 28	21.9	50.8
Total	611.4	1,067.9

Note 45. Employee retirement benefit obligations

The Consolidated Entity contributes to various plans that provide retirement, death and disability benefits for employees and their dependants. The plans cover company-sponsored plans, industry/union plans and other approved plans.

The following tables set out the details in respect of defined benefit plans only. The defined benefit obligations and the fair value of the assets have been valued by independent actuaries as at, or close to, the reporting date.

Company sponsored plans

The principal benefits are pensions or lump sums for members on resignation, retirement, death or total and permanent disablement. These benefits are determined on either a defined benefit or defined contribution basis.

Employee contribution rates are either fixed by the rules of the plan or selected by members from a specified range of rates. In addition to legislative requirements, employer companies contribute to the balance of the cost required to fund the benefits as set out in the appropriate plan rules.

There exists a legally enforceable obligation on the employer companies to make such contributions as are required under the rules, but no legal right to benefit in the surplus in the plans.

Where a limitation on the recoupment of surplus exists in any plan, the value of the surplus in that plan is restated as nil.

Government plans

Employer companies participate in government plans, on behalf of certain employees, which provide pension benefits.

There exists a legally enforceable obligation on employer companies to contribute as required by legislation.

Industry/union plans

Employer companies participate in industry and union plans on behalf of certain employees.

These plans operate on a defined contribution basis and provide lump sum benefits for members on resignation, retirement or death.

Employer companies have a legally enforceable obligation to contribute at varying rates to these plans.

Note 45. Employee retirement benefit obligations (cont'd)

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
The amounts recognised in the balance sheet are determined as follows:				
Present value of the defined benefit obligation	464.8	521.6	-	-
Less fair value of defined benefit plan assets	(354.0)	(439.1)	-	-
Add limitation on recoupment of net surplus positions	9.7	2.5	-	-
Net liability in the balance sheet	120.5	85.0	-	-
The net liability in the balance sheet is disclosed as follows:				
Liabilities	121.6	87.9	-	-
Assets	(1.1)	(2.9)	-	-
Net liability in the balance sheet	120.5	85.0	-	-
Changes in the present value of the defined benefit obligations are as follows:				
Balance at beginning of year	521.6	528.3	-	-
Adjustment to opening balance [1]	(5.5)	-	-	-
Current service costs	10.8	13.4	-	-
Interest on obligation	32.2	27.8	-	-
Past service costs	-	0.2	-	
Actuarial (gains)/losses on defined benefit obligations	(40.4)	13.7	-	-
Liabilities disposed of in a sale of business	(45.0)	-	-	-
Curtailment loss	1.8	-	-	-
Exchange differences on foreign plans	10.8	(36.9)	-	-
Benefits paid	(21.5)	(24.9)	-	-
Balance at end of year	464.8	521.6	-	-
Changes in the fair value of plan assets are as follows:				
Balance at beginning of year	436.6	498.3	-	-
Adjustment to opening balance [1]	2.5	-	-	-
Expected return on plan assets	32.2	33.3	-	-
Actuarial losses on fair value of plan assets	(91.8)	(54.3)	-	-
Contributions by employer	28.7	18.3	-	-
Contributions by members	2.0	2.3	-	-
Assets disposed of in a sale of business	(45.0)	-	-	-
Exchange differences on foreign plans	10.3	(33.9)	-	-
Benefits paid	(21.5)	(24.9)	-	-
Closing fair value of plan assets	354.0	439.1	-	-
Less limitation on recoupment of net surplus position	(9.7)	(2.5)	-	-
Balance at end of year	344.3	436.6	-	-

[1] Adjustment to opening balance due to differences between the estimated 30 June 2008 balances based on actuarial reports (prepared close to that date) and the actual balances per 30 June 2008.

Note 45. Employee retirement benefit obligations (cont'd)

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Expense recognised in the income statement:				
Current service costs	10.8	13.4	-	-
Interest on obligation	32.2	27.8	-	-
Past service costs	-	0.2	-	-
Expected return on plan assets	(32.2)	(33.3)	-	-
Curtailment loss	1.8	-	-	-
Total recognised expense	12.6	8.1	-	-
Amount recognised in the statement of recognised income and expense:				
Actuarial gains/(losses) on defined benefit obligations	40.4	(13.7)	-	-
Actuarial losses on fair value of plan assets	(91.8)	(54.3)	-	-
Movement in limitation on recoupment of net surplus position	(7.2)	5.9	-	-
	(58.6)	(62.1)	-	-
Less tax effect, where applicable	15.9	18.3	-	-
Total recognised income and expense	(42.7)	(43.8)	-	-

Principal actuarial assumptions:

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

	CONSOLIDATED		PAPERLINX LIMITED	
	2009	2008	2009	2008
Discount rate	3.75% to 8.0%	4% to 6.3%	-	-
Salary increase rate	0% to 4.2%	1% to 4.2%	-	-
Inflation	2% to 3.7%	2% to 3.8%	-	-
Expected asset return	5% to 7.5%	5.5% to 8%	-	-

Note 45. Employee retirement benefit obligations (cont'd)

	Plans as at 30 June 2009			Plans as at 30 June 2008		
	Plan assets $m	Defined benefit obligation $m	Surplus/ (deficit) $m	Plan assets $m	Defined benefit obligation $m	Surplus/ (deficit) $m
PaperlinX Superannuation Fund (Australia) [1]	12.7	12.1	0.6	61.5	58.7	2.8
PaperlinX New Zealand Superannuation Fund (New Zealand)	0.5	0.5	-	0.4	0.4	-
Coast Paper Pension Plan for Employees (Canada)	6.4	5.9	0.5	7.4	7.3	0.1
Coast Paper Pension Plan for Executive Employees (Canada)	5.4	6.4	(1.0)	6.2	8.2	(2.0)
Pension Plan for Employees of PaperlinX Canada (Canada)	39.9	40.2	(0.3)	50.8	51.2	(0.4)
PaperlinX Pensioenfonds (Netherlands)	59.5	59.5	-	62.6	62.6	-
Pension Plan for Buhrmann Ubbens employees with Nationale Nederlanden (Netherlands)	24.3	36.3	(12.0)	19.7	30.5	(10.8)
The Howard Smith Paper Group Pension Scheme (UK)	44.6	53.0	(8.4)	50.1	62.4	(12.3)
Robert Horne Group Pension Scheme (UK)	145.6	221.3	(75.7)	171.0	211.1	(40.1)
Robert Horne Paper (Ireland) Ltd Pension & Life Assurance Scheme (Ireland)	5.4	8.8	(3.4)	6.9	8.1	(1.2)
Other post employment pension plans funded directly by employer companies	-	20.8	(20.8)	-	21.1	(21.1)
	344.3	464.8	(120.5)	436.6	521.6	(85.0)

[1] In 2009, a portion of this fund's assets and liabilities were transferred to a sub fund of Australian Paper.

Note 46. PaperlinX's subsidiaries

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

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

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

Effective 31 May 2009 the following parties to the deed of cross guarantee were released from their obligations under the deed:

Paper Australia Pty Ltd
Australian Paper Pty Ltd
Paper Products Marketing Pty Ltd

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

INCOME STATEMENT

	2009 $m	2008 $m
(Loss)/ profit before tax	(781.9)	119.6
Tax expense	(18.2)	(3.2)
(Loss)/ profit for the year	(800.1)	116.4
Accumulated losses at beginning of year	(117.4)	(193.6)
Accumulated losses related to parties removed from deed	220.9	-
Employee share options and rights	1.3	4.7
Actuarial losses on defined benefit plans	(10.9)	(4.4)
Dividends paid	(15.9)	(40.5)
Accumulated losses at end of year	(722.1)	(117.4)

Note 46. PaperlinX's subsidiaries (cont'd)

BALANCE SHEET

	2009 $m	2008 $m
Current assets		
Cash and cash equivalents	55.8	43.9
Trade and other receivables	281.1	237.4
Inventories	159.1	266.0
Total current assets	496.0	547.3
Non-current assets		
Receivables	6.5	2.7
Investments	777.8	726.1
Property, plant and equipment	9.4	1,052.5
Intangible assets	131.4	152.4
Deferred tax assets	38.3	30.9
Total non-current assets	963.4	1,964.6
Total assets	1,459.4	2,511.9
Current liabilities		
Trade and other payables	98.3	256.9
Loans and borrowings	148.0	135.6
Income tax payable	4.1	2.1
Employee benefits	17.9	43.1
Provisions	10.3	7.4
Total current liabilities	278.6	445.1
Non-current liabilities		
Payables	4.4	0.3
Loans and borrowings	-	423.6
Deferred tax liabilities	4.9	26.3
Employee benefits	12.5	34.8
Provisions	0.6	2.4
Deferred income	1.9	1.6
Total non-current liabilities	24.3	489.0
Total liabilities	302.9	934.1
Net assets	1,156.5	1,577.8
Equity		
Issued capital	1,896.1	1,713.4
Reserves	(9.0)	(9.7)
Accumulated losses	(722.1)	(117.4)
	1,165.0	1,586.3
PaperlinX step-up preference securities issue costs	(8.5)	(8.5)
Total equity	(1,156.5)	1,577.8

Note 46. PaperlinX's subsidiaries (cont'd)

There were no acquisitions of subsidiaries during the current year.

During the prior year, the Consolidated Entity purchased the following entities/businesses:

- iMedia, effective 1 October 2007
- Parkside Packaging Ltd, effective 1 July 2007
- Donnington Packaging Supplies Ltd effective 31 December 2007

The operating results of these subsidiaries have been included in the consolidated profit from their effective acquisition dates.

The consideration paid and the net assets at the date of acquisition are set out in the table below:

	CONSOLIDATED 2008 $m
iMedia	
• Consideration paid in cash	2.2
Parkside Packaging Ltd	
• Consideration paid in cash	13.4
• Consideration accrued	1.4
	14.8
Donnington Packaging Supplies Ltd	
• Consideration accrued	4.1
Antalis SpA	
• Consideration paid in cash	0.6
• Consideration accrued	2.5
	3.1
Total	24.2

The consideration paid comprises the following:

• Consideration paid in cash	16.2
• Consideration accrued	8.0
	24.2

Note 46. PaperlinX's subsidiaries (cont'd)

	CONSOLIDATED 2008 $m
Net assets acquired:	
Current Assets	
Cash and cash equivalents	2.7
Trade and other receivables	6.6
Inventories	2.4
Non Current Assets	
Property, plant and equipment	7.8
Intangible assets – other	2.8
Deferred tax assets	0.9
Total Assets	23.2
Current Liabilities	
Trade and other payables	(4.8)
Income tax payable	(0.6)
Non Current Liabilities	
Other payables	(0.1)
Provisions	(1.1)
Total Liabilities	(6.6)
Goodwill on acquisition [1]	7.6
Total net assets acquired [2]	24.2

(1) Goodwill arises as assets acquired do not meet the criteria of recognition as a separately identifiable intangible asset at the date of the acquisition.

(2) No material fair value adjustments were booked on acquisition.

Note 46. PaperlinX's subsidiaries (cont'd)

	CONSOLIDATED 2009 $m	2008 $m
Cash flow impact:		
Cash paid	-	16.2
Cash settlement of amounts accrued in prior period	3.4	4.3
	3.4	20.5
Less cash acquired	-	(2.7)
Cash flow impact – per Statement of Cash Flows	3.4	17.8

In relation to the above acquisitions, if the acquisition had occurred at the start of the 2008 year, Consolidated Entity revenue and profit after tax on a pro-rata basis would be as follows for those acquisitions that were not merged into existing businesses:

	CONSOLIDATED 2008 $m
iMedia	
• Revenue	6.7
• Profit after tax	0.1
Parkside Packaging Ltd	
• Revenue	15.5
• Profit after tax	1.1
Donnington Packaging Supplies Ltd	
• Revenue	8.3
• Profit after tax	0.4

Note 46. PaperlinX's subsidiaries (cont'd)

	Note	Country of Incorporation	Consolidated Subsidiary Interest	
			2009	2008
PaperlinX Services Pty Ltd	(1) (5)	Australia	100%	-
Tas Paper Pty Ltd	(1) (5)	Australia	100%	-
PaperlinX SPS Trust		Australia	100%	100%
PaperlinX SPS LLC		USA	100%	100%
PaperlinX Australia Pty Ltd	(1)	Australia	100%	100%
B J Ball Pty Ltd	(1)	Australia	100%	100%
Paper Associates Pty Ltd	(1)	Australia	100%	100%
PaperlinX (UK) Ltd		United Kingdom	100%	100%
PaperlinX (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Brands (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Services (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Investments (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Treasury (Europe) Ltd		United Kingdom	100%	100%
1st Class Packaging Ltd		United Kingdom	100%	100%
The Paper Company Ltd		United Kingdom	100%	100%
Parkside Packaging Ltd		United Kingdom	100%	100%
Donnington Packaging Supplies Ltd		United Kingdom	100%	100%
The M6 Paper Group Ltd		United Kingdom	100%	100%
Thomas Papier Srl		France	100%	100%
Howard Smith Paper Group Ltd		United Kingdom	100%	100%
Contract Paper Ltd		United Kingdom	100%	100%
Howard Smith Paper Ltd		United Kingdom	100%	100%
Precision Publishing Papers Ltd		United Kingdom	100%	100%
Howard Smith Paper (Scotland) Ltd		United Kingdom	100%	100%
Trade Paper Ltd		United Kingdom	100%	100%
Savory Paper Ltd		United Kingdom	100%	100%
Robert Horne UK Ltd		United Kingdom	100%	100%
Robert Horne Pension Trustees Ltd		United Kingdom	100%	100%
Robert Horne Group Ltd		United Kingdom	100%	100%
Adhesive and Display Products Ltd		United Kingdom	100%	100%
Robert Horne Paper Company Ltd		United Kingdom	100%	100%
W Lunnon & Company Ltd		United Kingdom	100%	100%
Glenmore Lomond Paper Group Ltd		United Kingdom	100%	100%
Robert Horne Paper (Scotland) Ltd		United Kingdom	100%	100%
Pinnacle Film & Board Sales Ltd		United Kingdom	100%	100%
Sheet & Roll Converters Ltd		United Kingdom	100%	100%
Transplastix Ltd		United Kingdom	100%	100%
Williaam Cox Plastics Ltd		United Kingdom	100%	100%
Deutsche Papier Holding GmbH		Germany	100%	100%
Deutsche adp Wilhelm GmbH		Germany	100%	100%
Deutsche Papier Vertriebs GmbH		Germany	100%	100%
PaperlinX Holdings Cooperatieve UA		Netherlands	100%	100%
PaperlinX Netherlands Holdings BV		Netherlands	100%	100%
PaperlinX Netherlands BV		Netherlands	100%	100%
BűhrmannUbbens BV		Netherlands	100%	100%
Proost en Brandt BV		Netherlands	100%	100%
Velpa Enveloppen BV		Netherlands	100%	100%
Polyedra SpA		Italy	100%	100%
Carthago Srl		Italy	100%	100%

Note 46. PaperlinX's subsidiaries (cont'd)

	Note	Country of Incorporation	Consolidated Subsidiary Interest	
			2009	2008
PaperlinX Austria GmbH		Austria	100%	100%
PaperNet GmbH		Austria	100%	100%
PaperNet GmbH & Co KG		Austria	100%	100%
Adria Papir doo		Croatia	100%	100%
Budapest Papir Kft		Hungary	100%	100%
Tulipel – Comercio de Paperis Lda		Portugal	100%	100%
Alpe Papir Trgovina na Veliko doo		Slovenia	100%	100%
Dunav Papir D.o.o.		Serbia	100%	100%
Bratislavska Papierenska Spolocnost		Slovakia	100%	100%
Ospap AS	(2)	Czech Republic	100%	100%
Multiexpo Spol sro		Czech Republic	100%	100%
PaperlinX Denmark ApS		Denmark	100%	100%
PaperlinX Scandinavia AS		Denmark	100%	100%
Epacar NV		Belgium	100%	100%
Mercator Papier Spzoo		Poland	100%	100%
Union Papelera Merchanting SL		Spain	100%	100%
Interpapier AG		Switzerland	100%	100%
PaperlinX North America Inc		USA	100%	100%
Kelly Paper Company		USA	100%	100%
Spicers Paper Inc		USA	100%	100%
PaperlinX Canada Holdings ULC	(5)	Canada	100%	-
PPX Investment Corp		Canada	100%	100%
PaperlinX Canada (2001) Corp		Canada	100%	100%
PaperlinX Canada Ltd		Canada	100%	100%
PPX Canada Corp		Canada	100%	100%
PaperlinX Holdings (Asia) Pte Ltd		Singapore	100%	100%
Spicers Paper (Singapore) Pte Ltd		Singapore	100%	100%
Winpac Paper Pte Ltd		Singapore	100%	100%
Spicers Paper (Hong Kong) Ltd		Hong Kong	100%	100%
Spicers Paper (Malaysia) Sdn Bhd		Malaysia	100%	100%
Finwood Papers (Pty) Ltd		South Africa	100%	100%
Finwood Properties Pty Ltd		South Africa	100%	100%
PaperlinX Ireland Holdings Ltd		Ireland	100%	100%
PaperlinX Ireland Ltd		Ireland	100%	100%
Paper Sales Ltd		Ireland	100%	100%
Contact Papers Ltd		Ireland	100%	100%
Supreme Paper Company Ltd		Ireland	100%	100%
DM Paper Ltd		Ireland	100%	100%
PPX Insurance Ltd		New Zealand	100%	100%
Spicers Paper (NZ) Ltd		New Zealand	100%	100%
PaperlinX Investments Pty Ltd	(1)	Australia	100%	100%
PaperlinX (N.Z.) Ltd		New Zealand	100%	100%

Note 46. PaperlinX's subsidiaries (cont'd)

(1) Subsidiaries entered into an approved deed for the cross guarantee of liabilities

(2) Subsidiaries renamed since 30 June 2008
Ospap Velkoobchod Papirem AS

(3) Subsidiaries liquidated since 30 June 2008
PPX Australia LP
21st Century Paper Ltd
Powell & Heilbron (Paper) Ltd
Rothera & Brereton (Sheffield) Ltd
Michael Jackson (Paper) Ltd
Grove Paper Company Ltd
Rothera & Brereton Ltd
Paramount Paper Sales (London) Ltd
Lagan Papers Ltd
Dixon & Roe (Birmingham) Ltd
Alba Paper Ltd
Mason's Paper Holdings Ltd
The Mason's Paper Co Ltd
Southern Paper Ltd
Southern Paper co (Brighton)
Donald Murray (Paper) Ltd
Donald Murray Paper (Bristol) Ltd
Donald Murray Paper (Glasgow) Ltd
Donald Murray Paper (Newcastle) Ltd
Dixon & Roe Group Ltd
Dixon & Roe Ltd
Dixon & Roe (Herts)Ltd
The Paper Company No. 2 Ltd
Hopefair Ltd
Jarvis Paper Sales Ltd
Reel Papers Ltd
Somerset Paper Sales Ltd
VRG Insurances BV
Brabantse Poort BV
Rhosili Amsterdam CV
Spicers Paper (Asia) Trading Pte Ltd
Norscan Forest Products Pte Ltd
Cogladle Ltd
PaperNet Oy

(4) Subsidiaries divested since 30 June 2008
Paper Australia Pty Ltd
Australian Paper Pty Ltd
Josef Frohlen Papiergrosshandlung–WilliReddeman Import–Export GmbH
Paper Products Marketing (Singapore) Pte Ltd
Paper Products Marketing (Hong Kong) Ltd
Paper Products Marketing (Taiwan) Ltd
Paper Products Marketing (USA) Inc
Paper Products Marketing Pty Ltd

(5) Subsidiaries established since 30 June 2008

Note 47. Other related party disclosures

The ownership interest in subsidiaries is disclosed in Note 46 to the financial statements.

There were no other material related party transactions during the year other than those disclosed in Note 42.

Directors of the Company

Directors of the Company, who held office during the year ended 30 June 2009 are:

D E Meiklejohn
T P Park
A F Guy (resigned 31 December 2008)
H Boon
J W Hall
B J Jackson
N L Scheinkestel
L J Yelland
D M Lamont (resigned 26 September 2008)

The remuneration of Directors is disclosed in Note 42 to the financial statements.

An analysis of the components of the remuneration of individual Directors is contained in Note 42 and in the Directors' Report.

Loans to Directors of the Company in Note 42 total $Nil (2008: $Nil).

Directors of subsidiaries

Loans to Directors of subsidiaries total $26,000 (2008: $28,000). This amount is comprised of employee share plan loans only.

During the year, employee share plan loan repayments totalling $5,000 were received from:

C B Creighton, P N Jones, B A Smart, A J Kennedy, J R Peters, A O Knight, P G Holloway, G C Butcher

During the prior year, employee share plan loan repayments totalling $1,000 were received from:

C B Creighton, P N Jones, B A Smart, A J Kennedy, J R Peters, A O Knight, P G Holloway

During the year, employee share plan loans totalling $Nil were advanced.

During the prior year, employee share plan loans totalling $Nil were advanced.

The amount of dividends received by the Company from its subsidiaries is disclosed in Note 11.

The amounts owing from subsidiaries and the amounts owing to subsidiaries for the Company are disclosed in Note14 and Note 22 respectively. These amounts are non-interest bearing.

Note 48. Earnings per share

	June 2009		
	Continuing $m	**Discontinued $m**	**Total $m**
Loss for the period	(201.1)	(597.1)	(798.2)
Less PaperlinX step-up preference securities distributions	(14.9)	-	(14.9)
Loss for the period attributable to holders of ordinary shares of PaperlinX Limited	(216.0)	(597.1)	(813.1)
Add individually significant items – Note 10	101.2	626.7	727.9
Loss/(profit) for the period pre significant items attributable to ordinary shares of PaperlinX Limited	(114.8)	29.6	(85.2)
Weighted average number of shares – basic (millions)	558.7	558.7	558.7
Basic EPS (cents)	(38.7)	(106.9)	(145.6)
Basic EPS pre significant items (cents)	(20.5)	5.3	(15.2)
Weighted average number of shares – diluted (millions)	558.7	558.7	558.7
Dilutive EPS (cents)	(38.7)	(106.9)	(145.6)
Dilutive EPS pre significant items (cents)	(20.5)	5.3	(15.2)

	June 2008		
	Continuing $m	**Discontinued $m**	**Total $m**
Profit for the period	42.2	30.1	72.3
Less PaperlinX step-up preference securities distributions	(26.7)	-	(26.7)
Less profit for the period attributable to minority interest	(0.1)	-	(0.1)
Profit for the period attributable to holders of ordinary shares of PaperlinX Limited	15.4	30.1	45.5
Weighted average number of shares – basic (millions)	450.8	450.8	450.8
Basic EPS (cents)	3.4	6.7	10.1
Weighted average number of shares – diluted (millions)	460.2	460.2	460.2
Diluted EPS (cents)	3.4	6.5	9.9

The earnings per share have been calculated in accordance with Australian Accounting Standard AASB 133 *Earnings per Share*. 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 options to purchase shares on issue during the years ended 30 June 2009 and 30 June 2008 have not been included in determining the basic earnings per share.

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

Note 48. Earnings per share (cont'd)

The options to purchase shares on issue during the years ended 30 June 2009 and 30 June 2008 have been included in determining the diluted earnings per share. The impact of this inclusion is the weighted average number of shares on issue increases by 15.1 million shares for the year ended 30 June 2009 (2008: 9.4 million shares).

Diluted earnings per share calculation excludes these options because they are anti-dilutive.

No options have been issued since 30 June 2009 up to the date of this report.

No options have been exercised, resulting in the issuing of nil shares since 30 June 2009 up to the date of this report. In addition, 979,010 options have lapsed since 30 June 2009 including 744,510 performance options in respect of the plan period ended 30 June 2009.

Shares issued since 30 June 2009 up to the date of this report have not been included in the calculation of the basic earnings per share at 30 June 2009.

Note 49. Financial risk management and financial instrument disclosures

Overview

The Company and Consolidated Entity have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities. In addition, a Risk Management Committee that comprises management from various disciplines reviews and monitors in detail the risk management framework and reports its findings regularly to the Audit Committee.

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

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

Credit risk

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

Trade and other receivables

The credit risk on financial assets of the Consolidated Entity, other than investments in shares, is the carrying amount of receivables, net of provisions for impairment loss against doubtful debts. The Consolidated Entity minimises its concentrations of this credit risk by undertaking transactions with a large number of customers and counterparties in various countries other than Australia, Italy and the UK. There is no material exposure to any individual overseas country or individual customer.

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

Note 49. Financial risk management and financial instrument disclosures (cont'd)

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

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

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

Foreign exchange contracts

In order to control any exposure which may result from non-performance by counterparties, foreign exchange contracts are only entered into with major banks with a minimum long term rating of A+ by Standard & Poor's or A1 by Moody's. In addition, the Board must approve these banks for use, and specific internal guidelines have been established with regard to limits, dealing and settlement procedures.

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

Guarantees

Details of guarantees provided by the Company and Consolidated Entity are detailed in Note 40.

Liquidity risk

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

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Consolidated Entity maintains unsecured bank overdraft facilities.

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

Note 49. Financial risk management and financial instrument disclosures (cont'd)

Market risk

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

The Consolidated Entity enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee.

Currency risk

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

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

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities or forecast future cash flows in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the unrealised gains and losses relating to the monetary items are recognised as part of the "net financing costs" (see Note 8).

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

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

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

The Consolidated Entity does not enter into commodity contracts other than to meet expected usage and sale requirements.

Interest rate risk

The Consolidated Entity adopts a practice of targeting approximately 40 percent of its exposure to changes in interest rates on borrowings to be on a fixed rate basis. This is achieved by entering into fixed rate currency agreements and interest rate swaps. The Consolidated Entity is exposed to adverse movements in interest rates under various debt facilities. The Consolidated Entity from time to time enters into interest rate swaps that swap floating rate interest bearing liabilities that convert floating rate obligations into a fixed rate of interest.

Note 49. Financial risk management and financial instrument disclosures (cont'd)

Capital management

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

The Board of Directors also monitors the level of dividends to ordinary shareholders. During the year no interim dividend or final dividend were declared.

During the year the Consolidated Entity raised $176.9 million from the issue of 147,909,264 shares pursuant to 2 for 5 rights issue. The proceeds from this issue were used to repay debt.

The Board seeks to maintain a balance between the higher returns that might be possible with the higher levels of borrowings and the advantages and security afforded by a sound capital position. The Consolidated Entity's target is to achieve a return on average funds employed (net debt plus total equity) of between 12 and 15 percent; During the year ended 30 June 2009 the return was (26.3) percent (2008: 5.7 percent). This underperformance is largely due to the impact of selling Australian Paper and weaker trading performance. In comparison the weighted average interest rate on interest-bearing borrowings (excluding liabilities with imputed interest and default interest charges) was 6.1 percent (2008: 6.9 percent).

The Board has established various incentive plans whereby remuneration is through shares in the Company. For this purpose the Consolidated Entity purchases its own shares on the market; the timing of these depends on market prices. Primarily the shares are intended to be used for issuing shares under the Consolidated Entity's share option programme. Buy and sell decisions are made on a specific transaction basis by the Remuneration Committee; The Consolidated Entity does not have a defined share buy-back plan.

Exposure to credit risk

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

		CONSOLIDATED		PAPERLINX LIMITED	
		2009	2008	2009	2008
		$m	$m	$m	$m
Current trade and other receivables [1]		1,238.6	1,478.9	66.1	1.3
Cross currency interest rate swaps		43.6	43.7	-	-
Forward exchange contracts		0.2	0.2	-	-
Total current trade & other receivables	Note 14	1,282.4	1,522.8	66.1	1.3
Non-current trade & other receivables	Note 17	61.3	54.4	-	-
Total trade & other receivables		1,343.7	1577.2	66.1	1.3
Cash & cash equivalents	Note 13	369.6	240.7	-	-
		1,713.3	1,817.9	66.1	1.3

[1] Consolidated Entity current trade receivables net of cross currency interest rate swaps and forward exchange contracts. The Company excludes amounts owing from subsidiaries.

Note 49. Financial risk management and financial instrument disclosures (cont'd)

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

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Australia, Asia, New Zealand	259.5	294.1	66.1	1.3
Europe	961.8	1,148.1	-	-
North America	122.4	135.0	-	-
	1,343.7	1,577.2	66.1	1.3

Receivables relate to wholesale and end-user customers.

Impairment losses

The ageing of the trade debtors at the reporting date was:

	CONSOLIDATED		PAPERLINX LIMITED	
	Gross 2009 $m	Gross 2008 $m	Gross 2009 $m	Gross 2008 $m
Not past due	952.8	1,182.1	-	-
Past due 0-30 days	110.7	117.8	-	-
Past due 31-120 days	42.0	51.3	-	-
Past due 121 days to one year	16.2	17.4	-	-
More than one year	49.2	52.5	-	-
	1,170.9	1,421.1	-	-

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

	CONSOLIDATED		PAPERLINX LIMITED	
	2009 $m	2008 $m	2009 $m	2008 $m
Balance at 1 July	(74.0)	(74.1)	-	-
Impairment gain/(loss) recognised	4.8	0.1	-	-
Balance at 30 June	(69.2)	(74.0)	-	-

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

In certain circumstances the Consolidated Entity renegotiates the terms of trade receivables. The provision accounts in respect of trade receivables are used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off to the profit/loss for the period. The amount of any provision in respect of the written off trade receivable is written back to the income statement for the period. The amount of trade debtor write-offs to profit / loss for the year was $37.1 million (2008: $24.6 million).

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

Note 49. Financial risk management and financial instrument disclosures (cont'd)

Exposure to liquidity risk

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

CONSOLIDATED 2009 $m	Carrying amount	Contractual cash flows			
		Total	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	1,002.9	1,002.9	877.8	125.1	-
Interest bearing loans and borrowings	370.8	370.8	370.8	-	-
USD Notes	76.4	76.4	76.4	-	-
CAD Notes	32.5	32.5	32.5	-	-
GBP Notes	106.5	106.5	106.5	-	-
Finance leases liabilities	0.1	0.1	0.1	-	-
Derivative financial liabilities					
Foreign exchange contracts	13.9	13.9	13.9	-	-

CONSOLIDATED 2008 $m	Carrying amount	Contractual cash flows			
		Total	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	1,279.0	1,279.0	1,182.6	96.4	-
Interest bearing loans and borrowings	611.8	704.8	303.6	401.2	-
USD Notes	127.0	197.1	-	-	197.1
CAD Notes	64.6	105.1	3.4	12.4	89.3
GBP Notes	213.1	327.2	-	-	327.2
Finance leases liabilities	0.2	0.2	0.1	0.1	-
Derivative financial liabilities					
Foreign exchange contracts	14.7	14.7	14.7	-	-

The Company does not have any exposure to liquidity risk at year end as it does not hold any significant external financial liabilities.

Note 49. Financial risk management and financial instrument discloses (cont'd)

Exposure to currency risks

The Consolidated Entity's exposure to foreign currency risk arising on transactions not denominated in the group Entity's functional currency at balance date was as follows, based on notional amounts:

	CONSOLIDATED 2009				CONSOLIDATED 2008			
$m	**AUD**	**EUR**	**USD**	**YEN**	**AUD**	**EUR**	**USD**	**YEN**
Trade and other receivables	0.9	0.1	3.1	0.1	0.8	1.3	3.5	6.6
Trade and other payables	(1.1)	(1.6)	(16.4)	(1.7)	(1.0)	(1.9)	(18.9)	(1.5)
Gross balance sheet exposure	(0.2)	(1.5)	(13.3)	(1.6)	(0.2)	(0.6)	(15.4)	5.1
Foreign exchange contracts	3.8	1.7	8.3	0.1	0.3	1.1	13.3	-
Net balance sheet exposure	3.6	0.2	(5.0)	(1.5)	0.1	0.5	(2.1)	5.1

The Company has no exposure to foreign exchange risk as it does not hold any significant balances denominated in foreign currency.

The following significant exchange rates were against the Consolidated Entity's functional currency AUD applied at the end of the year:

	Reporting date spot rate	
	2009	**2008**
USD	0.7984	0.9525
YEN	75.5	101.93

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	CONSOLIDATED $m	
	2009	**2008**
USD	0.5	0.2
YEN	0.1	(0.5)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Note 49. Financial risk management and financial instrument discloses (cont'd)

Exposure to interest rate risks

Profile

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

	CONSOLIDATED 2009					CONSOLIDATED 2008				
$m	Floating interest	Fixed interest	Non interest bearing	Total	Effective interest rate % (1)	Floating interest	Fixed interest	Non interest bearing	Total	Effective interest rate % (1)
Financial Assets										
Cash & cash equivalents	369.6	-	-	369.6	0.52	240.7	-	-	240.7	4.43
Trade & other receivables	-	-	1,343.7	1,343.7	-	-	-	1,577.2	1,577.2	-
Financial Liabilities										
Trade & other payables	-	-	1,002.9	1,002.9	-	-	-	1,279.0	1,279.0	-
Interest bearing loans & borrowings	370.8	-	-	370.8	3.67	611.8	-	-	611.8	6.97
USD Notes	-	76.4	-	76.4	6.76	-	127.0	-	127.0	6.76
CAD Notes	-	32.5	-	32.5	7.93	-	64.6	-	64.6	7.93
GBP Notes	-	106.5	-	106.5	6.59	-	213.1	-	213.1	6.59
Finance leases liabilities	-	0.1	-	0.1	8.00	-	0.2	-	0.2	8.00

(1) Excludes company specific margins.

The Company has no exposure to interest rate risk as it does not hold any significant external interest bearing liabilities.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	CONSOLIDATED $m	
	2009	**2008**
Floating Interest	(3.7)	(6.1)

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

Note 49. Financial risk management and financial instrument discloses (cont'd)

Fair values

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

The net fair value of other monetary financial assets and financial liabilities approximates their carrying value.

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

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

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

Note 50. Events subsequent to balance date

Dividends on the Company's ordinary shares

No final dividend has been declared for the period ended 30 June 2009.

Distributions on PaperlinX step-up preference securities

For the distribution rate for the period 30 June 2009 to 31 December 2009, see Note 11.
No distribution for the period 1 January 2009 to 30 June 2009 has been paid.

Agreement reached with lenders

The Company announced on 31 August 2009 that it has agreed to commit to new loan covenant measures for the financial year ending 30 June 2010. The Company has also agreed to commit to a revised loan repayment schedule (refer Note 23 (c)). In addition, the Company and the lenders have committed to agreeing loan covenants for the period 1 July 2010 to 30 June 2011 before December 2009.

Directors' Declaration

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

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

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

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

2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 46 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:

David E Meiklejohn
Chairman

Thomas P Park
Managing Director

Dated at Melbourne, in the State of Victoria this 31 August 2009.

KPMG

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 audit for the financial year ended 30 June 2009 there have been:

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

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
31 August 2009

KPMG

Independent auditor's report to the members of PaperlinX Limited

Report on the financial report

We have audited the accompanying financial report of PaperlinX Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 50 and the Directors' Declaration set out on page 1 to 93 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the 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 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. In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of PaperlinX Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of PaperlinX Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
31 August 2009