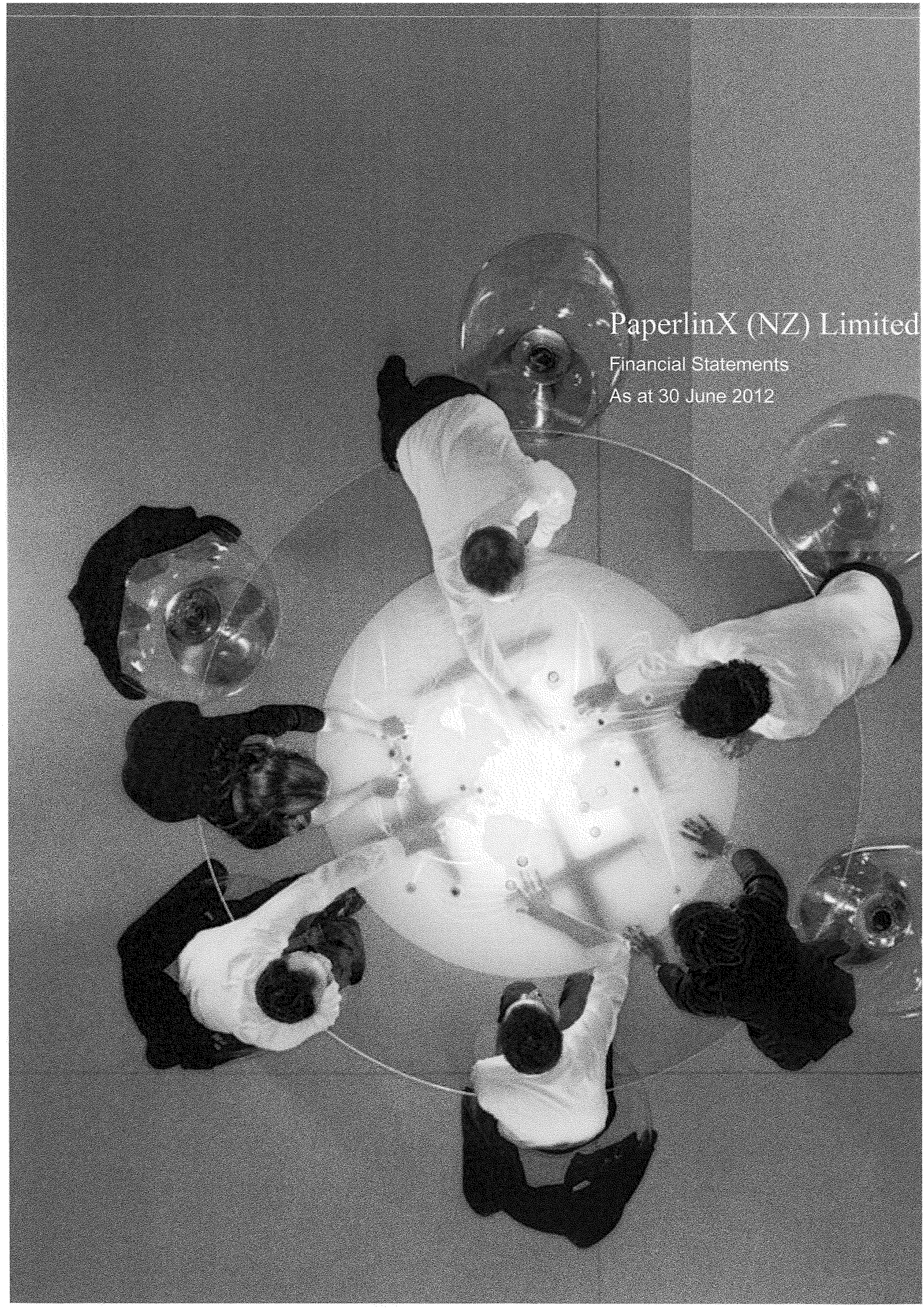

PaperlinX (NZ) Limited

Financial Statements

As at 30 June 2012

Directors' declaration

In the opinion of the directors of PaperlinX (NZ) Limited, the financial statements and notes, on pages 7 to 22:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the company as at 30 June 2012 and the results of operations for the year ended on that date.
- Have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of PaperlinX (NZ) Limited for the year ended 30 June 2012.

For and on behalf of the Board of Directors,

JH Greenacre
Director
31 October 2012

DJ Kernohan
Director
31 October 2012

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Company directory

NATURE OF BUSINESS	Paper merchant
REGISTERED OFFICE	55 Business Parade North Highbrook East Tamaki AUCKLAND Telephone: 09 925 3000 Facsimile: 09 925 3005
COMPANY NUMBER	28414
IRD NUMBER	80-325-827
DIRECTORS	Mr JH Greenacre Mr DJ Kernohan Mr WK Johnston
AUDITOR	KPMG
BANKERS	The National Bank of New Zealand GE Commercial American Express Foreign Exchange International Payments
SOLICITORS	Russell McVeagh Lewis Turner AJ Park
BUSINESS LOCATION	Auckland

KPMG

Independent auditor's report

To the shareholders of PaperlinX (NZ) Limited

Report on the financial statements

We have audited the accompanying financial statements of PaperlinX (NZ) Limited ("the company") on pages 7 to 22. The financial statements comprise the statement of financial position as at 30 June 2012, the statements of comprehensive income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

KPMG

Opinion

In our opinion the financial statements on pages 7 to 22:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 June 2012 and of its financial performance for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by PaperlinX (NZ) Limited as far as appears from our examination of those records.

KPMG

31 October 2012

Auckland

Statement of comprehensive income

For the year ended 30 June 2012

in Thousands of New Zealand Dollars

	Note	2012	2011
Revenue		117,790	123,353
Cost of sales		(93,170)	(98,107)
Gross profit		24,620	25,246
Other income	1	909	943
Personnel expenses	3	(7,379)	(7,678)
Delivery expenses		(1,838)	(2,015)
Premises expenses		(3,690)	(3,443)
Other expenses	2	(4,877)	(5,372)
Operating profit before financing costs		7,745	7,681
Financial income		315	154
Financial expenses		(1,033)	(1,372)
Net financing costs	4	(718)	(1,218)
Profit before tax		7,027	6,463
Income tax expense	5	(2,326)	(1,969)
Profit and total comprehensive income for the period		4,701	4,494

Statement of changes in equity

For the year ended 30 June 2012

in Thousands of New Zealand Dollars

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings	Total equity
Balance at 1 July 2010	1,500	19,189	20,689
Profit and total comprehensive income for the period	-	4,494	4,494
Dividends to shareholders	-	(5,000)	(5,000)
Balance at 1 July 2011	1,500	18,683	20,183
Profit and total comprehensive income for the period	-	4,701	4,701
Dividends to shareholders	-	(8,000)	(8,000)
Balance at 30 June 2012	1,500	15,384	16,884

KPMG

Statement of financial position

As at 30 June 2012

in Thousands of New Zealand Dollars

	Note	2012	2011
Assets			
Property, plant and equipment	6	2,775	3,244
Deferred tax asset	5	124	401
Intangible assets	7	1,195	1,260
Total non-current assets		4,094	4,905
Inventories	8	15,942	18,078
Trade and other receivables	9,16	22,951	26,344
Related party receivables	16,18	36	3
Cash and cash equivalents	10,16	3,415	3,667
Total current assets		42,344	48,092
Total assets		46,438	52,997
Equity			
Issued capital	11	1,500	1,500
Retained earnings		15,384	18,683
Total equity		16,884	20,183
Liabilities			
Interest-bearing loans and borrowings	12,16	2,700	-
Employee entitlements	13	102	104
Total non-current liabilities		2,802	104
Interest-bearing loans and borrowings	12,16	3,396	4,478
Trade and other payables	15,16	22,417	27,051
Related party payables	16,18	99	80
Current tax liability		518	726
Provisions	14	-	42
Employee entitlements	13	322	333
Total current liabilities		26,752	32,710
Total liabilities		29,554	32,814
Total equity and liabilities		46,438	52,997

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Notes to the financial statements

Significant accounting policies

PaperlinX (NZ) Limited (the "Company") is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is a paper distributor based in Auckland.

The financial statements of the Company are for the year ended 30 June 2012. The financial statements were authorised for issue by the directors on 31 October 2012.

Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards, and its interpretations (NZIFRS). The Company is a profit-oriented entity. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

Basis of measurement and presentation currency

The financial statements are presented in thousands of New Zealand Dollars (NZD) which is the Company's functional currency. The financial statements are prepared on the historical cost basis except foreign exchange contracts are stated at their fair value.

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

Differential reporting

The Company qualifies for differential reporting exemptions as it does not have public accountability and at balance date all of its owners are members of the entity's governing body. All differential reporting exemptions have been applied, except for NZ IAS 12 Income Tax.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company. All other costs are recognised in profit or loss as an expense as incurred. Where an item of property, plant and equipment is disposed of, the gain or loss recognised in profit or loss is calculated as the difference between the net sales price and the carrying amount of the asset.

Depreciation

Depreciation is charged on a straight line basis, over the expected useful lives of the assets. Depreciation is charged to profit or loss. The estimated useful lives of fixed assets are as follows:

• Plant and machinery	4-12 years
• Leasehold improvements	3-15 years
• Furniture and fittings	10 years
• Motor vehicles	5 years
• Office equipment	5 years

The residual value of assets is reassessed annually.

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Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of a business and is the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is reviewed at each balance date to determine whether there is any objective evidence of impairment.

Software

Amortisation is charged on a straight line basis, over the expected useful lives of the assets. Amortisation is charged to profit or loss. The estimated useful life of software is 2½ - 10 years.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. On initial recognition, they are measured at fair value and subsequently remeasured at amortised cost less impairment losses. Trade and other receivables are de-recognised when the right to receive future cash flows from the assets have expired, or have transferred, and the Company has transferred substantially all risks and rewards of ownership.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The estimated costs of marketing, selling and distribution are deducted in calculating the net realisable value.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at balance date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units).

The recoverable amount of the Company's receivables carried at amortised cost is calculated at the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of the financial assets). 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 a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset, to the extent that the risks have not been reflected in the cash flows. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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.

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Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, internal receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Amounts due from related parties and trade and other receivables are classified as loans and receivables and are stated at amortised cost using the effective interest rate method, less impairment losses.

Trade and other payables and amounts due to related parties are classified as financial liabilities and measured at amortised cost using the effective interest rate method.

Cash and cash equivalents comprise local currency and foreign currency bank accounts.

Interest-bearing loans borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Share Capital

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Long service leave

The Company's net obligation in respect of long service leave 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 the projected unit credit method and is discounted to its present value. The discount rate is the market yield on relevant New Zealand Government Stock at the balance date.

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Trade and other payables

Trade and payables are stated at cost. On initial recognition and subsequent remeasurement, they are stated at amortised cost.

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Revenue

Goods sold

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Other income

Sublease income

Income from sub-leased property is recognised in profit or loss on a straight line basis over the term of the lease.

Expenses

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss over the lease term as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses that are recognised in profit or loss.

Interest income is recognised in profit or loss as it accrues, using the effective interest method. The interest expense on loans and borrowings is recognised in profit or loss using the effective interest rate method.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in profit or loss.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with the treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, the Company is not adopting hedge accounting; therefore, derivatives are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss in net financing costs.

Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting dates.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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Goods and services tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

KPMG

Notes to the financial statements

in Thousands of New Zealand Dollars

1 Other operating income

	2012	2011
Rental income from property sub-leases	748	430
Insurance proceeds	115	380
Other	46	133
	909	943

2 Other operating expenses

	2012	2011
Auditors remuneration	(77)	(84)
Impairment of trade receivables (bad and doubtful debts)	(156)	(129)
Loss on disposal of property, plant and equipment	(23)	(1)
Earthquake related expenses	-	(315)
Other	(4,621)	(4,843)
	(4,877)	(5,372)

3 Personnel expenses

	2012	2011
Defined contribution plan expense	-	(5)
Wages and salaries	(5,914)	(5,963)
Other personnel expenses	(1,465)	(1,710)
	(7,379)	(7,678)

4 Net financing costs

	2012	2011
Interest income	17	23
Foreign exchange gains	298	131
Finance income	315	154
Interest expense	(904)	(1,057)
Foreign exchange losses	(129)	(315)
Finance expenses	(1,033)	(1,372)
Net finance costs	(718)	(1,218)

KPMG

5 Income tax expense

	2012	2011
Current tax expense		
Current period	(1,894)	(1,821)
Adjustment for prior periods	(155)	(6)
	(2,049)	(1,827)
Deferred tax expense		
Origination and reversal of temporary differences	(277)	(169)
Reduction in tax rate	-	27
	(277)	(142)
Total income tax expense	(2,326)	(1,969)

Reconciliation of effective tax rate

	2012	2011
Profit excluding income tax	7,027	6,463
Income tax using the Company's tax rate 28%	(1,968)	(1,939)
Non-deductible expenses	(33)	(46)
(Over)/under provided in prior years	(155)	(6)
Other	(170)	22
	(2,326)	(1,969)

Imputation credits net of refunds

	2012	2011
Imputation credits at 1 July	141	141
New Zealand tax payments, net of refunds	-	-
Imputation credits attached to dividends paid	-	-
Adjustment to reflect formation of an imputation group	(8)	-
Imputation credits at 30 June	133	141

All imputation credits are available to the shareholder of the Company.

PaperlinX (NZ) Limited elected to form an imputation group with PPX Insurance Limited for tax purposes from 1 April 2009. Accordingly, generally any imputation credits and debits arising after 1 April 2009 will be entries in the imputation groups Imputation Credit Account rather than PaperlinX's Imputation Credit Account. However, where a debit arises, this will be offset by any credits remaining in PaperlinX's imputation credit account (and those of other members) to the extent that these credits arose prior to the credits arising in the Imputation Group. During the 2012 income year PPX Insurance Limited was liquidated. As a result of this liquidation, PPX Insurance Limited ceased to be a member of the imputation group leaving PaperlinX (NZ) Limited as the only remaining member of the imputation group as at 30 June 2012.

As at 30 June 2012, total imputation credits of $6,601,389 are available to be utilised by members of the imputation group. This amount includes all imputation credits available to be used in subsequent reporting periods.

The adjustment to the deferred tax expense is for the effect of the change in the domestic tax rate (30% to 28%) as announced by the New Zealand government in its 2010 Budget in May 2010.

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Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets 2012	Assets 2011	Liabilities 2012	Liabilities 2011	Net 2012	Net 2011
Property, plant and equipment	-	-	(96)	(132)	(96)	(132)
Intangible assets	-	-	(69)	(68)	(69)	(68)
Derivatives	49	242	(34)	-	15	242
Inventories	156	114	-	-	156	114
Provisions	-	12	-	-	-	12
Accruals	-	51	-	-	-	51
Employee benefits	118	131	-	-	118	131
Other items	75	51	(75)	-	-	51
	398	601	(274)	(200)	124	401

6 Property, Plant and Equipment

2012	Cost	Current year depreciation	Current year impairment loss	Accumulated depreciation	Carrying Value
Plant and machinery	3,825	(196)	(222)	(2,224)	1,379
Leasehold improvements	1,007	(86)	-	(351)	656
Furniture and fittings	454	(44)	-	(199)	255
Motor vehicles	28	-	-	(28)	-
Office equipment	724	(104)	-	(267)	457
Work in progress	28	-	-	-	28
	6,066	(430)	(222)	(3,069)	2,775

The impairment loss of $222,000 relates to an item of plant that has been written down to its fair value.

2011	Cost	Current year depreciation	Current year impairment loss	Accumulated depreciation	Carrying Value
Plant and machinery	3,788	(235)	-	(2,094)	1,694
Leasehold improvements	1,110	(88)	-	(342)	768
Furniture and fittings	428	(42)	-	(175)	253
Motor vehicles	28	-	-	(28)	-
Office equipment	678	(62)	-	(359)	319
Work in progress	210	-	-	-	210
	6,242	(427)	-	(2,998)	3,244

KPMG

7 Intangible assets

a) Goodwill from acquisitions

Cost	2012	2011
Balance at 1 July	806	806
Balance at 30 June	806	806
Carrying amounts		
At 1 July	806	806
At 30 June	806	806

Goodwill is allocated to the following cash generating units for the purpose of impairment testing.

	2012	2011
PaperlinX (NZ) Limited	806	806
	806	806

b) Software

	Cost	Current year amortisation	Accumulated amortisation	Carrying Value
2012				
Software	850	(101)	(461)	389
Software - WIP	-	-	-	-
	850	(101)	(461)	389
2011				
Software	811	(77)	(361)	450
Software - WIP	4	-	-	4
	815	(77)	(361)	454

Total Intangible assets

	2012	2011
Goodwill from acquisitions	806	806
Software – carrying value	389	454
	1,195	1,260

8 Inventories

Inventories with a carrying value of $15,942,000 are subject to retention of title clauses (2011: $18,078,000).

KPMG

9 Trade and other receivables

	Note	2012	2011
Trade receivables		22,441	25,759
Fair value derivatives – Foreign exchange contracts	16	121	-
Other receivables		115	314
Prepayments		274	271
		22,951	26,344

Trade receivables are shown net of impairment losses amounting to $267,000 (2011: $181,000) recognised in the current year.

Receivables denominated in currencies other than the functional currency comprise $1,631,000 of trade receivables denominated in U.S. dollars (2011: $1,164,000), $774,000 of trade receivables denominated in Australian dollars (2011: $1,507,000), and $764,000 of trade receivables denominated in Euros (2011: $1,379,000).

10 Cash and cash equivalents

	2012	2011
Bank balances	3,415	3,667
	3,415	3,667

Bank accounts denominated in currencies other than the functional currency comprise $71,000 denominated in U.S. dollars (2011: $386,000), $709,000 denominated in Australian dollars (2011: $458,000), $332,000 denominated in Japanese yen (2011: $2,000), and $13,000 denominated in Euros (2011: $315,000).

11 Capital and reserves

At 30 June 2012, share capital comprised 1,500,000 shares with a paid in value of $1,500,000 (2011: $1,500,000). The shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

Dividends

$8,000,000 dividend was paid in 2012 year (2011: $5,000,000 dividend was paid).	2012	2011
Dividend declared at $5.33 per ordinary share (2011: $3.33 per ordinary share)	8,000	5,000
Supplementary dividend declared	-	-
Total dividends declared	8,000	5,000
Foreign investor tax credits	-	-
Total dividends	8,000	5,000

KPMG

12 Interest-bearing loans and borrowings

	2012	2011
Current		
Current portion of secured loans	3,396	4,478
Non-current		
Non-current portion of secured loans	2,700	-
	6,096	4,478

The GE Finance NZ loan which commenced on 23 July 2009 is secured over the assets of PaperlinX (NZ) Limited. This facility was to mature in July 2012. In June 2011 the facility was extended for a two year period to July 2014.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

In Thousands of New Zealand Dollars	Nominal interest rate	Year of maturity	2012 Face value	2012 Carrying amount	2011 Face value	2011 Carrying amount
Secured loan	6.53%	July 2014	6,096	6,096	4,478	4,478
Total interest-bearing liabilities			6,096	6,096	4,478	4,478

13 Employee benefits

	2012	2011
Liability for long-service leave	102	104
Liability for annual leave	322	333
	424	437

14 Provisions

	2012	2011
Current Provisions		
Onerous contract provision	-	42
	-	42

Onerous contract provision

The company relocated its four Auckland warehouses to one location in 2008. Three building leases expired before the 2008 year end. One building at Hugo Johnston Drive, Penrose, Auckland has been sublet, but due to market conditions the rental income achieved is lower than the rental expense still being incurred. The present value of the net obligation under the lease agreements has been provided for. The liability was settled in April 2012.

15 Trade and other payables

	Note	2012	2011
Trade payables		19,190	22,838
Fair value derivatives - Foreign exchange contracts	16	176	864
Non-trade payables and accrued expenses		3,051	3,349
		22,417	27,051

Payables denominated in currencies other than the functional currency comprise $6,431,000 of trade payables denominated in U.S. dollars (2011: $8,274,000), $1,269,000 of trade payables denominated in Australian dollars (2011: $1,916,000), $1,963,000 of trade payables denominated in Euros (2011: $3,956,000), $1,952,000 of trade payables denominated in Japanese yen (2011: $1,442,000), and $16,000 of trade payables denominated in Swedish kroner (2011: $0).

16 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Company's business. Foreign exchange contracts are used to hedge exposure to fluctuations in the New Zealand dollar value of purchase payments, and sale receipts in foreign currencies.

Classification 2012

	Held for Trading	Loans and receivables	Other amortised cost	Total carrying Value
Trade and other receivables (including derivative assets)	121	22,830	-	22,951
Related party receivables	-	36	-	36
Cash and cash equivalents	-	3,415	-	3,415
Total Assets	**121**	**26,281**	**-**	**26,402**
Interest bearing loans and borrowings	-	-	6,096	6,096
Trade and other payables (including derivative liabilities)	176	-	22,241	22,417
Related party payables	-	-	99	99
Total liabilities	**176**	**-**	**28,436**	**28,612**

Classification 2011

	Held for Trading	Loans and receivables	Other amortised cost	Total carrying Value
Trade and other receivables (including derivative assets)	-	26,344	-	26,344
Related party receivables	-	3	-	3
Cash and cash equivalents	-	3,667	-	3,667
Total Assets	**-**	**30,014**	**-**	**30,014**
Interest bearing loans and borrowings	-	-	4,478	4,478
Trade and other payables (including derivative liabilities)	864	-	26,187	27,051
Related party payables	-	-	80	80
Total liabilities	**864**	**-**	**30,745**	**31,609**

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17 Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Less than one year	3,297	3,958
Between one and five years	9,807	10,746
More than five years	1,457	3,542
	14,561	18,246

Leases as lessor
Non-cancellable operating lease rentals are receivable as follows:

	2012	2011
Less than one year	-	246
Between one and five years	-	-
More than five years	-	-
	-	246

One leased property had been sublet by the Company and it expired in April 2012. The Company had previously recognised an onerous contract provision in respect of this leases (see note 14).

During the year ended 30 June 2012, $4,528,000 was recognised as an expense in profit or loss in respect of operating leases (2011: $4,648,000).

18 Related parties

Identity of related parties

The Company has a related party relationship with its Australian parent entity PaperlinX Limited and its subsidiaries. The Company sells and purchases paper products from its fellow subsidiaries and pays management fees to the parent entity. The parent entity controls 100 percent of the voting shares of the Company.

During the year ended 30 June 2012, PaperlinX (NZ) Limited purchased from and sold inventory to subsidiaries within the group. Refer below for further detail and for outstanding balances with other group entities. Transactions with related parties are priced on an arm's length basis.

	2012	2011
Other group entities		
Sales		
Spicers Paper, Australia	1	2
Purchases		
Tas Paper	-	608
Spicers Paper, Australia	79	-
Parent entity		
Management fee	323	455

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Related party receivables

The intercompany balance due at year end was Spicers Paper, Australia $36,000 (2011: $3,000).

Related party payables

The intercompany balances owed at year end were PaperlinX Services Pty Ltd $89,000 (2011: $67,000) and Spicers Paper, Australia $10,000 (2011: $13,000).

Directors security holdings

	Equity securities held	
	2012	2011
WK Johnston	95,000	-
JH Greenacre	20,000	-
DJ Kernohan	20,000	-

During the year these directors of PaperlinX (NZ) Limited held shares in the parent company PaperlinX Limited, an Australian public listed company.

19 Subsequent event

It was announced on 6 August 2012 that PaperlinX (NZ) Limited was expanding its operations into industrial packaging, consumables, hygiene, safety and hospitality products by buying Canterbury Packaging Limited of Christchurch for AUD2,000,000. Settlement occurred on 1 October 2012.

20 Commitments and contingencies

There are no commitments or contingent liabilities at 30 June 2012 (2011: Nil).

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