APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	**SPICERS LIMITED**
ABN:	**70 005 146 350**
For the half-year ended:	**31 December 2016**
Previous corresponding period:	31 December 2015

Results for announcement to the market

	2016 A$000	**2015 A$000**		**% Change**
External revenues from ordinary activities:				
• continuing operations	195,217	202,634	down	4%
• discontinued operations	-	30,037	down	100%
	195,217	232,671	down	16%

	2016 A$000	**2015 A$000**		**% Change**
Net profit for the period after tax:				
• continuing operations	1,412	1,440	down	2%
• discontinued operations	2,192	4,846	down	55%
	3,604	6,286	down	43%
attributable to:				
Equity holders of Spicers Limited	3,604	6,286	down	43%

Dividends

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

Commentary on results for the period

Refer to press release for explanation of results

Net tangible assets per security

	31 December 2016	**31 December 2015**
Net tangible assets per security	$(0.21)	$(0.22)

Details of entities over which control has been gained or lost

Control lost over the following entities effective 24 October 2016:

Spicers Paper (Shanghai) Co. Ltd

Dividend reinvestment plan

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

Details of associates and joint ventures

N/A

Information on audit or review

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

The review report contains an 'emphasis of matter regarding contingent liabilities'.

Frank Glynn
Company Secretary
Date: 15 February 2017

INTERIM FINANCIAL REPORT

of Spicers Limited

31 December 2016

Contents

DIRECTORS' REPORT

The Directors of Spicers Limited ("the Company") present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries ("the Consolidated Entity") for the half-year ended 31 December 2016 and the auditors' review report thereon.

Directors

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

Name	Period of directorship
Non-executive	
Mr R G (Robert) Kaye SC	Director since 27 September 2012. Chairman since 28 March 2013.
Mr M D (Michael) Barker	Director since 27 September 2012.
Executive	
Mr W K (Wayne) Johnston	Finance Director since 24 February 2016.

Review of operations

A review of the operations of the Consolidated Entity during the half-year, and the results of those operations is contained in Spicers' Statement to the Australian Stock Exchange and news media dated 15 February 2017.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2016.

Rounding off

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 effective 1 April 2016 and in accordance with that Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

In accordance with a resolution of the Directors, dated at Melbourne, this 15th day of February 2017.

Robert Kaye SC	Wayne Johnston
Chairman	**Finance Director**

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

To the Directors of Spicers Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
15 February 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	2016 $000	2015 $000
Continuing operations			
Revenue from sale of goods		195,217	202,634
Cost of inventory sold *(1)*		(154,833)	(162,024)
Gross profit		40,384	40,610
Other income		711	1,208
Personnel costs		(19,942)	(19,753)
Logistics and distribution		(11,308)	(11,561)
Sales and marketing		(767)	(800)
Other expenses		(6,034)	(6,791)
Result from operating activities		3,044	2,913
Net finance costs *(1)*		(385)	(495)
Profit before tax		2,659	2,418
Tax expense		(1,247)	(978)
Profit from continuing operations		1,412	1,440
Discontinued operations			
Profit from discontinued operations, net of tax	9	2,192	4,846
Profit for the period		3,604	6,286
Profit for the period attributable to:			
Equity holders of Spicers Limited		3,604	6,286
Basic earnings per share (cents)	8	0.5	0.9
Basic earnings per share from continuing operations (cents)	8	0.2	0.2
Diluted earnings per share (cents)	8	0.5	0.9
Diluted earnings per share from continuing operations (cents)	8	0.2	0.2

(1) The Consolidated Entity has reclassified foreign exchange gains and losses in relation to inventory purchases (including prior period comparatives) from 'net finance costs' to 'cost of inventory sold' in order to more accurately reflect the nature of these gains and losses.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	2016 $000	2015 $000
Profit for the period	3,604	6,286
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Derecognition of actuarial adjustments on defined benefit pension plans on disposal of controlled entities	-	4,198
Total items that will not be reclassified to profit or loss	-	4,198
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	(926)	307
Total items that may be reclassified subsequently to profit or loss	(926)	307
Items reclassified to profit or loss		
Exchange differences on disposal of controlled entities *(1)*	(115)	(1,346)
Total items reclassified to profit or loss	(115)	(1,346)
Other comprehensive (loss)/income for the period, net of tax	(1,041)	3,159
Total comprehensive income for the period, net of tax	2,563	9,445
Total comprehensive income for the period attributable to:		
Equity holders of Spicers Limited	2,563	9,445

(1) Disposal includes sale, loss of control and commencement of voluntary winding-up.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 $000	As at 30 June 2016 $000
Current assets			
Cash and cash equivalents		29,023	31,626
Short-term deposits		3,955	3,955
Trade and other receivables *(1)*		78,507	76,112
Inventories		74,791	74,905
Total current assets		186,276	186,598
Non-current assets			
Receivables		504	920
Property, plant and equipment		9,074	9,523
Intangible assets		28,679	28,373
Deferred tax assets		715	543
Total non-current assets		38,972	39,359
Total assets		225,248	225,957
Current liabilities			
Bank overdrafts		350	-
Trade and other payables		68,027	64,659
Loans and borrowings	12	3,124	4,893
Income tax payable		2,618	2,867
Employee benefits		7,613	7,779
Provisions		295	5,310
Total current liabilities		82,027	85,508
Non-current liabilities			
Deferred tax liabilities		310	108
Employee benefits		602	596
Total non-current liabilities		912	704
Total liabilities		82,939	86,212
Net assets		142,309	139,745
Equity			
Issued capital	14	1,895,767	1,895,767
Reserves		(9,791)	(8,747)
Accumulated losses		(1,998,490)	(2,002,098)
Total equity attributable to holders of ordinary shares of Spicers Limited		(112,514)	(115,078)
Issued PaperlinX step-up preference securities		276,518	276,518
Reserve for own PaperlinX step-up preference securities		(21,695)	(21,695)
PaperlinX step-up preference securities		254,823	254,823
Total equity		142,309	139,745

(1) Current period includes $1.2 million of costs incurred up to balance date in relation to a proposed transaction to simplify the Company's capital structure - refer Note 3.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Spicers Limited						
For the half-year ended 31 December 2016 $000	**Issued capital**	**Exchange fluctuation reserve**	**Reserve for own shares**	**Employee share plans reserve**	**Accumulated losses**	**PaperlinX step-up preference securities**	**Total equity**
Balance at 1 July 2016	1,895,767	(10,421)	(158)	1,832	(2,002,098)	254,823	**139,745**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	3,604	-	**3,604**
Other comprehensive income							
• Exchange differences on translation of overseas subsidiaries	-	(926)	-	-	-	-	**(926)**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)*	-	(115)	-	-	-	-	**(115)**
Total other comprehensive loss	-	(1,041)	-	-	-	-	**(1,041)**
Total comprehensive income/(loss) for the period	-	(1,041)	-	-	3,604	-	**2,563**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	-	(120)	-	-	**(120)**
• Issue of shares to employees	-	-	117	-	4	-	**121**
Total transactions with owners	-	-	117	(120)	4	-	**1**
Balance at 31 December 2016	1,895,767	(11,462)	(41)	1,712	(1,998,490)	254,823	**142,309**
For the half-year ended 31 December 2015							
Balance at 1 July 2015	1,895,767	(11,937)	(184)	1,794	(2,011,601)	254,823	**128,662**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	6,286	-	**6,286**
Other comprehensive income							
• Derecognition of actuarial adjustments on defined benefit plans on disposal of controlled entities *(1)*	-	-	-	-	4,198	-	**4,198**
• Exchange differences on translation of overseas subsidiaries	-	307	-	-	-	-	**307**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)*	-	(1,346)	-	-	-	-	**(1,346)**
Total other comprehensive income/(loss)	-	(1,039)	-	-	4,198	-	**3,159**
Total comprehensive income/(loss) for the period	-	(1,039)	-	-	10,484	-	**9,445**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	-	(5)	-	-	**(5)**
• Write off of employee share reserve on disposal of controlled entities *(1)*	-	-	-	22	-	-	**22**
• Issue of shares to employees	-	-	26	-	9	-	**35**
Total transactions with owners	-	-	26	17	9	-	**52**
Balance at 31 December 2015	1,895,767	(12,976)	(158)	1,811	(2,001,108)	254,823	**138,159**

(1) Disposal included sale, loss of control and commencement of voluntary winding-up.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Note	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers		194,703	234,098
Payments to suppliers and employees		(192,678)	(253,545)
Dividends received		-	56
Interest received		164	289
Interest paid		(488)	(828)
Income taxes paid		(1,472)	(2,360)
Net cash from/(used in) operating activities	15	229	(22,290)
Cash flows from investing activities			
Acquisition of:			
• Property, plant and equipment and intangibles		(301)	(1,504)
Net (payments)/proceeds from the disposal of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		(570)	(413)
• Property, plant and equipment		-	2,343
• Investments		-	770
Net cash (used in)/from investing activities		(871)	1,196
Cash flows from financing activities			
Proceeds from borrowings		1,427	9,767
Repayment of borrowings		(3,099)	(2,539)
Capitalised borrowing costs paid		(24)	-
Other borrowing costs paid		(31)	(217)
Net cash (used in)/from financing activities		(1,727)	7,011
Net decrease in cash and cash equivalents		(2,369)	(14,083)
Cash and cash equivalents at the beginning of the period		31,626	55,518
Cash and cash equivalents disposed on derecognition of controlled entities		-	(10,698)
Effect of exchange rate changes on cash held		(584)	2,082
Cash and cash equivalents at the end of the period	15	28,673	32,819

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

Note 1. Reporting entity

Spicers Limited (the "Company"), is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity"). The Consolidated Entity is a for-profit entity and is primarily involved in the merchanting of paper, communication materials and diversified materials, including packaging and sign and display.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at 155 Logis Boulevard, Dandenong South VIC 3175 or at www.spicerslimited.com.au.

Note 2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting,* IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2016.

This condensed consolidated interim financial report was approved by the Board of Directors on 15 February 2017.

The Consolidated Entity is of a kind referred to in ASIC Corporations Instrument 2016/191 effective 1 April 2016 and in accordance with that instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Going concern basis of accounting

In preparing the condensed consolidated interim financial report, the Directors made an assessment of the ability of the Consolidated Entity to continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due and continue in operation without any intention or necessity to liquidate the entity or to cease trading.

Following asset sales and the commencement of insolvency proceedings in Spicers' businesses in various foreign jurisdictions in previous reporting periods, the Consolidated Entity's continuing operations now consist of trading businesses in Australia, New Zealand and Asia and a corporate support function. The ability of the Consolidated Entity to meet its operational cash requirements and remain in compliance with the terms and covenants included in existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows, and maintaining trading/settlement terms with key creditors (including suppliers and credit insurers). These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of the Consolidated Entity. The forecasts, taking into account reasonably possible changes in trading performance, show that the Consolidated Entity should be able to operate within the level and terms of its current facilities for at least the next 12 months. Should trading performance not meet expectations the Consolidated Entity will pursue other measures to generate cash such as accessing undrawn debt facilities, working capital reductions or selling assets.

As at the reporting date, insolvency proceedings relating to the former Spicers' businesses in the UK and Continental Europe subsidiaries are ongoing and are expected to continue for some time. As part of the insolvency proceedings for these businesses, legal claims and other exposures may arise on the Consolidated Entity including in respect of pension plan liabilities, other employee entitlements, trade and other creditors and director / officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters. As a consequence, the Directors are aware that uncertainties exist in relation to the insolvency proceedings in the UK and Continental Europe which may cast doubt upon the Consolidated Entity's ability to continue as a going concern. The Directors noted as part of their deliberations that no new material matters have arisen or have otherwise been communicated to the Company since the last reporting date.

After making enquiries, the Directors have a reasonable expectation that the Consolidated Entity will have adequate resources to continue to operate and meet its obligations as they fall due and remain within the terms of its debt facilities. For these reasons, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial report.

Note 3. Simplification of capital structure

On 11 October 2016, the Company announced that it had been in discussions with The Trust Company (RE Services) Limited (the “RE”), the responsible entity of the PaperlinX SPS Trust (“SPS”), regarding a proposed transaction to simplify the Company’s capital structure, and had tabled a non-binding, conditional proposal. On 20 December 2016, it was announced that the Company and the RE had entered into a binding Implementation Agreement ("the Agreement") to simplify the capital structure.

The RE will propose a scheme of arrangement to eligible SPS unitholders for all PaperlinX Step-Up Preference Securities not held by the Company to be transferred to the Company in exchange for 545 Spicers ordinary shares per SPS Unit. The Company will seek shareholder approval via an ordinary resolution to issue new Spicers ordinary shares to SPS unitholders under the terms of the Trust Scheme. These two key steps under the Agreement are collectively referred to as the “Proposed Transaction”.

Details of the Proposed Transaction are set out in ASX Releases dated 11 October 2016 and 20 December 2016, which can be accessed on the Company’s website – www.spicerslimited.com.au. The key points are:

- The proposed transaction is to be implemented via the Trust Scheme and will be conditional on eligible SPS unitholders voting in favour of the Trust Scheme and eligible shareholders of the Company voting in favour of the Shareholder Resolution.
- Eligible SPS unitholders will receive 545 Spicers ordinary shares for each SPS Unit held. The Proposed Transaction is predicated on SPS unitholders (as a whole) receiving 70% of the enlarged equity base of the Company and will result in non-Spicers SPS unitholders holding 68.3% of this enlarged equity base. The Company will issue new Spicers ordinary shares in exchange for these SPS Units.
- The Company’s Board intends to unanimously recommend that shareholders vote in favour of the Shareholder Resolution, and it is noted that the RE Directors intend to unanimously recommend that SPS unitholders vote in favour of the Trust Scheme. Both recommendations are subject to independent experts appointed by the Spicers Board and the RE Directors each opining that the Proposed Transaction is in the best interests of their respective shareholders and unitholders.
- The Company’s Board has agreed to implement a Board renewal process. A search process for up to three suitably qualified new Directors has commenced. An Extraordinary General Meeting of the Company will be held following successful completion of the Proposed Transaction to vote on the election of a substantially new Board, at which time Mr Robert Kaye and Mr Michael Barker will retire as Directors.
- The Trust Scheme Booklet and Shareholder Meeting Materials are expected to be issued during March 2017. The Trust Scheme and Spicers’ shareholder meetings are expected to be held in April 2017, with the proposed Trust Scheme then expected to be implemented in May 2017, subject to the required shareholder and unitholder approvals.

$1.2 million of costs incurred up to balance date related to the Proposed Transaction have been carried forward as a current asset and will be transferred to equity upon successful completion of the Proposed Transaction.

Note 4. Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2016.

Changes in accounting policy and disclosures

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are effective for the current reporting period.

There are no new and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity. Therefore, there is no financial impact on the current reporting period or the prior comparative reporting period from new and revised Standards and Interpretations.

Note 5. Accounting estimates and judgements

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

In preparing this condensed consolidated interim financial report the significant estimates and judgements applied in the Consolidated Entity’s accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2016.

Note 6. Operating segments

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

Segment	Description of operations
Merchanting: - Australia - New Zealand - Asia	International merchant supplying the printing and publishing industry and office supplies.
Discontinued operations	Comprises merchanting operations in North America (Canada and USA) and Europe (Continental Europe, United Kingdom and Ireland). Also comprises paper manufacturing. Refer Note 9 for further details.

Corporate operations, head office costs related to the Australia, New Zealand and Asia (ANZA) region, continuing eliminations and amounts which have not been allocated to the Merchanting or Discontinued operations segments are classified as Unallocated.

	Note	Merchanting Australia $000	Merchanting New Zealand $000	Merchanting Asia $000	Unallocated $000	Total Continuing Operations $000	Discontinued Operations $000	Group Eliminations $000	Group $000
For the half-year ended 31 December 2016									
External sales revenue		102,657	53,126	39,434	-	195,217	-	-	195,217
Inter-segment sales revenue		172	-	-	(172)	-	-	-	-
Total revenue		102,829	53,126	39,434	(172)	195,217	-	-	195,217
Profit/(loss) before net finance costs, tax and significant items		1,810	4,176	969	(3,536)	3,419	(139)	-	3,280
Net other finance costs		-	-	-	(159)	(159)	(280)	-	(439)
Underlying profit/(loss) before interest and tax		1,810	4,176	969	(3,695)	3,260	(419)	-	2,841
Significant items (pre-tax)	7	(105)	(102)	(38)	(130)	(375)	2,611	-	2,236
Profit/(loss) before interest and tax		1,705	4,074	931	(3,825)	2,885	2,192	-	5,077
Net interest					(226)	(226)	-	-	(226)
Profit/(loss) before tax					(4,051)	2,659	2,192	-	4,851
Tax expense - pre-significant items					(1,279)	(1,279)	-	-	(1,279)
Tax benefit - significant items	7				32	32	-	-	32
Profit/(loss) for the period					(5,298)	1,412	2,192	-	3,604
The profit/(loss) before tax includes:									
Depreciation and amortisation		(284)	(211)	(98)	(44)	(637)	-	-	(637)
Depreciation, amortisation and impairment		(284)	(211)	(98)	(44)	(637)	-	-	(637)
Capital expenditure		123	39	102	37	301	-	-	301
As at 31 December 2016									
Total assets		87,878	71,092	49,366	15,029	223,365	1,883	-	225,248
Total liabilities		33,259	16,100	9,758	10,324	69,441	13,498	-	82,939
Net assets/(liabilities)		54,619	54,992	39,608	4,705	153,924	(11,615)	-	142,309

Note 6. Operating segments – (continued)

	Note	Merchanting Australia $000	Merchanting New Zealand $000	Merchanting Asia $000	Unallocated $000	Total Continuing Operations $000	Discontinued Operations $000	Group Eliminations $000	Group $000
For the half-year ended 31 December 2015									
External sales revenue		109,150	50,512	42,972	-	202,634	30,037	-	232,671
Inter-segment sales revenue		77	-	-	(77)	-	-	-	-
Total revenue		109,227	50,512	42,972	(77)	202,634	30,037	-	232,671
Profit/(loss) before net finance costs, tax and significant items *(1)*		2,560	3,702	810	(3,806)	3,266	(3,573)	-	(307)
Net other finance costs *(1)*		-	-	-	(56)	(56)	(97)	-	(153)
Underlying profit/(loss) before interest and tax		2,560	3,702	810	(3,862)	3,210	(3,670)	-	(460)
Significant items (pre-tax)	7	(129)	(9)	(76)	(139)	(353)	8,415	-	8,062
Profit before interest and tax		2,431	3,693	734	(4,001)	2,857	4,745	-	7,602
Net interest					(439)	(439)	(157)	-	(596)
Profit/(loss) before tax					(4,440)	2,418	4,588	-	7,006
Tax (expense)/benefit - pre-significant items					(980)	(980)	258	-	(722)
Tax benefit - significant items	7				2	2	-	-	2
Profit/(loss) for the period					(5,418)	1,440	4,846	-	6,286
The profit/(loss) before tax includes:									
Depreciation and amortisation		(374)	(208)	(105)	(36)	(723)	(505)	-	(1,228)
Impairment		-	-	-	-	-	770	-	770
Depreciation, amortisation and impairment		(374)	(208)	(105)	(36)	(723)	265	-	(458)
Capital expenditure		762	58	27	153	1,000	504	-	1,504
As at 30 June 2016									
Total assets		87,856	67,329	49,966	16,515	221,666	4,291	-	225,957
Total liabilities		28,859	17,240	9,209	12,406	67,714	18,504	(6)	86,212
Net assets/(liabilities)		58,997	50,089	40,757	4,109	153,952	(14,213)	6	139,745

(1) The Consolidated Entity has reclassified foreign exchange gains and losses in relation to inventory purchases from 'net other finance costs' to 'profit/(loss) before net finance costs, tax and significant items' in order to more accurately reflect the nature of these gains and losses.

Note 7. Individually significant items

		Continuing			Discontinued			Total		
For the half-year ended 31 December	**Note**	**Pre -tax $000**	**Tax impact $000**	**Post -tax $000**	**Pre -tax $000**	**Tax impact $000**	**Post -tax $000**	**Pre -tax $000**	**Tax impact $000**	**Post -tax $000**
2016										
(Loss)/gain on disposal of controlled entities *(1)*	9	(58)	-	(58)	2,611	-	2,611	2,553	-	2,553
Restructuring costs *(2)*		(317)	32	(285)	-	-	-	(317)	32	(285)
Total individually significant items		(375)	32	(343)	2,611	-	2,611	2,236	32	2,268
2015										
Gain on disposal of controlled entities *(1)*	9	-	-	-	7,645	-	7,645	7,645	-	7,645
Impairment reversal - non-current assets	11	-	-	-	770	-	770	770	-	770
Restructuring costs *(2)*		(353)	2	(351)	-	-	-	(353)	2	(351)
Total individually significant items		(353)	2	(351)	8,415	-	8,415	8,062	2	8,064

(1) Disposal includes sale, loss of control and commencement of voluntary winding-up.
(2) Restructuring costs are included in 'other expenses' in the Condensed Consolidated Income Statement.

Note 8. Earnings per share

	Continuing		Discontinued		Total	
For the half-year ended 31 December	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Profit for the period attributable to holders of ordinary shares in Spicers Limited ($000)	1,412	1,440	2,192	4,846	3,604	6,286
Weighted average number of shares - basic (thousands)	665,181	665,181	665,181	665,181	665,181	665,181
Basic EPS (cents)	0.2	0.2	0.3	0.7	0.5	0.9
Weighted average number of shares - diluted (thousands)	678,058	690,828	678,058	690,828	678,058	690,828
Diluted EPS (cents)	0.2	0.2	0.3	0.7	0.5	0.9

The unvested share options and rights on issue during the reporting periods ended 31 December 2016 and 31 December 2015 have not been included in determining the basic earnings per share.

Note 9. Discontinued operations

Discontinued operations comprise merchanting operations sold or derecognised because they are under the control of an administrator, and manufacturing operations sold or closed down.

Discontinued Merchanting

Discontinued merchanting comprises operations in Europe and North America.

Europe

Predominantly comprises:

- Germany – paper merchanting operation and its immediate parent entity commenced administration processes on 19 October 2015 and progressed to full insolvency proceedings on 28 December 2015. The German operations were derecognised in the prior reporting period as at 30 September 2015.
- United Kingdom, Netherlands, Austria and Belgium – entered into administration and derecognised in a prior reporting period.
- Poland, Spain, Scandinavia and Ireland – sold in a prior reporting period.
- Czech Republic - derecognised in a prior reporting period due to its parent entering administration.

North America

Comprises the Canadian and USA operations which were sold in prior reporting periods.

Discontinued Manufacturing

Discontinued paper manufacturing comprises:

- Tas Paper – Wesley Vale Mill and Burnie Mill were closed in a previous reporting period.
- Australian Paper – sold in a previous reporting period.

Result from discontinued operations

	Europe Merchanting		North America Merchanting		Manufacturing & Group Elims		Total Discontinued Operations	
For the half-year ended 31 December	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**
Revenue	-	30,037	-	-	-	-	-	30,037
Other income	-	536	-	-	100	9	100	545
Trading expenses	-	(33,959)	(28)	(59)	(211)	(137)	(239)	(34,155)
Result from operating activities before significant items, net finance costs, and tax	-	(3,386)	(28)	(59)	(111)	(128)	(139)	(3,573)
Significant items - (loss)/profit on disposal *(1)*	2,679	7,672	(68)	(130)	-	103	2,611	7,645
Significant items - other	-	-	-	-	-	770	-	770
Net other finance costs	(280)	(97)	-	-	-	-	(280)	(97)
Result before interest and tax	2,399	4,189	(96)	(189)	(111)	745	2,192	4,745
Net interest	-	(133)	-	1	-	(25)	-	(157)
Result before tax	2,399	4,056	(96)	(188)	(111)	720	2,192	4,588
Tax benefit	-	-	-	258	-	-	-	258
Profit for the period	2,399	4,056	(96)	70	(111)	720	2,192	4,846

(1) Disposal includes sale, loss of control and commencement of voluntary winding-up.

Note 9. Discontinued operations – (continued)

Cash flow from discontinued operations

For the half-year ended 31 December	2016 $000	2015 $000
Net cash used in operating activities	(209)	(6,907)
Net cash (used in)/from investing activities	(570)	2,166
Net cash used in financing activities (excluding internal transactions)	-	(923)
Net cash used in discontinued operations	(779)	(5,664)

Note 10. Distributions and dividends

(a) Distributions on PaperlinX step-up preference securities

On 1 December 2016, the Company announced that the distribution for the period 1 July to 31 December 2016 would not be paid. The interim distribution rate for the period 1 January to 30 June 2017 is 6.7000%. The distribution is payable at the discretion of the directors of the Company.

(b) Dividends on Spicers Limited ordinary shares

The Company is prohibited from paying dividends or making other distributions on any class of its share capital until such time as two consecutive distributions are paid by the PaperlinX SPS Trust (see Note 10(a)). As the December 2016 distribution was not paid, the Company does not meet the relevant criteria and no dividend can be paid.

Note 11. Impairment of non-current assets

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. The annual review of goodwill and indefinite life intangible assets was performed at 30 June 2016. A review for impairment triggers was undertaken at 31 December 2016.

Continuing operations

The continuing operations comprise three cash generating units ("CGU's") – Australia, New Zealand and Asia. No impairment triggers were identified in relation to the New Zealand and Asia CGU's.

Ongoing weak demand for core paper products and lower sales revenue created a potential impairment trigger in the Australian CGU. Therefore the June 2016 impairment model for the Australia CGU was updated to reflect revised forecast data. The discount and terminal growth rates were unchanged from June 2016, but lower core volumes, sales revenue and gross margin were assumed in order to reflect the lower level of financial performance this reporting period compared to the prior reporting period. The revised valuation for the Australian CGU exceeds the carrying amount, therefore no impairment charge has been recorded. The Australian CGU has no goodwill or other intangible assets with indefinite useful lives.

Discontinued operations

The discontinued operations comprise the following Merchanting CGU groupings – Canada, Continental Europe, and United Kingdom and Ireland - plus Paper Manufacturing. At reporting date, the carrying value of property, plant and equipment and intangible assets for the discontinued operations was nil.

During the prior interim reporting period, the Consolidated Entity sold its investment in EurAsia Paper Marketing Ltd for $0.8 million. This investment related to the Consolidated Entity's discontinued paper manufacturing operations. As the investment had been fully impaired in prior reporting periods, an impairment reversal equal to the sale proceeds was booked in the prior interim reporting period.

Impairment reversals/(charges)

No impairment charges/reversals were recognised during the current reporting period.

During the prior comparative reporting period, an impairment reversal of $0.8 million was recognised in relation to an investment in the discontinued paper manufacturing operations.

Note 12. Loans and borrowings

For the half-year ended 31 December	2016 $000	2015 $000
Balance at beginning of period	4,893	16,441
Borrowings		
New secured bank loan - New Zealand	1,427	-
Other net drawdowns/(repayments)	(3,099)	7,228
Net (repayment of)/proceeds from borrowings	(1,672)	7,228
Net borrowings derecognised on loss of control *(1)*	-	(8,438)
Movement in capitalised borrowing costs	19	(60)
Foreign exchange	(116)	556
Balance at end of period	3,124	15,727
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	3,232	15,894
• Capitalised borrowing costs	(108)	(167)
	3,124	15,727
Total loans and borrowings	3,124	15,727

(1) Due to the derecognition on loss of control of the German businesses during the prior reporting period. Refer Note 9.

The asset backed facility in Australia involves the securitisation of receivables and includes regional covenant measures comprising a fixed charge ratio, net worth test and a limit on capital expenditure. The amount of receivables pledged as part of the loan facility at balance date was $nil (December 2015: $10.0 million).

During the current reporting period, a new multi-option loan facility was entered into in New Zealand, replacing the existing debtors and inventory facility. The new facility matures in October 2019, and includes financial covenant measures comprising leverage and minimum interest coverage ratios. This facility is secured by the assets of the New Zealand business.

Debt classification

	Currency	Nominal interest rate *(1)*	Year of Maturity	As at 31 December 2016 $000	As at 30 June 2016 $000
Current					
• Bank loans - secured *(2)*	AUD	BBSR *(3)*	2018	-	2,934
• Bank loans - secured *(2)*	NZD	BKBM *(4)*	2017	-	26
• Bank loans - secured *(5)*	NZD	BKBM *(4)*	2019	1,449	-
• Other bank loans - secured	MYR	various	uncommitted	1,783	2,060
• Capitalised borrowing costs				(108)	(127)
Bank loans - secured				3,124	4,893
Total loans and borrowings - current				3,124	4,893
Total loans and borrowings				3,124	4,893

(1) Excludes company specific margins
(2) These bank loans are facilities secured by certain assets
(3) BBSR: Bank Bill Swap Rate
(4) BKBM: Bank Bill Market Rate
(5) Secured by the assets of the New Zealand business

Note 13. Employee retirement benefits

The Consolidated Entity has one defined benefit pension plan - the PaperlinX Superannuation Fund (Australia) - which at balance date was in surplus but carried at nil value due to a limitation on recoupment of the net surplus position.

As required under AASB 119 *Employee Benefits*, the Consolidated Entity undertakes a full actuarial review of defined benefit plans each financial year. The previous actuarial review was undertaken at 30 June 2016. A desktop review has been undertaken to determine whether there has been a material change in the net balance sheet obligation of the PaperlinX Superannuation Fund (Australia) since 30 June 2016 based on market conditions at 31 December 2016.

During the current reporting period, an estimated actuarial gain of $0.8 million was identified, primarily due to an increase of 100 bps in the discount rate, compared to the 30 June 2016 rate. A net pension expense of $0.3 million (December 2015: $0.2 million) was incurred, offset by employer contributions of $0.3 million (December 2015: $0.2 million). The estimated fund balance remains in surplus, and subject to a limitation on recoupment of the net surplus position. Hence the closing balance of the defined benefit pension plan is $nil (December 2015: $nil).

During the prior interim reporting period, the Consolidated Entity lost control of its German merchanting operations. As a result the German net defined benefit pension obligation of $10.9 million was derecognised.

Note 14. Issued capital

	As at 31 December 2016 $000	As at 30 June 2016 $000
Issued capital		
Issued and paid-up share capital - 665,181,261 ordinary shares (June 2016: 665,181,261)	1,895,767	1,895,767
Total issued capital	1,895,767	1,895,767

Options

At the reporting date, there are 12,061,100 (December 2015: 12,061,100) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The movement in options on issue during the reporting period are as follows:

For the half-year ended 31 December	2016 number	2015 number
Outstanding at the beginning of the period	12,061,100	47,061,100
Cancelled during the period	-	(35,000,000)
Outstanding at the end of the period	12,061,100	12,061,100

Rights

At the reporting date, there are nil (December 2015: 3,063,989) rights to potentially acquire fully paid ordinary shares in the Company. The movement in the rights on issue during the reporting period are as follows:

For the half-year ended 31 December	2016 number	2015 number
Outstanding at the beginning of the period	3,063,989	4,766,641
Exercised	(3,063,989)	(1,702,652)
Outstanding at the end of the period	-	3,063,989

Note 15. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	Note	2016 $000	2015 $000
Reconciliation of profit after tax to net cash from operating activities			
Profit for the period		3,604	6,286
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles		637	1,228
• Impairment (reversals)/charges - non-current assets	7	-	(770)
• Profit on disposal of controlled entities *(1)*	7	(2,553)	(7,645)
• Loss on disposal of property, plant and equipment		-	90
• Profit on disposal of assets held for sale		-	(536)
• Employee share based payments expense		-	20
• Amortisation of capitalised borrowing costs		43	(57)
Add back other items classified as investing/financing:			
• Borrowing costs expensed		31	217
Increase in financial liabilities at fair value through profit and loss		280	-
(Increase)/decrease in trade and other receivables		(4,335)	3,116
Increase in inventories		(836)	(7,172)
Increase/(decrease) in trade and other payables		3,641	(12,522)
Decrease in provisions and employee benefits		(58)	(2,905)
Increase in current and deferred taxes		(225)	(1,640)
Net cash from/(used in) operating activities		229	(22,290)
Reconciliation of cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash as at 31 December as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		29,023	32,819
Bank overdrafts		(350)	-
		28,673	32,819

(1) Disposal includes sale, loss of control and commencement of voluntary winding-up.

Note 16. Contingent liabilities

	As at 31 December 2016 $000	As at 30 June 2016 $000
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	455	455
• Other guarantees	2,140	2,087
Total contingent liabilities	2,595	2,542

The bank guarantees (trade), the beneficiaries of which are third parties, are primarily in relation to rental leases.

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

Under the terms of the ASIC Corporations Instrument 2016/785 effective 30 September 2016, the Company and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities.

A settlement agreement was executed in November 2016 to fully discharge the Company from its obligation relating to an Australian parent guarantee on a German property lease.

There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Sale warranties and indemnities

The Consolidated Entity has given certain warranties and indemnities to the purchasers of certain North American and European operations. Warranties have been given in relation to matters including the sale of assets, taxes, people, legal, environmental and intellectual property. Indemnities have also been given in relation to matters including legal and employee claims and pre-completion taxes. Where it is not possible to quantify the potential financial obligation (if any) of the Consolidated Entity for future claims under these warranties and indemnities, no amounts have been disclosed.

Subsidiaries in administration

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

Note 17. Events subsequent to balance date

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 31 December 2016 - refer Note 10.

Other than the above, there have been no events subsequent to 31 December 2016 which would have a material effect on the condensed consolidated interim financial report of the Consolidated Entity at 31 December 2016.

DIRECTORS' DECLARATION

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

1 The condensed consolidated financial statements and notes set out on pages 5 to 19 are in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2016 and of its performance for the half-year ended on that date; and

- Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

In accordance with a resolution of the Directors, dated at Melbourne, this 15th day of February 2017.

Signed in accordance with a resolution of the Directors:

Robert Kaye SC
Chairman

Wayne Johnston
Finance Director

Independent Auditor's Review Report

To the members of Spicers Limited

Report on the Interim Financial Report

Conclusion

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

i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Interim Period ended on that date; and

ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Interim Financial Report of Spicers Limited.

The Interim Financial Report comprises:

- the condensed consolidated statement of financial position as at 31 December 2016;
- the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Interim Period ended on that date;
- notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The Group comprises Spicers Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The Interim Period is the six months ended on 31 December 2016.

Emphasis of matter regarding contingent liabilities

Without modification to the conclusion set out above, we draw attention to Note 16 in the Interim Financial Report regarding the insolvency administrations of certain former subsidiaries. As part of these proceedings, legal claims and other exposures may arise that impact the Group, and there is a material uncertainty as to whether such claims or exposures give rise to a future liability.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Spicers Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
15 February 2017