

The Trust Company (RE Services) Limited

ACN 003 278 831

as Responsible Entity for

PaperlinX SPS Trust

ARSN 123 839 814

UNITHOLDER BOOKLET

**GENERAL AND SPS MEETINGS OF
MEMBERS OF PAPERLINX SPS TRUST**

**NOTICES OF MEETING ARE INCLUDED IN
ANNEXURES E AND F TO THIS BOOKLET.
PROXY FORMS FOR THE MEETINGS
ACCOMPANY THIS BOOKLET.**

VOTE IN FAVOUR

**THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRUST SCHEME IS FAIR AND
REASONABLE AND THEREFORE IN THE BEST INTERESTS OF SPS UNITHOLDERS IN THE
ABSENCE OF A SUPERIOR PROPOSAL**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read it carefully and in its entirety before deciding whether to vote in favour of the Trust Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser, taxation or legal adviser immediately.

If you have any questions in relation to this Booklet or the Trust Scheme, you should call the SPS Unitholder Information Line on 1300 783 484 (within Australia) and +61 3 9415 4235 (from outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

Financial Adviser

ShawandPartners

Legal Adviser



**THE
TRUST
COMPANY**

Part of Perpetual 

IMPORTANT NOTICES

Nature of this document

This document includes the Notice of Meeting and explanatory statement for the Trust Scheme issued by The Trust Company as Responsible Entity of PaperlinX SPS Trust (ARSN 123 839 814) (SPS Trust).

Notices of Meeting

The Meetings are to consider and, if thought fit, to pass resolutions to approve the Trust Scheme.

You should read this Booklet in its entirety before making a decision on how to vote at the Meetings. The notices convening the Meetings are contained in Annexures E and F. Proxy Forms for the Meetings are enclosed.

Defined terms

A number of defined terms are used in this Booklet. These terms are capitalised and have the meanings set out in section 11.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, their actual calculations may differ from the calculations set out in this booklet.

ASIC and ASX

A copy of this Booklet has been lodged with the ASX. None of the ASX, ASIC or any of their officers takes any responsibility for the contents of this Booklet.

No account of personal circumstances

This Booklet and the recommendations contained in it should not be taken as, and do not constitute, personal financial advice as these do not take into account your individual objectives, financial and tax situation or particular needs. As such, your Directors encourage you to seek independent financial and tax advice before making any investment decision and any decision as to whether or not to vote in favour of the Trust Scheme.

Not an offer

This Booklet does not constitute or contain an offer to SPS Unitholders, or a solicitation of an offer from SPS Unitholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside Australia who come into possession of this Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Booklet has been prepared in accordance with Australian law and the information contained in this Booklet may not be the same as that which would have been disclosed if this Booklet had been prepared in accordance with the laws and regulations outside Australia.

Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to SPS Units or Spicers Shares. Independent financial and taxation advice should be sought before making any decision in relation to the Trust Scheme Resolutions. It is important that you read the entire Booklet, and the accompanying Prospectus issued by Spicers, before making any voting or investment decision. In particular, it is important that SPS Unitholders consider the possible disadvantages of the Trust Scheme and the risk factors identified in the Prospectus.

SPS Unitholders should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If SPS Unitholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Trust Scheme Resolutions. Past performance is no indication of future performance.

Supplemental disclosure

If The Trust Company needs to disclose additional information to Unitholders between the date of despatch of this Booklet and the date of the Meetings, The Trust Company will issue a supplementary document to this Booklet in accordance with section 10.14.

Disclaimer as to forward looking statements

Some of the statements appearing in this Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. All forward looking statements in this Booklet (including in the Independent Expert's Report) reflect views only as at the date of this Booklet, and generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of the SPS Trust or Spicers are, or may be, forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Spicers operates, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of The Trust Company, any Spicers Group member, their respective subsidiaries or their respective directors, officers and employees, any persons named in this Booklet with their consent, or any person involved in the preparation of this Booklet, makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place reliance on any forward looking statement.

Responsibility statement

The Trust Company as Responsible Entity of the SPS Trust has prepared, and is responsible for, the SPS Trust Information in this Booklet.

Spicers Limited (**Spicers**) is responsible for the information in this Booklet in relation to Spicers and the Spicers Group and the content of the accompanying Prospectus. The Trust Company does not assume any responsibility for such information or the Prospectus.

Deloitte Corporate Finance Pty Limited has prepared, and is responsible for, the Independent Expert's Report. None of The Trust Company, Spicers or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the Independent Expert's Report, except in relation to information given by them respectively to the Independent Expert.

References to time

Unless otherwise stipulated, all references to time in this Booklet are to Sydney time.

Privacy

The Trust Company and Spicers may collect personal information in the process of implementing the Trust Scheme. The type of information that they may collect about you includes your name, contact details and information on your unitholding in the SPS Trust and the name of persons appointed by you to act as a proxy, attorney or corporate representative at the Meetings. The primary purpose of the collection of personal information is to assist The Trust Company and Spicers to conduct the Meetings and implement the Trust Scheme. Without this information, The Trust Company and Spicers may be hindered in their ability to issue this Booklet and implement the Trust Scheme. Personal information of the type described above may be disclosed to the SPS Trust Registry, the Spicers Registry print and mail service providers, authorised securities brokers and related bodies corporate of The Trust Company and Spicers. If you would like to obtain details of information about you held by the SPS Trust, please contact Computershare Investor Services Pty Limited at Level 4, 60 Carrington Street, Sydney NSW 2000, Australia.

This Booklet is dated 4 May 2017.

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KEY DATES RELATING TO THE TRUST SCHEME

Event	Date
Date of this Booklet	4 May 2017
Time and date for determining eligibility to vote at the Meetings	7.00pm (Sydney time) on 12 June 2017
Latest date and time for receipt of Proxy Forms or powers of attorney for the General Meeting	12.00pm (Sydney time) on 12 June 2017
Latest date and time for receipt of Proxy Forms or powers of attorney for the SPS Meeting	1.00pm (Sydney time) on 12 June 2017
Spicers Shareholder Meeting to be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia	10.00am (Sydney time) on 14 June 2017
General Meeting at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia	12.00pm (Sydney time) on 14 June 2017
SPS Meeting at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia	1.00pm (Sydney time) on 14 June 2017

If the Trust Scheme is agreed to by the requisite majorities at the General Meeting, the SPS Meeting and the Spicers Shareholder Meeting and all other Conditions Precedent in connection with the Trust Scheme are satisfied or waived (if applicable), the following key dates apply:

Second Court Hearing (for Second Judicial Advice)	20 June 2017
Effective Date for the Trust Scheme (Outcome of Second Court Hearing announced to the ASX and SPS Units suspended from trading on the ASX)	20 June 2017
Record Date (the time and date which determines the entitlements of Eligible SPS Unitholders to the Scheme Consideration)	22 June 2017
Implementation Date (the date of transfer of all SPS Units held by Eligible SPS Unitholders to Spicers and issue of the Scheme Consideration)	27 June 2017
Commencement of trading of New Spicers Shares on the ASX on a normal settlement basis	28 June 2017

All dates in the above timetable are indicative only and are subject to change. The actual timetable will depend on many factors outside the control of the SPS Trust, including approvals from the Supreme Court of New South Wales and other regulatory authorities. Any changes will be announced by The Trust Company on the ASX.

All references to time in this Booklet are references to Sydney time, unless otherwise stated.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

LETTER FROM THE RESPONSIBLE ENTITY

Dear SPS Unitholder

On behalf of the Directors of The Trust Company (RE Services) Limited (**The Trust Company**), part of Perpetual Limited, as the responsible entity for the PaperlinX SPS Trust (**SPS Trust**), I am pleased to provide you with this Booklet, which contains important information regarding the proposed acquisition of all of the PaperlinX Step-up Preference Securities in the SPS Trust (**SPS Units**) by Spicers Limited (**Spicers**) that it does not already own by way of a trust scheme (**Trust Scheme**).

KEY TERMS OF THE TRUST SCHEME

On 20 December 2016, The Trust Company and Spicers announced that they had entered into a scheme implementation agreement (**Implementation Agreement**) whereby The Trust Company agreed to propose the Trust Scheme to SPS Unitholders.

The Trust Scheme can only be implemented if all Conditions Precedent are satisfied or (where applicable) waived. The Conditions Precedent include (among other things) the approval of SPS Unitholders at the General Meeting and Spicers Shareholders at the Spicers Shareholder Meeting and the receipt of the judicial advice from the Court. A summary of the key terms of the Implementation Agreement is included in section 9.1.

If the Trust Scheme becomes Effective, Eligible SPS Unitholders will be entitled to receive 545 New Spicers Shares for every SPS Unit that they hold on the Record Date (**Scheme Consideration**)¹. The New Spicers Shares will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme.

NEW START FOR SPICERS GROUP

The Trust Scheme has been structured with a view to helping Spicers to move forward after a period of difficult reconstruction, and seeks to offer the possibility of a 'new start' for Spicers and its operations. This 'new start' is facilitated by the proposed Spicers Board renewal process and certain releases to be provided by SPS Unitholders.

Under the Implementation Agreement Spicers has agreed to undertake a comprehensive board renewal process following implementation of the Trust Scheme. This will enable the newly unified body of Spicers Shareholders to elect the directors that will take Spicers forward on its next phase of activity. The board renewal process involves a number of steps which are further described in section 8.3 of this Booklet and section 5.3 of the Prospectus issued by Spicers that accompanies this Booklet. As a part of the renewal process, Spicers has undertaken to Eligible SPS Unitholders that, until Spicers holds a general meeting of Spicers Shareholders to seek Spicers Shareholder approval for the election of new directors, it will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement or the Trust Scheme (see section 9.1(c) of this Booklet for a summary of what constitutes a Spicers Prescribed Occurrence).

Further, if the Trust Scheme is implemented SPS Unitholders will provide certain releases to The Trust Company and Spicers and, as a result, may be unable to pursue claims in respect of the management of Spicers or the SPS Trust against those parties after completion of the Trust Scheme. Subject to certain

limitations, the releases will act to release all rights held by SPS Unitholders in relation to the TrustCo Matters and the Spicers Matters. In this way the releases will affect any rights currently held by SPS Unitholders in equity, at common law and under statute. For the avoidance of doubt, this includes any rights under the Corporations Act (including under section 601MA), the *Trustee Act 1925* (NSW) and any other relevant legislation.

The releases are however limited to the TrustCo Matters and the Spicers Matters and will only be effective to the extent permitted by law. As a result, if a court were to find the release of a specific right unlawful, the releases provided by SPS Unitholders under the Trust Scheme would not be effective in respect of that right. Further, the releases will not be effective to release The Trust Company or Spicers from liability in relation to fraud or wilful misconduct.

The releases will assist the Spicers Board elected through the renewal process (outlined above) to focus on the future direction of Spicers. Absent these releases in the Trust Scheme, Spicers considers there is an increased risk of the Combined Spicers Group continuing to incur material costs associated with the SPS Trust and the historical management of the Spicers Group into the future. In this way, the releases are intended to benefit all Spicers Shareholders (including Eligible SPS Unitholders issued New Spicers Shares under the Trust Scheme). Further information regarding the impact and the rationale for these releases are discussed in section 8.4.

THE TRUST SCHEME IS RECOMMENDED

The Trust Scheme gives Eligible SPS Unitholders that receive the Scheme Consideration the opportunity to have a broader involvement in the future of Spicers and to participate in the potential benefits that may arise if the Trust Scheme is approved and as a result of simplifying the capital structure.

The Scheme Consideration represents a significant premium to the trading price of SPS Units in the period leading up to the announcement of the Trust Scheme on 11 October 2016. The implied value of the Scheme Consideration represents:

- \$13.63 per SPS Unit (**Headline Valuation**) representing a premium of 51.4 per cent based on the last closing price of the SPS Units and of Spicers Shares²;
- \$14.38 per SPS Unit representing a premium of 43.1 per cent based on the 30-day volume weighted average price (**VWAP**) of the SPS Units and of Spicers Shares³; and
- \$15.17 per SPS Unit representing a premium of 55.5 per cent based on the 60-day VWAP of the SPS Units and of Spicers Shares⁴.

Further information regarding the implied value of the Scheme Consideration is included in section 2.2 entitled '*Reasons to vote in favour of the Trust Scheme*'.

In responding to the Trust Scheme, the Directors have carefully considered the rights attaching to the SPS Units, and the potential alternative avenues to realise value for SPS Unitholders. The nature of the SPS Units and structure of the SPS Trust mean that there are very limited rights available to SPS Unitholders to realise value. Specifically, in most cases, the terms of the SPS Units and the LLC Preference Shares (the only material asset of the SPS Trust) give Spicers effective control over when and how the SPS Units are realised or exchanged for shares in Spicers, if ever. All such decisions are determined by Spicers and its subsidiary boards.

1 However, in the case of Ineligible Overseas Unitholders, Spicers will issue Shares to the Foreign Nominee who will sell the Shares on behalf of Ineligible Overseas Unitholders with the net proceeds of the sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.

2 Based on the closing price of the SPS Units and of Spicers Shares on 10 October 2016 (being the day prior to the initial announcement of the proposed Scheme) of \$9.00 and of \$0.025, respectively.

3 Based on the 30-day VWAP of the SPS Units and of Spicers Shares up to 10 October 2016 of \$10.05 and of \$0.026, respectively.

4 Based on the 60-day VWAP of the SPS Units and of Spicers Shares up to 10 October 2016 of \$9.76 and of \$0.028, respectively.

Notwithstanding, The Trust Company did consider options available to it and sought independent legal opinions as to whether there may be avenues or triggers available to it that may deliver greater value to SPS Unitholders. Based on this review the Directors believe that there are no viable alternative strategies that would deliver superior value to SPS Unitholders at this time. The strategies that may exist (such as seeking to trigger a Realisation or an Exchange Event, or awaiting some form of repayment in the future) involve considerable uncertainty and time delays (if they were to occur at all) and if such strategies were pursued, until a resolution was achieved (if at all) Spicers would continue to operate under its current capital structure which would likely impact future value. In short, any alternatives that may exist carry significant execution risk, value uncertainty and timing delays.

In considering their response to the Trust Scheme, the Directors have also carefully considered, amongst a range of other factors, potential benefits and risks that may arise under the Trust Scheme, including the potential (operational and financial market) benefits of restructuring the capital base, potential cost savings from improving the capital structure, and Spicers' future growth opportunities, its challenges and risks. The potential benefits are discussed further in section 2.2(e) of this Booklet whilst the risks are discussed in section 4.10 of this Booklet and section 7 of the Prospectus.

The Directors appointed Shaw and Partners Limited (**Shaw**) and Kardos Scanlan Corporate Lawyers to advise in relation to the Trust Scheme and the alternatives, and appointed an independent expert, Deloitte Corporate Finance Pty Ltd (**Deloitte** or **Independent Expert**), to consider the Trust Scheme. The Independent Expert has concluded that the Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders. A copy of their full report is set out as Annexure A.

Based on the findings of the Independent Expert and the other matters set out in section 2, **the Directors unanimously recommend that SPS Unitholders vote in favour of the Trust Scheme, in the absence of a Superior Proposal.**

You may disagree with the Independent Expert, or you may consider the releases to be provided by SPS Unitholders if the Trust Scheme is implemented (outlined above) to be materially disadvantageous. Further information regarding the impact and the rationale for these releases are discussed in section 8.4.

Information about the steps necessary to implement the Trust Scheme is summarised in sections 4 and 8.

THIS BOOKLET AND THE PROSPECTUS

This Booklet provides details of the Trust Scheme, the Independent Expert's Report, reasons to voting in favour of or against the Trust Scheme and information on how to vote.

With this Booklet, you have received the Prospectus issued by Spicers. The Prospectus relates to the offer by Spicers to issue the Scheme Consideration to Eligible SPS Unitholders (except, in the case of Ineligible Overseas Holders, to the Foreign Nominee). Please read the Booklet and the Prospectus in full before making your decision about how to vote on the Trust Scheme.

I encourage you to vote by attending the Meetings or, if you are unable to attend, completing and returning the relevant Proxy Form accompanying this Booklet.

If you are not sure what to do, you should consult your investment or other professional adviser.

If you have any questions about the Trust Scheme or any other matter in this Booklet, you should contact the SPS Unitholder Information Line on 1300 783 484 (within Australia) and +61 3 9415 4235 (from outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

Yours faithfully,



Andrew Cannane, Director

1

INTRODUCTION

1.1 WHAT IS THE PROPOSAL?

The Proposal involves Spicers acquiring all of the SPS Units on issue (that it does not already own). The Proposal will be implemented via a trust scheme. If the Trust Scheme becomes Effective, the SPS Trust will be delisted from the ASX and become a wholly owned subsidiary of Spicers (and will ultimately be wound up).

If you are an Eligible SPS Unitholder (provided you are not an Ineligible Overseas Holder) and the Trust Scheme becomes Effective, you will receive the Scheme Consideration of 545 New Spicers Shares for each SPS Unit you hold. However, in the case of Ineligible Overseas Holders, Spicers will issue New Spicers Shares to the Foreign Nominee who will sell those shares on behalf of Ineligible Overseas Holders with the net proceeds of the sale to be distributed among Ineligible Overseas Holders proportionately to their relevant holdings of SPS Units.

If the Trust Scheme is implemented, SPS Unitholders will provide certain releases to The Trust Company and Spicers and, as a result, may be unable to pursue claims in respect of the management of Spicers or the SPS Trust against those parties after completion of the Trust Scheme. The impact and the rationale for these releases are discussed in section 8.4.

Following implementation of the Trust Scheme, the SPS Trust will be deregistered as a managed investment scheme, following which The Trust Company will be replaced as trustee by a wholly owned subsidiary of Spicers. In addition, after implementation, Spicers Shareholders will be invited to nominate potential directors and vote on the composition of the Spicers Board.

In order for the Trust Scheme to proceed, resolutions approving the Trust Scheme must be passed by the requisite majorities of Unitholders at both the General Meeting to be held at 12.00pm on Wednesday, 14 June 2017 and the SPS Meeting to be held at 1.00pm on Wednesday, 14 June 2017. Spicers Shareholders will also need to approve the Trust Scheme. The Spicers Shareholder Meeting will be held on the same day as, but prior to, the Meetings.

The Trust Scheme is also subject to the satisfaction or waiver (as applicable) of various Conditions Precedent, as summarised in section 4.3.

1.2 WHAT SHOULD I DO NEXT?

STEP 1: READ THIS BOOKLET, AND THE PROSPECTUS ACCOMPANYING IT, IN THEIR ENTIRETY

You should read this Booklet and the Prospectus carefully and in their entirety, including the reasons to vote in favour or against the Trust Scheme (as set out in section 2), before making any decision on how to vote.

Answers to various frequently asked questions about the Proposal are set out in section 3. If you have any additional questions in relation to this Booklet or the Proposal you should call the SPS Unitholder Information Line on 1300 783 484 (within Australia) and +61 3 9415 4235 (from outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time), or contact your legal, financial, taxation or other professional adviser.

STEP 2: VOTE AT THE MEETINGS

AM I ENTITLED TO VOTE?

If you are registered as a SPS Unitholder on the SPS Trust Register at 7.00pm (Sydney time) on Monday, 12 June 2017 you will be entitled to attend and vote at the Meetings. The General Meeting is to be held at 12.00pm on Wednesday, 14 June 2017. The SPS Meeting is to be held at 1.00pm on Wednesday, 14 June 2017.

1.2 WHAT SHOULD I DO NEXT? CONTINUED

YOUR VOTE IS IMPORTANT

The Independent Expert has concluded that the Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders in the absence of a Superior Proposal.

The Directors of The Trust Company unanimously recommend that SPS Unitholders vote in favour of the Trust Scheme, in the absence of a Superior Proposal. See section 2.2 for further details.

HOW DO I VOTE ON THE TRUST SCHEME?

You can vote at the Meetings in the following ways:

- in person, by attending the General Meeting and SPS Meeting at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia. The General Meeting will commence at 12.00pm on Wednesday, 14 June 2017. The SPS Meeting will commence at 1.00pm on Wednesday, 14 June 2017;
- by lodging a proxy for both the General Meeting and the SPS Meeting online at www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only);
- by mailing the enclosed Proxy Forms to Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001;
- by faxing the enclosed Proxy Forms to 1800 783 447 (within Australia) or +61 3 9573 2555 (outside Australia);
- by hand delivering the enclosed Proxy Forms to the SPS Trust Registry at Computershare Investor Services Pty Limited, located at Level 4, 60 Carrington Street, Sydney NSW 2000.

To be valid, a proxy for the General Meeting must be received by the SPS Trust Registry by 12.00 pm (Sydney time) on Monday, 12 June 2017. Please refer to the voting instructions in Annexure E of this Booklet where your voting options are set out in full.

To be valid, a proxy for the SPS Meeting must be received by the SPS Trust Registry by 1.00 pm (Sydney time) on Monday, 12 June 2017. Please refer to the voting instructions in Annexure F of this Booklet where your voting options are set out in full.

2

KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

2.1 SUMMARY OF REASONS WHY YOU MIGHT VOTE FOR OR AGAINST THE TRUST SCHEME

(A) REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME

-
- ✓ The Independent Expert has concluded that the Trust Scheme is fair and reasonable and, therefore, in the best interests of Unitholders in the absence of a Superior Proposal

 - ✓ The implied value of the Scheme Consideration represents an attractive premium to the undisturbed market price of SPS Units⁵

 - ✓ The Directors consider there to be no alternative realisation options achievable at this time that would deliver a superior outcome for SPS Unitholders relative to the Trust Scheme, having regard to the risks and uncertainties involved in such other alternatives

 - ✓ Opportunity for Eligible SPS Unitholders (other than Ineligible Overseas Holders) to exert influence over the Spicers Board, including the opportunity to nominate and vote in the Spicers Board renewal process, in their capacity as Spicers Shareholders

 - ✓ SPS Unitholders issued New Spicers Shares will be able to directly participate in benefits of a simplified and transparent capital structure, improved prospects for raising capital, and a range of commercial and operational benefits if the Trust Scheme is approved

 - ✓ No Superior Proposal has been received

 - ✓ If the Trust Scheme does not proceed, the SPS Unit price may fall

 - ✓ No stamp duty or brokerage transfer costs
-

Reasons to vote in favour of the Trust Scheme are discussed in more detail in section 2.2.

⁵ The undisturbed market price is the market price prior to the announcement of the proposed Trust Scheme.

2.1 SUMMARY OF REASONS WHY YOU MIGHT VOTE FOR OR AGAINST THE TRUST SCHEME CONTINUED

(B) REASONS TO VOTE AGAINST THE TRUST SCHEME

- | | |
|---|---|
| × | You may disagree with the recommendation of your Directors and the conclusions of the Independent Expert |
| × | You may consider the releases to be provided by SPS Unitholders if the Trust Scheme is implemented to be materially disadvantageous |
| × | You may consider that a Superior Proposal may be made |
| × | Despite the restructuring initiatives implemented by the Spicers Board, there remains uncertainty regarding the operational and financial position of Spicers. Accordingly, you may consider that exchanging SPS Units for Spicers Shares is not prudent at this time |
| × | You may consider that an alternative realisation option may be achievable and would deliver a superior outcome for SPS Unitholders relative to the Trust Scheme |
| × | You may consider that an investment in New Spicers Shares represents a change in your investment profile |
| × | The Scheme Consideration does not compensate SPS Unitholders for unpaid distributions and is below the face value of the SPS Units |
| × | The value of the Scheme Consideration is not certain |

Reasons to vote against the Trust Scheme are discussed in more detail in section 2.3.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME

(A) THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRUST SCHEME IS FAIR AND REASONABLE AND THEREFORE IS IN THE BEST INTERESTS OF SPS UNITHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL

The Directors appointed Deloitte Corporate Finance Pty Limited as the Independent Expert to opine on whether the Trust Scheme is in the best interests of SPS Unitholders. In doing this, the Independent Expert analysed whether, in its opinion, the Trust Scheme was fair and reasonable.

The Independent Expert determined that the most appropriate way to evaluate the fairness of the Trust Scheme for SPS Unitholders was to compare the value of a SPS Unit (on a control basis immediately prior to the announcement of the proposed Trust Scheme) to the Scheme Consideration per SPS Unit offered by Spicers, being New Spicers Shares in the Combined Spicers Group on a control basis.

The Independent Expert considered an asset based methodology to be most appropriate in assessing the fair market value of the Combined Spicers Group and assessed the implied value of the Scheme Consideration to be in the range of \$12.70 to \$38.40. The Independent Expert then used these values to calculate implied premiums for the Scheme Consideration, as set out below.

The Independent Expert also undertook, as part of assessing whether the Trust Scheme is fair for SPS Unitholders, an assessment of the value of each SPS Unit on a control basis. The Independent Expert is of the opinion that, in the absence of the proposed Trust Scheme, there is likely to be little, if any, fundamental value attaching to the SPS Units from an economic point of view. In assessing the fundamental fair market value of an SPS Unit, the Independent Expert had regard to the following factors that may deliver value to SPS Unitholders, including:

- the likelihood of receiving distributions;
- the likelihood of SPS Unitholders having some, or all, of the capital repaid;
- the potential for a Realisation Event to occur that could result in SPS Unitholders receiving a greater proportion of the Spicers Shares; and
- the prospects for a capital restructure of Spicers, including the possible conversion of the SPS Units into Spicers Shares (such as would occur under the proposed Trust Scheme), or the possibility of recovering value by pursuing legal action against Spicers and its related entities, Directors or other parties.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

After consideration of the factors set out above (further details on which can be found on pages 7 to 9 the Independent Expert's Report), the Independent Expert concluded that:

- there is little prospect for a distribution and/or a return of capital to SPS Unitholders;
- there are no realistic alternatives currently available for SPS Unitholders to crystallise any higher value than the assessed value of the Share Consideration; and
- in the absence of the SPS Unitholders being able to successfully seek legal redress against Spicers, its related entities and The Trust Company, the SPS Units have little, if any, value.

The Independent Expert also assessed the implied value of the Scheme Consideration against recent SPS Unit trading prices for the SPS Units prior to and after the Announcement Date to calculate implied premiums for the Scheme Consideration and concluded that the low end of the Scheme Consideration value range represents a premium of:

- 31 per cent to the 3 month VWAP of the SPS Units prior the Announcement Date; and
- 36 per cent to the 10 day VWAP of the SPS Units prior the Announcement Date.

Taking into account all of the aforementioned matters, including that the implied valuation for the Scheme Consideration represents a premium to trading prices for the SPS Units prior to Announcement Date, the Independent Expert concluded that the Scheme Consideration is fair.

The Independent Expert also assessed the value of the Scheme Consideration on a minority basis by applying a minority discount of 20 per cent to 40 per cent to the high end of the valuation range and concluded that the Trust Scheme would still be fair.

Separately, after concluding that the Scheme Consideration is fair, and after taking into account other advantages and disadvantages, the Independent Expert concluded that the Trust Scheme is reasonable for SPS Unitholders.

The other advantages that the Independent Expert took into account included (among other things):

- if the Trust Scheme becomes Effective, Eligible SPS Unitholders will hold approximately 68.3 per cent⁶ of the enlarged Spicers capital base and, therefore, may collectively have the ability to exert significant influence over Spicers⁷;
- a simplified capital structure may unlock value for holders of all classes of securities;
- SPS Unitholders will share in any future capital growth of Spicers;
- SPS Unitholders (other than Ineligible Overseas Holders) could crystallise a control value at some point in the future;
- no superior alternative realisation option is likely to emerge; and
- there are no transfer costs for Eligible SPS Unitholders who are not Ineligible Overseas Holders.

The Independent Expert did note some disadvantages of the Trust Scheme in coming to this conclusion, including:

- the proposed Trust Scheme will result in the extinguishment of any claims that the SPS Unitholders have in respect of their SPS Units;
- SPS Unitholders give up their right to a preferential return if Spicers is wound up;
- the Share Consideration does not compensate SPS Unitholders for unpaid distributions and is below the face value of the SPS Units; and
- New Spicers Shares may trade below recent share trading prices and/or there may be limited market liquidity.

Unitholders are urged to read the Independent Expert's Report in full, including the section on advantages and disadvantages of the proposed Trust Scheme.

Given the Independent Expert concluded that the Trust Scheme is fair and reasonable, it therefore concluded that the Trust Scheme is in the best interests of SPS Unitholders.

⁶ Excludes any Spicers Shares held by Eligible SPS Unitholders prior to implementation of the Proposal. Includes New Spicers Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

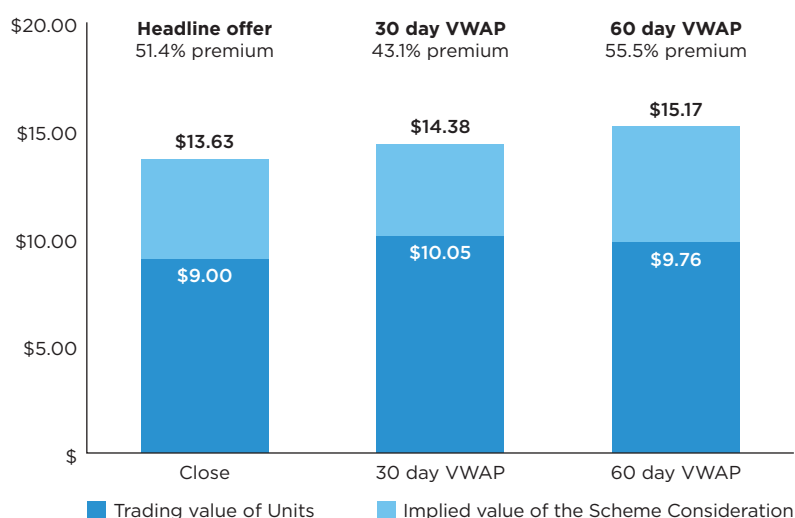
⁷ The issuance of New Spicers Shares is not expected to result in any individual Eligible SPS Unitholder having control of Spicers.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

(B) THE IMPLIED VALUE OF THE SCHEME CONSIDERATION REPRESENTS AN ATTRACTIVE PREMIUM TO THE UNDISTURBED MARKET PRICE OF SPS UNITS⁸

The implied value of the Scheme Consideration represents a significant premium over the historical trading prices of SPS Units. The implied value of the Scheme Consideration represents:

- \$13.63 per SPS Unit (**Headline Valuation**) representing a premium of 51.4 per cent based on the last closing price of the SPS Units and of Spicers Shares⁹;
- \$14.38 per SPS Unit representing a premium of 43.1 per cent based on the 30-day volume weighted average price (**VWAP**) of the SPS Units and of Spicers Shares¹⁰; and
- \$15.17 per SPS Unit representing a premium of 55.5 per cent based on the 60-day VWAP of the SPS Units and of Spicers Shares¹¹.



Since the announcement of the Trust Scheme on 11 October 2016, in the period to 2 May 2017, the SPS Unit price has traded in the range of \$11.00 to \$14.35 at a VWAP of \$13.17.

The Directors have primarily considered the offer premium implied by the Scheme Consideration in the context of recent market trading prices of the SPS Units. In addition, the Directors considered the underlying fundamental value of the SPS Units. However, the SPS Units are perpetual instruments (unless Realised (for cash or redeemed for Spicers Shares) or Exchanged (for Spicers Preference Shares)) and do not have a maturity date. The Directors also note that distributions on the SPS Units are currently suspended and Spicers have stated that it would be highly unlikely that distributions to SPS Unitholders would recommence in the foreseeable future.

Any assessment of the underlying fundamental valuation of the SPS Units would require an assessment of the net present value of such Realisation and/or distributions, taking into account the time period over which it was to occur and using an appropriate discount rate to reflect the risk of holding a SPS Unit and the uncertainty of the cash flows. The Directors believe that the risk of holding a SPS Unit within the current capital structure (and taking into account Spicers' financial position and sector outlook) is high and so a high discount rate would be required, which would negatively impact the net present value.

Given the significant change in the operations and financial position of Spicers since the issuance of the SPS Units in 2007, the current financial position of Spicers suggests it would be unable to redeem the SPS Units for cash, and in the absence of any specific guidance from Spicers about the prospects of a future Realisation or Exchange, The Trust Company can only conclude that a future payment or recommencement of distributions is highly unlikely.

Based on the above, the Directors are unable to determine a net present value of the SPS Units today with any confidence and so believe that market trading prices are the best basis to compare the value of the Scheme Consideration.

⁸ The undisturbed market price is the market price prior to the announcement of the proposed Trust Scheme.

⁹ Based on the closing price of the SPS Units and of Spicers Shares on 10 October 2016 (being the day prior to the initial announcement of the proposed Scheme) of \$9.00 and of \$0.025, respectively.

¹⁰ Based on the 30-day VWAP of the SPS Units and of Spicers Shares up to 10 October 2016 of \$10.05 and of \$0.026, respectively.

¹¹ Based on the 60-day VWAP of the SPS Units and of Spicers Shares up to 10 October 2016 of \$9.76 and of \$0.028, respectively.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

(C) NO ALTERNATIVE REALISATION OPTIONS ACHIEVABLE AT THIS TIME THAT WOULD DELIVER A SUPERIOR OUTCOME FOR SPS UNITHOLDERS RELATIVE TO THE TRUST SCHEME

The SPS Units are structured as perpetual securities, unless Realised (for cash or Spicers Shares) or exchanged for Spicers Preference Shares (see section 6 of this Booklet for further details of SPS Units Realisation and Exchange rights). The SPS Units do not have a maturity date.

Accordingly, the only circumstance in which a SPS Unitholder may realise its investment in the SPS Trust is if it sells its SPS Units (by approval of this Trust Scheme or acceptance of any subsequent proposal, or via an on-market trade or off-market transfer), or its SPS Units are Realised or Exchanged in accordance with the SPS Unit Terms.

Under the SPS Unit Terms, if either a Realisation Event or Exchange Event was to occur, it may result in SPS Unitholders receiving a greater share of the pro forma Combined Spicers Group equity base than that contemplated under the Trust Scheme. However, the Directors note that the SPS Unit Terms and the SPS Trust Constitution give Spicers a high degree of control over when and how the SPS Units are realised or exchanged in accordance with the SPS Trust Constitution. Importantly:

- SPS Unitholders can only request that their SPS Units be 'Realised' following a 'Change of Control Event' (in which case Spicers determines whether the SPS Units will be redeemed for cash or exchanged for Spicers Shares); and
- The Trust Company can only trigger an exchange of the SPS Units for Spicers Preference Shares (**Exchange**) if a 'PaperlinX Breach of Undertakings Event' or 'PaperlinX Winding Up Event' occurs.

The Trust Company has no input or ability to influence whether any of the above events occur.

The Directors consider that until there is a resolution to Spicers' capital structure, it is highly unlikely that a potential acquirer would present a takeover proposal for Spicers. Therefore, the triggering of a 'Change of Control Event' is considered remote.

Further, even if an Exchange or Realisation (involving an exchange for Spicers Shares) could be triggered (by SPS Unitholders or The Trust Company) in the future, Spicers may be constrained from issuing Spicers Shares or Spicers Preference Shares without first obtaining the approval of Spicers Shareholders under Listing Rule 7.1 (to issue more than 15 per cent of Spicers' issued capital). There can be no certainty that Spicers Shareholder approval, if required by the ASX under Listing Rule 7.1, would be obtained. Further, if Spicers does not issue Spicers Preference Shares when required by the SPS Trust Constitution, claims against Spicers would be limited to orders for specific performance or payment of a cash amount that the SPS Unitholder would have had if Spicers Preference Shares had been issued. See section 6 for further details.

Finally, if any of the above events were to ever occur, the timing of and circumstances surrounding such event(s) is uncertain. While the occurrence of either event may result in SPS Unitholders receiving a larger percentage share of the Combined Spicers Group, one also needs to consider the value of the Group at that time and, more importantly, discount that value to a net present value (or current value) using an appropriate discount rate to enable comparison with the current Proposal. This valuation aspect is discussed below in the section titled 'Value Considerations: Timing and Risks of Alternative Options'. In addition, further discussion on the above events and the rights attaching to the SPS Units is provided in sections 5 and 6 of this Booklet.

ALTERNATIVE WAYS TO UNLOCK VALUE

The SPS Trust's primary asset is preference shares in PaperlinX LLC (**LLC Preference Shares**). PaperlinX LLC used the subscription monies from the issuance of the LLC Preference Shares to the SPS Trust to invest in another Spicers subsidiary via subordinated convertible loan notes (**LLC Loan Notes**). The terms of the LLC Preference Shares and the LLC Loan Notes are summarised in sections 5.3 and 5.4. As part of its assessment of the Proposal, The Trust Company considered whether the SPS Trust could force a Realisation or Exchange Event under the terms of the LLC Preference Shares.

The Trust Company does not consider that it is able to force an event that would unlock value via its investment in PaperlinX LLC. Similar to the SPS Units, the LLC Preference Shares do not have a maturity date and so realisation is not guaranteed. The rights attaching to the LLC Preference Shares are limited, they confer on The Trust Company no right to wind up PaperlinX LLC nor do they confer any rights to the assets of PaperlinX LLC.

As the LLC Preference Shareholder, The Trust Company has no right or ability to take part in the management or control of PaperlinX LLC or its business and affairs, nor can The Trust Company vote at general meetings or elect board members. In addition, realisation of the LLC Preference Shares is controlled by Spicers and the realisation provisions in the LLC Preference Share Terms mirror those contained in the SPS Unit Terms.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

Another alternative option considered is the status quo. That is to wait for distributions to recommence and/or Spicers to Realise/Exchange the SPS Units under the SPS Trust Constitution or offer a higher ratio. To assess whether maintaining the status quo could unlock greater value for SPS Unitholders (in the future), The Trust Company has considered the terms on which PaperlinX LLC invested the proceeds of the SPS Trust's subscription monies in the Spicers Group and the prospects of repayment (in the near future).

In 2007, the original SPS Trust funds were invested into LLC Preference Shares and then into the LLC Loan Notes as described above. The Trust Company is not a party to the LLC Loan Notes, nor does it have any right to influence the terms, or enforcement, of the LLC Loan Notes in its capacity as LLC Preference Shareholder. While there is a maturity date on the LLC Loan Notes, it has previously been extended by PaperlinX LLC (at the request of Spicers) by two years during the 2016 financial year. The current maturity date is set for 30 June 2019. This extension was made without seeking input from or reference to the SPS Trust as LLC Preference Shareholder.

The Directors note that The Trust Company has no input or ability to influence the extension or otherwise of the LLC Loan Notes maturity and considers this to be entirely within the control of the respective boards of Spicers and PaperlinX LLC. Accordingly, The Trust Company is not aware of any factor that would suggest the maturity of the LLC Loan Notes could not again be extended if the Trust Scheme does not proceed. This is particularly the case given that Spicers' current financial position would suggest that it is not in a position to repay the LLC Loan Notes either substantially or in full.

Further, even if the maturity date is not extended, PaperlinX LLC has limited enforcement rights under the LLC Loan Notes to recover the investment, which is a subordinated and unsecured debt instrument and so ranks behind all other liabilities of Spicers. Accordingly, any claim by PaperlinX LLC for repayment of the LLC Loan Notes may take years to be resolved and involve inherent uncertainty around process and costs to achieve such an outcome (refer to 'Value Considerations: Timing and Risks of Alternative Options' below for further discussion).

Finally, the Directors also note that even if the LLC Loan Notes were repaid, The Trust Company has no ability to ensure that the proceeds received by PaperlinX LLC are actually returned to SPS Unitholders. PaperlinX LLC is entitled to use those funds to invest in further debt instruments or securities issued by any member of the Spicers Group. Spicers and PaperlinX LLC are not required to redeem the LLC Preference Shares held by The Trust Company or the SPS Unit by a fixed date.

ASSET REALISATION CONSIDERATIONS

A final consideration is whether Spicers might ever pursue an asset realisation and repayment of liabilities and distribution of remaining proceeds. The Directors note that if the Trust Scheme is not approved and Spicers were to elect and/or The Trust Company was able to force some other value realisation event, then it is likely that such an event would culminate in some form of underlying asset realisation and distribution of the net proceeds (i.e. a break-up or sale of businesses and assets of Spicers).

Under such a scenario, the net proceeds remaining after repayment of all other liabilities should, in theory, be distributed to SPS Unitholders in preference to ordinary Spicers Shareholders. However, the Directors note that The Trust Company has no ability to ensure that the flow of any proceeds would occur in this manner (refer to the above PaperlinX LLC discussion). Furthermore, there is significant uncertainty as to the timing and value of any net proceeds that may be distributed to SPS Unitholders (refer to 'Value Considerations: Timing and Risks of Alternative Options' below for further discussion).

Furthermore, any orderly realisation would likely require ordinary Spicers Shareholder approval pursuant to the ASX Listing Rules. In this situation, it would not be unreasonable to expect that Spicers Shareholders would only support such a proposal if they were to receive a share of any net proceeds, as opposed to all net proceeds being paid to SPS Unitholders (in preference).

Finally, in terms of distribution of asset sale proceeds (after settling all other liabilities), there appears to be no express prohibition that would stop Spicers from paying the minimum 'unlock' distribution to SPS Unitholders (effectively one year of distributions), and then distributing the balance of the net proceeds to Spicers Shareholders (even though this would run contrary to the SPS Units or Spicers Preference Shares ranking).

Based on the above, the lack of SPS Unitholders' rights and the current capital structure of the Spicers Group, the Directors considered an asset realisation alternative too uncertain, time consuming and unlikely to deliver superior value in net present value terms.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

VALUE CONSIDERATIONS: TIMING AND RISK OF ALTERNATIVE OPTIONS

If any of the above alternatives (under the SPS Constitution, via PaperlinX LLC, through repayment of the LLC Loan Notes or another value realisation event) were to ever arise, the timing of and circumstances surrounding such event(s) are uncertain today, meaning that SPS Unitholders may well receive less value in net present value terms than that contemplated under the Trust Scheme, considering:

- the net present value of any future consideration when discounted to current values at an appropriate discount rate that reflects the risk of owning SPS Units. The Directors believe that the risk of holding a SPS Unit within the current capital structure (and taking into account Spicers financial position and sector outlook) is high and so a high discount rate would be required, which would negatively impact the net present value; and
- the future value of the Spicers business and assets if it continues to operate under the current complex capital structure and/or it is forced to realise assets other than as a going concern.

It is possible in these situations that SPS Unitholders may receive a greater share of the enlarged Spicers equity base but at a lower overall value relative to the Scheme Consideration; in other words, a higher ownership but of a less valuable group.

Accordingly, the Directors consider there to be no alternate realisation options available at this time that would deliver a superior outcome for SPS Unitholders relative to the Trust Scheme.

(D) OPPORTUNITY FOR ELIGIBLE SPS UNITHOLDERS (WHO ARE NOT INELIGIBLE OVERSEAS HOLDERS) TO EXERT INFLUENCE OVER THE SPICERS BOARD, INCLUDING THE OPPORTUNITY TO NOMINATE AND VOTE IN THE SPICERS BOARD RENEWAL PROCESS, IN THEIR CAPACITY AS SPICERS SHAREHOLDERS

SPS Units do not carry any rights to vote at general meetings of Spicers. As a result, SPS Unitholders currently have no direct or indirect ability to influence the composition of the Spicers Board and therefore the conduct of the affairs of Spicers.

If the Trust Scheme is approved, the New Spicers Shares issued as Scheme Consideration will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme. Therefore, as a group, Eligible SPS Unitholders who become Spicers Shareholders will have the ability to exert significant influence over the composition of the Spicers Board.

In addition, under the terms of the Proposal, following implementation of the Trust Scheme, Spicers Shareholders have the opportunity to submit director nominations they consider appropriate and, within 4 months of the Trust Scheme being implemented Spicers will convene a Shareholder meeting to vote on new director appointments, at which former SPS Unitholders who are Spicers Shareholders on the meeting record date will be eligible to vote.

SPS Unitholders who wish to exert any influence over the composition of the Spicers Board or generally over the affairs of Spicers should vote in favour of the Trust Scheme to obtain New Spicers Shares, which carry voting rights at general meetings of Spicers.

(E) SPS UNITHOLDERS WILL BE ABLE TO DIRECTLY PARTICIPATE IN BENEFITS OF A SIMPLIFIED AND TRANSPARENT CAPITAL STRUCTURE AND IMPROVED PROSPECTS FOR RAISING CAPITAL TO PURSUE GROWTH OPPORTUNITIES IF THE TRUST SCHEME IS APPROVED

The Directors consider that there are a number of operational and capital market benefits expected from the Proposal, which SPS Unitholders may benefit from post-completion of the Trust Scheme. At an operational level, the simplified capital structure of the Combined Spicers Group is likely to provide increased confidence to Spicers' suppliers, customers and other stakeholders and, therefore, potentially improve the underlying business operations and, more importantly, enable the Combined Spicers Group to more actively participate in industry activity.

In terms of capital market considerations, the Trust Scheme will create a unified, simplified and transparent capital structure and remove the uncertainties and issues associated with the existing capital structure.

This may provide enhanced liquidity and greater incentive for equity and debt investors, and may improve Spicers' ability to access capital (debt and equity raisings), which has not otherwise been possible on reasonable commercial terms under the current capital structure.

2.2 REASONS TO VOTE IN FAVOUR OF THE TRUST SCHEME CONTINUED

Specifically, as stated by Spicers in the Prospectus, implementation of the Trust Scheme is expected to provide the following benefits:

- creation of a unified, simplified and transparent capital structure. The Spicers directors believe it may also broaden investor and analyst interest in the Company, thus enhancing trading liquidity in Spicers Shares. This may also assist in improving Spicers' equity market based valuation;
- removal of dividend-paying constraints imposed by the existing capital structure, enabling a new Spicers Board to consider paying ordinary share dividends in the future;
- enabling Spicers to undertake a full range of commercial and financial activities beyond its current capabilities, including, if determined appropriate by the new Spicers Board, access to capital raisings and engaging in M&A activity;
- removing the uncertainties caused by the existing capital structure will enable the Spicers Board and management to focus without distraction on Spicers' performance and delivering its strategy;
- improving confidence and removing perceptions of counterparty risk among Spicers' key stakeholders, including customers, suppliers and financiers; and
- eliminating the complexity and administrative cost of maintaining the SPS Trust structure.

See the Prospectus for further details of the benefits that Spicers considers the Trust Scheme is likely to provide.

If the Trust Scheme is approved, Eligible SPS Unitholders will be able to directly participate in these potential benefits through a direct ownership interest of 68.3 per cent¹² of the Combined Spicers Group equity base.

(F) NO SUPERIOR PROPOSAL HAS BEEN RECEIVED

On 11 October 2016, Spicers announced a conditional and non-binding proposal to simplify Spicers' capital structure. Since that time, and as at the date of this Booklet, the Directors have not received, nor are they aware of any other party who intends to make, a Competing Proposal. Further, the Directors consider that until there is a resolution of the capital structure, it is highly unlikely that a potential acquirer would present a takeover proposal for the SPS Trust or Spicers.

(G) IF THE TRUST SCHEME DOES NOT PROCEED, THE SPS UNIT PRICE MAY FALL

If the Trust Scheme is not implemented, the SPS Units will remain quoted on the ASX and will continue to be subject to market volatility, including as a result of stock market movements and general economic conditions.

In addition, since the announcement of the Trust Scheme, the price of the SPS Units has risen. The last trading price for the SPS Units before the Trust Scheme was announced was \$9.00. On 2 May 2017, the closing price of SPS Units was \$13.25.

As a result, should the Trust Scheme not be implemented and no alternative proposal emerges, the price of SPS Units may fall.

In addition, should the Trust Scheme not be implemented and no alternative proposal emerge, Spicers' ability to execute its turnaround and growth strategy may be significantly constrained, resulting in a lower likelihood of the SPS Unitholders receiving any value in the future, from either an orderly realisation or recommencement of distributions.

(H) NO BROKERAGE OR STAMP DUTY TRANSFER COSTS

No brokerage or stamp duty will be payable on the transfer of your SPS Units to Spicers or the issue of your New Spicers Shares under the Trust Scheme, except in relation to Ineligible Overseas Holders who will have some brokerage, duty and other taxes from the proceeds of sale of their New Spicers Shares under the Sale Facility process.

SPS Unitholders who realise a capital gain as a result of the Trust Scheme will be liable for CGT. A summary of the relevant tax implications for SPS Unitholders is contained in section 9 of the Prospectus.

¹² Excludes any Spicers Shares held by Eligible SPS Unitholders prior to implementation of the Trust Scheme. Includes New Spicers Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

2.3 POTENTIAL REASONS TO VOTE AGAINST THE TRUST SCHEME

Although the Directors of The Trust Company unanimously recommend you vote in favour of the Trust Scheme in the absence of a Superior Proposal and the Independent Expert has concluded that the Trust Scheme is fair and reasonable and, therefore in the best interests of SPS Unitholders in the absence of a Superior Proposal, this section sets out factors which a SPS Unitholder may consider in determining to vote against the Trust Scheme.

(A) YOU MAY NOT AGREE WITH THE UNANIMOUS RECOMMENDATION OF THE DIRECTORS OF THE TRUST COMPANY OR THE INDEPENDENT EXPERT'S CONCLUSIONS

Notwithstanding the unanimous recommendation of the Directors of The Trust Company and the conclusion of the Independent Expert, you may believe that the Trust Scheme is not in your best interests or the best interests of SPS Unitholders generally.

In addition, you may disagree with the conclusion of the Independent Expert, who has concluded that the Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders in the absence of a Superior Proposal.

(B) YOU MAY CONSIDER THE RELEASES TO BE PROVIDED BY SPS UNITHOLDERS IF THE TRUST SCHEME IS IMPLEMENTED TO BE MATERIALLY DISADVANTAGEOUS

If the Trust Scheme is implemented SPS Unitholders will provide certain releases to The Trust Company and Spicers and, as a result, may be unable to pursue claims in respect of the management of Spicers or the SPS Trust against those parties after completion of the Trust Scheme.

Subject to certain limitations, the releases will act to release *all rights* held by SPS Unitholders in relation to the TrustCo Matters and the Spicers Matters. In this way the releases will affect any rights currently held by SPS Unitholders in equity, at common law and under statute. For the avoidance of doubt, this includes any rights under the Corporations Act (including under section 601MA), the Trustee Act 1925 (NSW) and any other relevant legislation.

The releases are however limited to the TrustCo Matters and the Spicers Matters and will only be effective to the extent permitted by law. As a result, if a court were to find the release of a specific right unlawful, the releases provided by SPS Unitholders under the Trust Scheme would not be effective in respect of that right. Further, the releases will not be effective to release The Trust Company or Spicers from liability in relation to fraud or wilful misconduct.

You may consider the releases to be provided by SPS Unitholders to be materially disadvantageous. For example, if you consider that you have a material claim:

- against The Trust Company in respect of your SPS Units or the SPS Trust; or
- a claim against Spicers in respect of the management of its business or the extension of the LLC Loan Note,

you may be unable to successfully pursue your claim(s) if the Trust Scheme is implemented.

Further information regarding the impact and the rationale for these releases are discussed in section 8.4.

(C) YOU MAY CONSIDER THAT A SUPERIOR PROPOSAL MAY BE MADE

While the Directors of The Trust Company are not aware of any other parties who are intending to make a Competing Proposal, it is theoretically possible that a more attractive proposal could emerge. See sections 2.2(c) and 2.2(f) for further details.

While the Directors of The Trust Company acknowledge this possibility, taking into account the length of time that has passed between the announcement of the Trust Scheme and the date of this Booklet, the Directors consider that the likelihood of a Competing Proposal materialising before the date of the Meetings is low.

Under the terms of the Implementation Agreement, The Trust Company and Spicers are bound by customary obligations relating to exclusivity, including a restriction on soliciting alternative proposals.

2.3 POTENTIAL REASONS TO VOTE AGAINST THE TRUST SCHEME CONTINUED

(D) DESPITE THE RESTRUCTURING INITIATIVES IMPLEMENTED BY THE SPICERS BOARD, THERE REMAINS UNCERTAINTY REGARDING THE OPERATIONAL AND FINANCIAL POSITION OF SPICERS. ACCORDINGLY, YOU MAY CONSIDER THAT EXCHANGING SPS UNITS FOR SPICERS SHARES IS NOT PRUDENT AT THIS TIME

The Scheme Consideration is comprised entirely of Spicers Shares. The value of the New Spicers Shares depends on (among other things) the future prospects of Spicers and the extent to which it can successfully implement its operational turnaround activities.

While considerable initiatives have been implemented and Spicers has returned to underlying profitability, Spicers remains exposed to a number of operational, financial and market related risks, which could include:

- commercial print markets have suffered through a long period of structural decline;
- the turnaround strategy remains ongoing and is subject to a number of execution and market related risks; and
- a decline in the availability of cash, which may arise as a result of adverse effects from other significant risks or from such matters as working capital pressures, continuation of existing funding lines and/or availability of new funding, could result in operational liquidity risks and reductions in the ability of the Spicers business to invest, innovate and respond to market conditions and opportunities.

Further details regarding the risks associated with Spicers' business and an investment in New Spicers Shares are contained in section 7 of the Prospectus. You should consider these risks carefully in considering the Trust Scheme.

(E) YOU MAY CONSIDER THAT AN ALTERNATIVE REALISATION OPTION MAY BE ACHIEVABLE AND WOULD DELIVER A SUPERIOR OUTCOME FOR SPS UNITHOLDERS RELATIVE TO THE TRUST SCHEME

Notwithstanding the views of the Directors as discussed in section 2.2 (Reasons to vote in favour of the Trust Scheme), you may consider that there are alternative realisation options that would deliver a superior outcome to SPS Unitholders.

In particular, you may consider that a Realisation or Exchange Event may be possible in the future and that you could potentially receive more Spicers Shares in this event compared to what you are being offered under the current Trust Scheme (and you may consider that the value of each Spicers Share at the time of said possible Exchange Event could be more than the market value of a Spicers Share today). See section 5.7 for details of Court proceedings commenced by The Trust Company in which The Trust Company is seeking the Court's advice as to whether it may have a right to trigger an Exchange Event.

(F) YOU MAY CONSIDER THAT AN INVESTMENT IN SPICERS SHARES REPRESENTS A CHANGE IN YOUR INVESTMENT PROFILE

Your investment in the SPS Trust is not an investment directly in Spicers.

Under the SPS Unit Terms, an investment in the SPS Units offers unfranked, semi-annual, floating rate, non-cumulative distributions, which are payable effectively at the discretion of Spicers. In order for distributions to be made on the SPS Units, The Trust Company must first receive distributions on its LLC Preference Shares. For so long as PaperlinX LLC does not make distributions, The Trust Company will not be in a position to elect to pay a distribution to SPS Unitholders.

Under the Trust Scheme, Eligible SPS Unitholders will receive New Spicers Shares (except, in the case of Ineligible Overseas Holders, in which case the New Spicers Shares will be issued to the Foreign Nominee).

An investment in Spicers Shares offers the opportunity to partake in the upside of any increase in the Spicers Share price, the risk of exposure to any decrease in the Spicers Share price, and the opportunity to partake in any dividend distributions made to Spicers Shareholders.

You may consider that an equity investment in the Combined Spicers Group does not suit your investment needs.

2.3 POTENTIAL REASONS TO VOTE AGAINST THE TRUST SCHEME CONTINUED

(G) THE SCHEME CONSIDERATION DOES NOT COMPENSATE SPS UNITHOLDERS FOR UNPAID DISTRIBUTIONS AND IS BELOW THE FACE VALUE OF THE SPS UNITS

The Headline Valuation of the Scheme Consideration, representing \$13.63 per SPS Unit based on the closing Spicers Share price on 10 October 2016, being the day prior to the initial announcement, is significantly below the face value of \$100 per SPS Unit.

The SPS Units offer unfranked, semi-annual, floating rate, non-cumulative distributions, which are effectively payable at the discretion of Spicers. The last distribution was paid in respect of the period ending 30 June 2011.

Under the SPS Unit Terms, where a Realisation Event occurs, the Realisation value of the SPS Units must include any unpaid distributions that would otherwise have been payable for the 12 month period prior to the Realisation Event. Based on the distribution rates for the periods ending 30 June 2016 and 31 December 2016¹³ the unpaid distributions for the 12 months to 31 December 2016 is \$7.05 per SPS Unit.

(H) THE VALUE OF THE SCHEME CONSIDERATION IS NOT CERTAIN

As the Scheme Consideration consists of New Spicer Shares, the value of the Scheme Consideration is inherently uncertain. The implied value of the Scheme Consideration can only be calculated by reference to recent historical prices for Spicer Shares and cannot be precisely ascertained until the Record Date.

Should you wish to realise your investment, the realisable value of your Scheme Consideration will depend on the price at which you sell your New Spicer Shares.

2.4 ADDITIONAL CONSIDERATIONS

(A) YOU MAY SELL YOUR SPS UNITS ON THE ASX AT ANY TIME PRIOR TO SUSPENSION OF THE SPS UNITS FROM TRADING

You can sell your SPS Units on market at any time before the close of trading on the ASX on the Effective Date, at the then prevailing market price (which may vary from the implied value of the Scheme Consideration). SPS Units will be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your SPS Units on market after this time.

(B) THE TRUST SCHEME MAY PROCEED EVEN IF YOU VOTE AGAINST IT

Eligible SPS Unitholders should note that if they vote against the Trust Scheme but the Trust Scheme is approved and becomes Effective, then any SPS Units held by such Eligible SPS Unitholders on the Record Date will be transferred to Spicer, and those SPS Unitholders will receive the New Spicer Shares (provided they are not Ineligible Overseas Holders), notwithstanding that they may have voted against the Trust Scheme.

¹³ Distribution rate of 7.11 per cent and 6.76 per cent p.a. for the semi-annual periods to 30 June 2016 and 31 December 2016 respectively, determined with reference to the 180 bank bill swap rate and Step-Up Margin of 465 bps.

3

FREQUENTLY ASKED QUESTIONS

This section 3 answers some frequently asked questions about the Trust Scheme. It is not intended to address all relevant issues for SPS Unitholders. This section 3 should be read together with all other parts of this Booklet and the Prospectus.

Question	Answer	More Information
Background and the Trust Scheme at a glance		
What is the Proposal?	<p>On 20 December 2016, The Trust Company and Spicers announced that they had entered into an implementation agreement (Implementation Agreement) under which Spicers would acquire all of the SPS Units in the SPS Trust that it does not already own.</p> <p>The acquisition will be implemented by way of a trust scheme under which Spicers will issue 545 new fully paid ordinary shares (New Spicers Shares) in consideration for each SPS Unit it acquires (Trust Scheme). Each New Spicers Share will rank equally with all existing ordinary shares in Spicers.</p> <p>The New Spicers Shares will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme.</p> <p>Section 4 contains a summary of the Trust Scheme (including the conditions to which the Trust Scheme is subject) and its effect.</p> <p>Under the Implementation Agreement Spicers has agreed to undertake a comprehensive board renewal process following implementation of the Trust Scheme. This will enable the newly unified body of Spicers Shareholders to elect the directors that will take Spicers forward on its next phase of activity (see section 8.3 of this Booklet and section 5.3 of the Prospectus for further details).</p> <p>Further, if the Trust Scheme is implemented SPS Unitholders will provide certain releases to The Trust Company and Spicers and, as a result, may be unable to pursue claims in respect of the management of Spicers or the SPS Trust against those parties after completion of the Trust Scheme. The releases are aimed at ensuring that the Spicers Board elected through the renewal process (outlined above) is able to focus on the future direction of Spicers. In this way, the releases are intended to benefit all Spicers Shareholders (including Eligible SPS Unitholders issued New Spicers Shares under the Trust Scheme). Further information regarding the impact and the rationale for these releases are discussed in section 8.4.</p>	<p>Section 4 contains an overview of the Trust Scheme.</p>

Question	Answer	More Information
Background and the Trust Scheme at a glance continued		
What is this Booklet?	<p>This Booklet, which contains the Notices of Meeting (see Annexures E and F) and the Independent Expert's Report (see Annexure A), provides you with information about the proposed Trust Scheme and your options as a SPS Unitholder.</p> <p>This Booklet should be read in conjunction with the Prospectus sent to you from Spicers.</p>	The Notice of General Meeting contained in Annexure E and Notice of SPS Meeting contained in Annexure F set out further information on your entitlement to vote.
Why have I been sent the Prospectus?	The Prospectus relates to the offer by Spicers of the New Spicers Shares as 'Scheme Consideration to Eligible SPS Unitholders (except, in the case of Ineligible Overseas Holders, to the Foreign Nominee).	
Does The Trust Company recommend the Trust Scheme?	<p>Yes – the Directors of The Trust Company unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Trust Scheme.</p> <p>Reasons to vote for, or against, the Trust Scheme are set out in section 2.</p>	See sections 2.2 and 2.3 for reasons to vote in favour of, or against, the Trust Scheme.
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders in the absence of a Superior Proposal.</p> <p>Unitholders are urged to read the Independent Expert's Report in full, including the section on advantages and disadvantages of the proposed Trust Scheme.</p>	Annexure A contains the Independent Expert's Report.
Who is Spicers?	<p>Spicers Limited is a merchant group with operations in Australia, New Zealand and Asia. Spicers stocks, distributes and provides a broad range of products and services, and is supported by sales teams and nationwide distribution footprints in the countries in which it operates.</p> <p>Spicers has 665,181,561 ordinary shares on issue. As at 30 June 2016, Spicers had 36,030 shareholders, with the top 20 shareholders holding 56.20 per cent of the issued capital. Spicers has 10,061,100 options on issue (as at 2 May 2017), exercisable at prices ranging from \$0.07 to \$5.13 per option. Please see the Prospectus for further details regarding Spicers.</p>	Further information relating to the Spicers Group is set out in the Prospectus accompanying this Booklet.
Who is entitled to participate in the Trust Scheme?	All SPS Unitholders on the SPS Trust Register at the Record Date other than Spicers will become entitled to the Scheme Consideration in respect of the SPS Units they hold at that time, subject to the terms of the Sale Facility applicable to Ineligible Overseas Holders.	See sections 8 and 10
What if I am a foreign SPS holder at the Record Date?	<p>If the Trust Scheme is implemented:</p> <ul style="list-style-type: none"> • Eligible SPS Unitholders who are Ineligible Overseas Holders will receive cash instead of New Spicers Shares through the Sale Facility; and • all other Eligible SPS Unitholders who are foreign SPS holders will receive New Spicers Shares. 	See section 8.6
What is the Sale Facility?	The Scheme Consideration that would otherwise have been issued to the Ineligible Overseas Unitholders will be issued to the Foreign Nominee and sold on the ASX, with the net proceeds of sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.	See section 8.6

Question	Answer	More Information
What will SPS Unitholders receive under the Trust Scheme?		
Who will be an Eligible SPS Unitholder and who will be an Ineligible Overseas Holder?	<p>Eligible SPS Unitholders whose addresses are shown in the SPS Trust Register on the Record Date as being in the following jurisdictions will be entitled to have New Spicers Shares issued to them pursuant to the Trust Scheme subject to any qualifications set out below in respect of that jurisdiction:</p> <ul style="list-style-type: none"> (a) Australia and its external territories; (b) New Zealand; (c) United States of America; (d) the Cayman Islands; and (e) any other person or jurisdiction in respect of which Spicers and The Trust Company are satisfied that Spicers is not prevented from issuing New Spicers Shares to such Eligible SPS Unitholder pursuant to the Trust Scheme by the laws of that place either unconditionally or after compliance with such conditions as The Trust Company and Spicers regard as acceptable. <p>All Eligible SPS Unitholders with a registered address outside such jurisdictions will be Ineligible Overseas Holders and will receive cash instead of New Spicers Shares through the Sale Facility.</p>	See sections 8.6 and 10.10 and sections 2.5 and 2.6 of the Prospectus
What will I receive if the Trust Scheme is implemented?	<p>If the Trust Scheme is approved, and becomes Effective, subject to the terms of the Sale Facility applicable to Ineligible Overseas Holders, each Eligible SPS Unitholder will receive 545 New Spicers Shares in exchange for each SPS Unit held at the Record Date (expected to be 7.00pm on 22 June 2017).</p> <p>Based on Spicers closing price of 2.6 cents on 2 May 2017, the exchange ratio implied a value per SPS Unit of \$14.17.</p>	See sections 1.1 and 4.1
When will I receive my New Spicers Shares?	New Spicers Shares are expected to be issued on the Implementation Date, which is expected to be on or about 27 June 2017, in accordance with the indicative timetable on page 2 of this Booklet.	See the timetable on page 2 of this Booklet.
When will I receive my cash via the Sale Facility if I am an Ineligible Overseas Unitholder?	Eligible SPS Unitholders who are Ineligible Overseas Holders will be paid the cash they are entitled to receive under the Sale Facility within five Business Days of all funds from the sale of Sale Securities having been transferred to the Spicers Register (within eight weeks after the Implementation Date).	See section 8.6.
Will I be able to sell any New Spicers Shares I receive?	<p>New Spicers Shares issued under the Trust Scheme are expected to commence trading on the ASX on a normal settlement basis on Wednesday, 28 June 2017.</p> <p>Holding statements confirming the issue of New Spicers Shares will be issued by Spicers on the Implementation Date.</p>	See the timetable on page 2 of this Booklet.

Question	Answer	More Information
What will SPS Unitholders receive under the Trust Scheme? continued		
Can I choose to receive cash instead of New Spicers Shares?	No. There is no option for Eligible SPS Unitholders to elect to receive cash instead of New Spicers Shares. However, once you have received the Scheme Consideration (provided you are not an Ineligible Overseas Holder), you may sell some or all of your New Spicers Shares. Alternatively, you may elect to sell your existing SPS Units before the Effective Date.	N/A
Will I have to pay brokerage or stamp duty?	No brokerage or stamp duty will be payable on the transfer of your SPS Units to Spicers or the issue of your New Spicers Shares under the Trust Scheme, except in relation to Ineligible Overseas Holders who will have some brokerage, duty and other taxes payable from the proceeds of sale of their New Spicers Shares under the Sale Facility.	See section 4.8
The Meetings and voting		
What are the Trust Scheme Resolutions?	<p>Unitholders will have the opportunity to vote at the General Meeting and SPS Meeting on the resolutions to approve the Trust Scheme.</p> <p>Two Unitholder approvals are required for the Trust Scheme to proceed:</p> <ul style="list-style-type: none"> the Trust Constitution Amendment Resolution authorises an amendment to the SPS Trust Constitution to enable the Trust Scheme to be implemented. the Trust Acquisition Resolution authorises Spicers becoming the sole holder of SPS Units as part of the Trust Scheme. <p>Unitholders (being SPS Unitholders and Spicers, as the holder of the Ordinary Unit) will consider both these resolutions at the General Meeting.</p> <p>In addition, the SPS Unitholders must also approve the Trust Constitution Amendment Resolution at a separate class meeting in order for the Trust Scheme to proceed. The SPS Meeting will be held immediately after the General Meeting.</p>	See sections 4.4, 8.7 and Annexure E and Annexure F.
Am I entitled to vote?	<p>All Unitholders on the register of the SPS Trust at 7.00pm (Sydney time) on Monday, 12 June 2017 are entitled to vote at the General Meeting, unless you are otherwise excluded in the manner set out in the Notice of General Meeting.</p> <p>All SPS Unitholders on the register of the SPS Trust at 7.00pm (Sydney time) on Monday, 12 June 2017 are entitled to vote at the SPS Meeting, unless you are otherwise excluded in the manner set out in the Notice of SPS Meeting.</p>	The Notice of General Meeting contained in Annexure E and the Notice of SPS Meeting contained in Annexure F sets out further information on your entitlement to vote.
When and where will the General Meeting be held?	<p>The General Meeting to consider the Trust Scheme Resolutions has been called for 12.00pm on Wednesday, 14 June 2017.</p> <p>The General Meeting will be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia.</p>	The Notice of General Meeting contained in Annexure E sets out further information on the General Meeting.
When and where will the SPS Meeting be held?	<p>The SPS Meeting to consider the Trust Constitution Amendment Resolution has been called for 1.00pm on Wednesday, 14 June 2017.</p> <p>It will be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia.</p>	The Notice of SPS Meeting contained in Annexure F sets out further information on how to vote at the SPS Meeting.

Question	Answer	More Information
The Meetings and voting continued		
How can I vote if I cannot attend the Meetings?	<p>If you would like to vote but cannot attend the Meetings in person, you can vote by appointing a proxy or attorney (including lodging your proxy online via www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only)) to attend and vote on your behalf.</p> <p>You may also vote by corporate representative if that option is available to you.</p> <p>The last date and time for receipt of your Proxy Forms or powers of attorney for the General Meeting is 12.00pm (Sydney time) on Monday, 12 June 2017.</p> <p>The last date and time for receipt of your Proxy Forms or powers of attorney for the SPS Meeting is 1.00pm (Sydney time) on Monday, 12 June 2017.</p>	<p>The Notice of General Meeting contained in Annexure E sets out further information on how to vote at the General Meeting.</p> <p>The Notice of SPS Meeting contained in Annexure F sets out further information on how to vote at the SPS Meeting.</p>
Should I vote?	<p>Voting is not compulsory. However, The Trust Company believes that the Trust Scheme is important for all SPS Unitholders and encourages you to vote.</p> <p>Your Directors unanimously recommend that SPS Unitholders vote in favour of the Trust Scheme, in the absence of a Superior Proposal at both the General Meeting and the SPS Meeting.</p>	Section 2 provides further information on your Directors' recommendation.
What happens to my SPS Units if I do not vote or I vote against the Trust Scheme?	<p>Different voting thresholds apply to the relevant Trust Scheme Resolutions.</p> <p>If the Trust Scheme Resolutions are approved by the requisite majorities of Unitholders at the Meetings and all other Conditions Precedents are satisfied or waived, the Trust Scheme will be implemented even if you did not vote on the Trust Scheme Resolutions or voted against the Trust Scheme Resolutions.</p>	The Notice of General Meeting contained in Annexure E and the Notice of SPS Meeting contained in Annexure F sets out further information the voting thresholds.
What voting majorities are required to approve the Trust Scheme?	<p>Approval of the Trust Scheme will require:</p> <ul style="list-style-type: none"> • Unitholders to approve each Trust Scheme Resolution at the General Meeting by the requisite majorities; and • SPS Unitholders to approve the Trust Constitution Amendment Resolution at the SPS Meeting by the requisite majority. <p>For the Trust Constitution Amendment Resolution to be approved at the General Meeting, at least 75 per cent of the total votes cast in person or by proxy on the resolution must be in favour of the resolution at the General Meeting.</p> <p>For the Trust Acquisition Resolution to be approved at the General Meeting, more than 50 per cent of the total number of votes cast in person or by proxy on this resolution by Unitholders at the General Meeting must be in favour of this Resolution.</p> <p>For the Trust Constitution Amendment Resolution to be approved at the SPS Meeting, at least 75 per cent of the total votes cast in person or by proxy on the resolution by SPS Unitholders entitled to vote must be in favour of the resolution.</p>	See section 4.4 and Annexure E for further details.

Question	Answer	More Information
The Meetings and voting continued		
What happens if the Trust Scheme Resolutions are not approved?	<p>If any of the Trust Scheme Resolutions are not approved by the requisite majorities (at either Meeting), or all other Conditions Precedent are not satisfied or waived (if applicable):</p> <ul style="list-style-type: none"> • the Trust Scheme will not take place; • the SPS Trust will remain listed on the ASX and continue to operate as it currently does. The SPS Unitholders will remain unable to influence the Spicers Board or force a Realisation or Exchange Event; or • the expected benefits of the Trust Scheme will not be realised and SPS Unitholders will continue to be exposed to the risks associated with continuing to hold SPS Units. <p>It is also possible that the price of SPS Units and Spicers Shares may fall if the Trust Scheme is not implemented.</p>	See section 4.11
When will the results of the Meetings be known?	<p>The results will be announced to the ASX shortly after the conclusion of the General Meeting and will be accessible from the ASX's website at www.asx.com.au.</p> <p>Even if the Trust Scheme is agreed to by the requisite majorities at the General Meeting and the Spicers General Meeting, the Trust Scheme is still subject to the approval of the Court.</p>	N/A
What are my options?	<p>You may:</p> <ul style="list-style-type: none"> • vote on the Trust Scheme at the Meetings (in person, or by proxy, attorney or, if applicable, corporate representative); • sell your SPS Units on market at any time before close of trading on the ASX on the Effective Date. If you do so, you may incur brokerage costs; or • do nothing, in which case, if the Trust Scheme becomes Effective, you will receive the Scheme Consideration (subject to the terms of the Sale Facility applicable to Ineligible Overseas Holders), and if the Trust Scheme does not become Effective and is not implemented, you will continue to hold SPS Units. 	Section 4.12.
What approvals are being sought at the Spicers Shareholder Meeting?	<p>Spicers Shareholders will be asked to authorise the issue of the Scheme Consideration at the Spicers Shareholder Meeting for the purpose of Listing Rule 7.1.</p> <p>This is an ordinary resolution, meaning 50 per cent of the total number of votes cast in person or by proxy on this resolution by Spicers Shareholders at the Spicers Shareholder Meeting must be in favour of this resolution</p> <p>SPS Unitholders who are not Spicers Shareholders are not entitled to vote at the Spicers Shareholder Meeting. SPS Unitholders who are also Spicers Shareholders may attend the Spicers Shareholder Meeting but will not be entitled to vote.</p>	See section 4.4.
When will the results of the Spicers Shareholder Meeting be known?	<p>The results of the Spicers Shareholder Meeting will be announced by Spicers to the ASX shortly after the conclusion of that meeting and will be accessible from the ASX's website at www.asx.com.au. The results may not be known at the time the Meetings are convened.</p>	N/A

Question	Answer	More Information
Implementation of the Trust Scheme		
What will happen to the SPS Trust if the Trust Scheme becomes Effective?	<p>If the Trust Scheme is approved and becomes Effective:</p> <ul style="list-style-type: none"> • Spicers will acquire all of the SPS Units it does not already own; • the SPS Trust will be removed from the official list of the ASX; • SPS Unitholders will provide certain releases to The Trust Company and Spicers and, as a result, may be unable to pursue claims in respect of the management of Spicers or the SPS Trust against those parties after completion of the Trust Scheme. The impact and the rationale for these releases are discussed in section 8.4; • the SPS Trust will be de-registered as a registered managed investment scheme, following which The Trust Company will be replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers; and • the SPS Units will be redeemed and cancelled and the SPS Trust will be wound-up. <p>In addition, Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, by undertaking the steps set out in section 5.5 of the Prospectus. Although the stand alone financial statements of Spicers and the Spicers Deed of Cross Guarantee Group will benefit from the reinstatement to positive equity positions from the extinguishment of the subordinated loan notes payable to PaperlinX LLC, Spicers indicates in the Prospectus that there will be no net impact on the Spicers Group's consolidated financial information, as the transactions relating to the relevant intra-group balances will be eliminated upon consolidation.</p>	See section 4 of this Booklet and section 5 of the Prospectus for further information regarding the Spicers Combined Group following implementation of the Trust Scheme.
Why are SPS Unitholders providing releases under the Trust Scheme?	<p>The Trust Scheme has been structured with a view to helping Spicers to move forward after a period of difficult reconstruction, and seeks to offer the possibility of a 'new start' for Spicers and its operations. This 'new start' is facilitated by the proposed Spicers Board renewal process (see section 8.3 of this Booklet and section 5.3 of the Prospectus for further details) and the releases to be provided by SPS Unitholders if the Trust Scheme is implemented.</p> <p>The releases in the Trust Scheme are aimed at helping ensure that the Spicers Board elected through the renewal process is able to focus on the future direction of Spicers. In this way, the releases are intended to benefit all Spicers Shareholders (including Eligible SPS Unitholders issued New Spicers Shares under the Trust Scheme). Further information regarding the impact and the rationale for these releases are discussed in section 8.4.</p>	See section 8.4

Question	Answer	More Information
Implementation of the Trust Scheme continued		
What are the TrustCo Matters and the Spicers Matters?	<p>The releases provide that, if the Trust Scheme is implemented, to the extent permitted by law, SPS Unitholders will fully release each of The Trust Company (in its capacity as responsible entity of the SPS Trust and in its personal capacity) and Spicers in respect of all actions, conduct and decisions made in relation to the TrustCo Matters and the Spicers Matters.</p> <p>The TrustCo Matters that are the subject of these releases are:</p> <ul style="list-style-type: none"> • the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 (PDS) issued by The Trust Company as responsible entity of the SPS Trust and the issue of the SPS Units by The Trust Company pursuant to that PDS; • The Trust Company's compliance with the SPS Trust Constitution, the terms of issue of the SPS Units and all agreements between The Trust Company and Spicers; and • the management and operation of the SPS Trust (in the period from inception until completion of the Trust Scheme). <p>The Spicers Matters that are the subject of the releases are all actions, conduct and decisions made in relation to the management and operation of the Spicers business in the period from the date of the SPS Trust to the completion date of the Trust Scheme.</p>	See section 8.4
What rights are being released?	<p>Subject to the below limitations, the releases will act to release all rights held by SPS Unitholders (in relation to the TrustCo Matters and the Spicers Matters). In this way the releases will affect any rights currently held by SPS Unitholders in equity, at common law and under statute. For the avoidance of doubt, this includes rights under the Corporations Act (including section 601MA), the <i>Trustee Act 1925</i> (NSW) and any other relevant legislation.</p> <p>The releases are limited to the TrustCo Matters and the Spicers Matters and will only be effective to the extent permitted by law. As a result, if a court were to find the release of a specific right unlawful, the releases provided by SPS Unitholders under the Trust Scheme would not be effective in respect of that right. Further, the releases will not be effective to release The Trust Company or Spicers from liability in relation to fraud or wilful misconduct.</p>	See section 8.4

Question	Answer	More Information
Implementation of the Trust Scheme continued		
Are there conditions that need to be satisfied before the Trust Scheme can proceed?	<p>There are a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Trust Scheme can become Effective.</p> <p>In summary, as at the date of this Booklet, the outstanding Conditions Precedent include:</p> <ul style="list-style-type: none"> • approval by SPS Unitholders by the requisite majorities at the General Meeting; • approval by Spicers Shareholders by the requisite majority at the Spicers General Meeting; • prior to 8.00am on the Second Judicial Advice Date, ASIC and the ASX providing such consents or approvals required to implement the Trust Scheme; • no Spicers Prescribed Occurrences or TrustCo Prescribed Occurrences occurring between 19 December 2016 and 5.00pm on the Business Day immediately prior to the Second Judicial Advice Date (except with the consent of The Trust Company or Spicers, respectively); • approval by the Court by granting the Second Judicial Advice; and • no restraints being imposed by any court or Government Agency. <p>The Proposal will not proceed unless all Conditions Precedent are satisfied or waived (as applicable).</p>	Sections 1.1 and 4.3 and Annexure B.
When will the Trust Scheme become Effective?	Subject to the satisfaction or waiver (as applicable) of the Conditions Precedent, the Trust Scheme will become Effective on the Effective Date (expected to be Tuesday, 20 June 2017).	See the timetable on page 2 of this Booklet.
Will The Trust Company remain as responsible entity for the SPS Trust?	If the Trust Scheme proceeds, The Trust Company (RE Services) Limited will continue to be the responsible entity for the SPS Trust until after the Implementation Date, at which time The Trust Company (RE Services) Limited will be replaced as trustee by a wholly owned subsidiary of Spicers. The exact timing of such a change has not yet been determined but it is expected to be completed as soon as possible following deregistration of the SPS Trust as a managed investment scheme with ASIC.	Section 8.1.
What are the Australian tax implications of the Trust Scheme for SPS Unitholders?	<p>To the extent SPS Unitholders realise a capital gain as a result of the Trust Scheme, they may be liable for CGT on the disposal of their SPS Units under the Trust Scheme. A summary of the relevant tax implications for SPS Unitholders is contained in section 9 in the Prospectus.</p> <p>If you are in doubt about the tax implications of the Trust Scheme, you should consult an independent and appropriately licensed and authorised professional adviser without delay.</p>	See section 9 of the Prospectus.

Question	Answer	More Information
Spicers and the Combined Spicers Group		
If the Trust Scheme is implemented, what will the Combined Spicers Group look like?	<p>The New Spicers Shares will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme.</p> <p>The issuance of Spicers Shares is not expected to result in any individual Eligible SPS Unitholder having control of Spicers. However, Eligible SPS Unitholders will hold approximately 68.3 per cent¹⁴ of the enlarged Spicers capital base and, therefore, may collectively have the ability to exert significant influence over Spicers.</p> <p>See section 5.2 of the Prospectus for further information regarding the impact of the Trust Scheme on Spicers' capital structure.</p>	Section 5.2 of the Prospectus.
What are Spicers' intentions in relation to the Combined Spicers Group following implementation?	<p>If the Trust Scheme is implemented, Spicers will issue the Scheme Consideration under the Trust Scheme (pursuant to the Prospectus) and the SPS Trust will become wholly owned by Spicers Limited. Further details of the profile of the Combined Spicers Group, including Spicers' intentions regarding the SPS Trust are contained in sections 5.1 and 5.6 of the Prospectus. Information regarding Spicers strategic direction is contained in section 3.2 of the Prospectus.</p> <p>Following implementation of the Proposal, Spicers' operations and business will remain unchanged.</p>	Sections 5.1 and 5.6 of the Prospectus.
Who will be on the Spicers Board following implementation of the Trust Scheme?	<p>On 20 December 2016, Spicers announced that the Spicers Board has agreed to undertake a comprehensive board renewal process. This will enable the newly unified body of Spicers Shareholders to elect the directors that will take Spicers forward on its next phase of activity. The board renewal process involves several steps which are further described in section 5.3 of the Prospectus.</p> <p>Spicers has undertaken to Eligible SPS Unitholders that, until Spicers holds a general meeting of Spicers Shareholders for the election of new directors, it will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement or the Trust Scheme. See section 9.1(c) of this Booklet for a summary of what constitutes a Spicers Prescribed Occurrence. Spicers' undertaking to Eligible SPS Unitholders is contained in the Trust Scheme Deed Poll, which is set out in Annexure C.</p>	<p>Section 5.3 of the Prospectus.</p> <p>See section 9.1(c) of this Booklet and Annexure C for further details regarding Spicers undertaking to Eligible SPS Unitholders.</p>

¹⁴ Excludes any Spicers Shares held by Eligible SPS Unitholders prior to implementation of the Proposal. Includes New Spicers Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

Question	Answer	More Information																																			
Spicers and the Combined Spicers Group continued																																					
What is Spicers' historical financial information?	<p>A summary of Spicers' historical consolidated income statements is presented in section 3.8 of the Prospectus.</p> <p>A brief summary of Spicers' historical consolidated income statements is presented below.</p> <table><thead><tr><th></th><th>Year ended 30 June 2015 (restated)⁽¹⁾</th><th>Year ended 30 June 2016</th><th>Half year ended 31 Dec 2015</th><th>Half year ended 31 Dec 2016</th></tr></thead><tbody><tr><td>\$'000</td><td></td><td></td><td></td><td></td></tr><tr><td colspan="5">Continuing operations</td></tr><tr><td>Revenue from sale of goods</td><td>403,961</td><td>392,682</td><td>202,634</td><td>195,217</td></tr><tr><td>Gross profit⁽²⁾</td><td>85,697</td><td>81,405</td><td>40,610</td><td>40,384</td></tr><tr><td>Result from operating activities⁽²⁾</td><td>(9,591)</td><td>5,516</td><td>2,913</td><td>3,044</td></tr><tr><td>Profit/(loss) from continuing operations</td><td>(14,089)</td><td>1,497</td><td>1,440</td><td>1,412</td></tr></tbody></table> <p>1 As reflected in Spicers' financial report for Financial Year (FY) 2016, FY2015 financial information was restated to reclassify operations discontinued in FY2016.</p> <p>2 For Half Year (HY) 2016 and HY2017, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Cost of inventory sold'. For FY2015 and FY2016, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Net finance costs'.</p>		Year ended 30 June 2015 (restated) ⁽¹⁾	Year ended 30 June 2016	Half year ended 31 Dec 2015	Half year ended 31 Dec 2016	\$'000					Continuing operations					Revenue from sale of goods	403,961	392,682	202,634	195,217	Gross profit ⁽²⁾	85,697	81,405	40,610	40,384	Result from operating activities ⁽²⁾	(9,591)	5,516	2,913	3,044	Profit/(loss) from continuing operations	(14,089)	1,497	1,440	1,412	Section 3.8 of the Prospectus.
	Year ended 30 June 2015 (restated) ⁽¹⁾	Year ended 30 June 2016	Half year ended 31 Dec 2015	Half year ended 31 Dec 2016																																	
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Gross profit ⁽²⁾	85,697	81,405	40,610	40,384																																	
Result from operating activities ⁽²⁾	(9,591)	5,516	2,913	3,044																																	
Profit/(loss) from continuing operations	(14,089)	1,497	1,440	1,412																																	
What is Spicers' pro forma financial information?	Spicers' pro forma consolidated statement of financial position is presented in section 5.7 of the Prospectus.	Section 5.7 of the Prospectus.																																			
Benefits, disadvantages and key risks																																					
What is the rationale for the Trust Scheme?	The rationale for the Trust Scheme is to adopt a simplified corporate structure which is expected to provide a number of benefits to SPS Unitholders.	See sections 2.2(d) and 2.2(e).																																			
What are the benefits of the Trust Scheme?	<p>The Trust Scheme provides SPS Unitholders with an opportunity to realise their investment in the SPS Trust. For the reasons set out in section 2.2(c), The Trust Company consider that there is no alternative realisation options achievable at this time that would deliver a superior outcome for SPS Unitholders relative to the Trust Scheme.</p> <p>Further the Trust Scheme will create a unified capital structure that Spicers considers is expected to provide the following benefits:</p> <ul style="list-style-type: none">• creation of a unified, simplified and transparent capital structure. The Spicers directors believe it may also broaden investor and analyst interest in Spicers, thus enhancing trading liquidity of Spicers Shares. This may also assist in improving the Company's equity market based valuation;• removal of dividend-paying constraints imposed by the existing capital structure, enabling a new Spicers Board to consider paying ordinary share dividends in the future;• enabling Spicers to undertake a full range of commercial and financial activities beyond its current capabilities including, if determined appropriate by the new Spicers Board, access to capital raisings and engaging in M&A activity;	See sections 2.2(d) and 2.2(e) and section 2.1 of the Prospectus.																																			

Question	Answer	More Information
Benefits, disadvantages and key risks continued		
What are the benefits of the Trust Scheme? continued	<ul style="list-style-type: none"> • removing the uncertainties caused by the existing capital structure will enable the Spicers Board and management to focus without distraction on Spicers' performance and delivering its strategy; • improving confidence and removing perceptions of counterparty risk among Spicers' key stakeholders, including customers, suppliers and financiers; and • eliminating the complexity and administrative cost of maintaining the SPS Trust structure. <p>In addition, it will give SPS Unitholders (that become Spicers Shareholders under the Trust Scheme) the ability to influence the composition of Spicers Board.</p>	
What are the disadvantages of the Trust Scheme?	<p>You may consider the following to be disadvantages and reasons not to vote in favour of the Trust Scheme:</p> <ul style="list-style-type: none"> • you may disagree with the recommendation of your Directors and the conclusions of the Independent Expert; • you may consider the releases to be provided by SPS Unitholders if the Trust Scheme is implemented to be materially disadvantageous; • you may consider that a Superior Proposal may be made; • you may consider that despite the restructuring initiatives implemented by the Spicers Board, there remains uncertainty regarding the operational and financial position of Spicers. Accordingly you may consider that exchanging SPS Units for Spicers Shares is not prudent at this time; • you may consider that an alternative realisation option may be achievable and would deliver a superior outcome for SPS Unitholders relative to the Trust Scheme; • you may consider that a direct investment in Spicers, via New Spicers Shares, represents a change in your investment profile; • you may consider that the Scheme Consideration does not compensate SPS Unitholders for unpaid distributions and is below the face value of the SPS Units; • you may consider the value of the Scheme Consideration is not certain. 	See section 2.3.

Question	Answer	More Information
Benefits, disadvantages and key risks continued		
What are the key risks associated with the Trust Scheme and the Combined Spicers Group?	<p>The key risks associated with the Trust Scheme include:</p> <ul style="list-style-type: none"> • Implications for Spicers if the Proposal is not Implemented: If the Proposal is not Implemented there may be adverse implications for Spicers, its Shareholders and SPS Unitholders. Some of these risks include that market valuations for Spicers Shares may continue to be adversely affected, open market trading in Spicers Shares is likely to remain constrained and ongoing legal disputes may continue to affect Spicers. • Value of Scheme Consideration: The implied value of the Scheme Consideration to be issued by Spicers to the Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee) will depend on the price at which Spicers Shares trade on the ASX after the Implementation Date and is not fixed. • Sale of New Spicers Shares by Eligible SPS Unitholders and/or Foreign Nominee: Under the Trust Scheme, Spicers will issue a significant number of New Spicers Shares. Some Eligible SPS Unitholders who receive New Spicers Shares under the Trust Scheme may not intend to continue to hold their New Spicers Shares and wish to sell them. The New Spicers Shares issued to the Foreign Nominee will be sold on the ASX as soon as practicable after implementation. It is possible that the sale of those shares on market may apply downward pressure to the price of Spicers Shares. • Conditions under the Implementation Agreement: Implementation of the Trust Scheme is subject to the satisfaction or waiver (as applicable) of conditions precedent under the Implementation Agreement. • Board renewal process: There is a risk that suitable new Spicers directors may not be identified. There is also uncertainty over the strategic direction a new board may implement, which may be different from the strategy and intentions of the current Spicers Board as identified in section 3.2 of the Prospectus. <p>Risks specific to the Combined Spicers Group include:</p> <ul style="list-style-type: none"> • Structural decline in 'core' paper markets: Spicers' future financial performance is dependent upon the success of its business strategies in 'core' paper markets, which have been subject to decline. Further, it is difficult to accurately forecast the level of structural decline in the consumption of paper, which may impact Spicers' overall profitability. • Competitive and industry landscapes: The Spicers Group is subject to risks related to the competitive and industry landscape it operates in, including linkages with ongoing structural decline in core paper markets. Spicers' future sales levels, gross profit margins and overall financial performance may be impacted by these risks. • Execution of diversification strategy: There are risks that Spicers' strategy to expand into new markets and product categories in order to reduce reliance on 'core' paper markets may not be successfully executed. In particular, the growth of diversified revenue streams, including via acquisition, may not be sufficient, and the nature and risks of new markets and product categories entered may not be properly understood. 	<p>Risks associated with the Trust Scheme, the Proposal and the Combined Spicers Group are set out in section 7 of the Prospectus.</p> <p>Risks associated with the Trust Scheme are set out in section 4.10.</p>

Question	Answer	More Information
Benefits, disadvantages and key risks continued		
<p>What are the key risks associated with the Trust Scheme and the Combined Spicers Group? continued</p>	<ul style="list-style-type: none"> <p>Contingent liabilities relating to Spicers' withdrawal from previous European operations during 2015: Spicers (then known as PaperlinX) withdrew from its former operations in Europe during 2015. Several previous European subsidiaries of Spicers were placed into insolvency proceedings during this period. These European insolvency 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 Spicers, including in respect of, but not limited to, pension plan liabilities, other employee entitlements, former intercompany balances and equity transactions, other creditors and director/officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters and the amount of any potential liability.</p> <p>It is further noted that two of Spicers' previous United Kingdom subsidiaries were the principal employer of defined benefit pension schemes which had significant deficits at the time these subsidiaries entered external administration proceedings. In certain circumstances, the UK Pensions Regulator can use its 'moral hazard' powers to seek to extend liability for UK defined benefit schemes to other entities in a corporate group. There is material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability is unascertainable at this time and will depend on a variety of factors. Spicers has not received any correspondence from the UK Pension Regulator nor does it have any reason to believe that the UK Pension Regulator intends to exercise its 'moral hazard' powers in relation to Spicers.</p> <p>Material litigation risks: Proceedings have been brought against Spicers in the NSW Supreme Court seeking preliminary discovery of documents relating to a loan from PaperlinX LLC to Spicers and its subsidiaries, and to the renegotiation and amendment or variation of the loan. In addition, The Trust Company has sought judicial advice and direction of the Court pursuant to section 63(1) of the <i>Trustee Act 1925</i> (NSW) in respect of particular matters. Further, while not the subject of litigation, allegations have been made in correspondence by two SPS Unitholders against Spicers and its directors regarding the management and conduct of the Spicers Group and the arrangements with respect to the SPS Trust.</p> <p>Further risks relating to the Proposal, the Combined Spicers Group and general factors are noted in sections 7 and 10 of the Prospectus. These and other risks (including those of a general nature) may affect the future operating performance, financial position, value or reputation of the Combined Spicers Group. General risks include general economic and financial conditions, government policy, regulatory risks and taxation, equity market conditions, liquidity risk and litigation risk.</p>	

Question	Answer	More Information
Other questions		
What are the prospects of receiving a Superior Proposal in the near future?	<p>The Directors are, at present, not aware of any alternative proposals for the SPS Trust.</p> <p>Moreover, the Directors consider that the possibility of a proposal that could give rise to a Superior Proposal emerging in the foreseeable future is low. See section 2.2(c) for details.</p>	See section 2.2(c).
What happens if a Superior Proposal emerges?	If a Superior Proposal emerges, your Directors will reconsider their recommendation in respect of the Trust Scheme.	See section 2.2(c).
Can I sell my SPS Units now?	<p>You can sell your SPS Units on market at any time before the close of trading on the ASX on the Effective Date, at the then prevailing market price (which may vary from the implied value of the Scheme Consideration).</p> <p>SPS Units will be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your SPS Units on market after this time.</p>	See section 4.12.
Where can I get further information?	<p>If, after reading this Booklet, you have any questions about the Trust Scheme, please call the SPS Unitholder Information Line on 1300 783 484 (within Australia) and +61 3 9415 4235 (from outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).</p> <p>If you are in doubt about anything in this Booklet or in the Prospectus, please contact your financial, legal, tax or other professional adviser.</p>	N/A

4

OVERVIEW OF THE TRUST SCHEME

4.1 BACKGROUND

On 11 October 2016, The Trust Company as responsible entity of the SPS Trust announced that it had received a non-binding, conditional proposal from Spicers to acquire all of the SPS Units in the SPS Trust that it does not already own by way of a trust scheme (**Trust Scheme**).

The board of The Trust Company (**Board**) then implemented a process to assess the merits of Spicers' proposal. This involved an assessment of the consideration offered and alternatives to the Trust Scheme, which included maintaining the status quo. Following this assessment, the Board determined that the proposed Trust Scheme represented the most compelling opportunity for SPS Unitholders of the alternatives explored.

Subsequently on 20 December 2016, The Trust Company and Spicers announced that they had entered into an implementation agreement (released to the ASX in full on that date) (**Implementation Agreement**) whereby The Trust Company agreed to propose the Trust Scheme to SPS Unitholders.

Subject to the satisfaction or waiver (if applicable) of the Conditions Precedent set out in the Implementation Agreement, the Trust Scheme will result in the transfer of each SPS Unit that Spicers does not own on the Record Date to Spicers in consideration for the issue of 545 new fully paid ordinary shares in Spicers (**New Spicers Shares**). Each New Spicers Share will rank equally with all existing ordinary shares in Spicers.

The New Spicers Shares will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme.

4.2 INDEPENDENT EXPERT'S CONCLUSION

The Trust Company commissioned the Independent Expert to prepare a report on whether the Trust Scheme is, in the Independent Expert's opinion, in the best interests of SPS Unitholders (not associated with Spicers).

The Independent Expert concluded that the Trust Scheme is **fair and reasonable**, and therefore in the best interests of SPS Unitholders in the absence of a Superior Proposal. The Independent Expert's Report is set out in Annexure A.

The Trust Company encourages SPS Unitholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Trust Scheme.

4.3 CONDITIONS OF THE TRUST SCHEME

Implementation of the Trust Scheme is subject to a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Trust Scheme can become Effective.

In summary, as at the date of this Booklet, the outstanding Conditions Precedent include:

- (a) approval by SPS Unitholders by the requisite majorities at the Meetings;
- (b) approval by Spicers Shareholders by the requisite majority at the Spicers Shareholder Meeting;
- (c) prior to 8.00am on the Second Judicial Advice Date, ASIC and the ASX providing such consents or approvals required to implement the Trust Scheme;
- (d) no Spicers Prescribed Occurrences or TrustCo Prescribed Occurrences occurring between 19 December 2016 and 5.00pm on the Business Day immediately prior to the Second Judicial Advice Date (except with the consent of The Trust Company or Spicers, respectively);
- (e) approval by the Court by granting the Second Judicial Advice; and
- (f) no restraints being imposed by any court or Government Agency.

4.3 CONDITIONS OF THE TRUST SCHEME CONTINUED

The Conditions Precedent are set out in full in clause 6 of the Implementation Agreement, as contained in Annexure B. As at the date of this Booklet, The Trust Company is not aware of any circumstances, which would cause any Condition Precedent not to be satisfied.

4.4 UNITHOLDER, SPS UNITHOLDER AND SPICERS SHAREHOLDER APPROVAL REQUIREMENTS

SUMMARY OF APPROVALS

The Trust Scheme will only become Effective and be implemented if it is:

- (a) agreed to by Unitholders by the requisite majorities at the General Meeting;
- (b) agreed to by the SPS Unitholders by the requisite majority at the SPS Meeting;
- (c) agreed to by Spicers Shareholders by the requisite majority at the Spicers Shareholder Meeting.

TRUST SCHEME RESOLUTIONS

Agreement by Unitholders requires the Trust Scheme Resolutions be approved by Unitholders at the General Meeting and the Trust Constitution Amendment Resolution (defined below) be approved by the SPS Unitholders at a separate class meeting. These are described more fully in section 8.7. In summary, the approvals required are:

- (a) to amend the Trust Constitution to authorise implementation of the Trust Scheme (**Trust Constitution Amendment Resolution**). This resolution will be considered by Unitholders at the General Meeting and SPS Unitholders at the SPS Meeting; and
- (b) to approve Spicers becoming the sole holder of SPS Units for the purposes of section 611 (item 7) of the Corporations Act (**Trust Acquisition Resolution**). This resolution will be considered by Unitholders at the General Meeting only.

The Trust Constitution Amendment Resolution is a special resolution. This requires 75 per cent or more of the votes cast (in person or by proxy) on the Trust Constitution Amendment Resolution at the General Meeting and the SPS Meeting (respectively) to be cast in favour of the resolution. The Trust Acquisition Resolution is an ordinary resolution. This requires the Trust Acquisition Resolution to be passed by 50 per cent or more of votes cast (in person or by proxy) at the General Meeting.

SPS Unitholders and Spicers as holder of the sole Ordinary Unit may attend and vote at the General Meeting. SPS Unitholders only may attend and vote at the SPS Meeting. Voting restrictions apply to the Trust Scheme Resolutions. See section 10.12 of this Booklet for details these voting restrictions.

The effect of the Trust Constitution Amendment Resolution would be to vary the rights of SPS Unitholders. This is because the amendments incorporate certain releases that seek to limit the rights of SPS Unitholders to bring claims against The Trust Company and Spicers following implementation of the Trust Scheme. These releases are explained in section 8.4.

The Corporations Act (as amended by Class Order CO 98/60) and the Trust Constitution prohibit amendments to the Trust Constitution that would have the effect of varying any rights that attach to a class of Units without the members of that Unit class authorising the variation by special resolution. Accordingly, for the Trust Scheme to proceed, the Trust Constitution Amendment Resolution must be approved as a special resolution at the SPS Meeting, being a separate class meeting of SPS Unitholders. The SPS Meeting will be held immediately after the General Meeting.

The resolutions to be passed at the General and SPS Meetings are interdependent on each other, which means that if any one of the Trust Scheme Resolutions is not passed (either by Unitholders at the General Meeting or by SPS Unitholders at the SPS Meeting), the Trust Scheme will not proceed.

SPICERS SHAREHOLDER APPROVAL

Spicers Shareholders will be asked to authorise the issue of the Scheme Consideration at the Spicers Shareholder Meeting for the purpose of Listing Rule 7.1.

Agreement by Spicers Shareholders requires more than 50 per cent of the total number of votes cast (in person or by proxy) at the Spicers Shareholder Meeting. The Spicers Shareholder Meeting will be convened immediately prior to the Meetings.

SPS Unitholders who are not Spicers Shareholders are not entitled to vote or attend the Spicers Shareholder Meeting. SPS Unitholders who are also Spicers Shareholders may attend the Spicers Shareholder Meeting but will not be entitled to vote at that meeting. The results of the Spicers Shareholder Meeting may not be known at the time of the Meetings.

4.5 SECOND JUDICIAL ADVICE FOR THE TRUST SCHEME

The Trust Scheme will only become Effective and be implemented if it is approved by the Court at the Second Court Hearing (by the Court providing the Second Judicial Advice).

In the event that:

- (a) the Trust Scheme is approved by the requisite majorities of Unitholders at the Meetings and Spicers Shareholders at the Spicers Shareholder Meeting (see section 4.4 for the Unitholder and Spicers Shareholders approval requirements); and
- (b) all Conditions Precedent capable of being satisfied or waived (as applicable) prior to the Second Judicial Advice Date have been,

then The Trust Company will apply to the Court at the Second Court Hearing for the Second Judicial Advice in respect of the Trust Scheme.

Each Unitholder has the right to appear at the Second Court Hearing.

4.6 RECOMMENDATIONS AND SUPPORT

For the reasons set out in this Booklet, The Trust Company and each of its Directors considers that the Trust Scheme is in the best interests of SPS Unitholders and recommends that SPS Unitholders vote in favour of the Trust Scheme in the absence of a Superior Proposal. See section 2.2 and The Trust Company's letter at the beginning of this Booklet for further information on the basis of this recommendation.

4.7 TAX IMPLICATIONS

To the extent SPS Unitholders realise a capital gain as a result of the Trust Scheme, they may be liable for CGT on the disposal of their SPS Units under the Trust Scheme. A summary of the relevant tax implications for SPS Unitholders is contained in section 9 in the Prospectus.

4.8 NO BROKERAGE OR STAMP DUTY

No brokerage or stamp duty will be payable by SPS Unitholders on the transfer of their SPS Units to Spicers under the Trust Scheme or the receipt by Eligible SPS Unitholders of the Scheme Consideration.

4.9 KEY IMPLICATIONS IF THE TRUST SCHEME DOES PROCEED

If the Trust Scheme proceeds, Spicers will acquire all of the SPS Units it does not already own. The SPS Trust will be delisted from the ASX and subsequently deregistered as a managed investment scheme. In addition, The Trust Company will be replaced as trustee of the SPS Trust by a wholly owned subsidiary of Spicers.

Eligible SPS Unitholders will:

- (a) receive the Scheme Consideration (subject to the terms of the Sale Facility applicable to Ineligible Overseas Holders); and
- (b) provide certain releases to The Trust Company and Spicers and may as a result be unable to pursue claims in respect of the management of Spicers or the SPS Trust (to the extent the claim is the subject of the release provided by SPS Unitholders). The releases are aimed at ensuring that the Spicers Board elected through the renewal process (outlined below) is able to focus on the future direction of Spicers and support the Spicers Combined Group move forward on its next phase of activity. In this way, the releases are intended to benefit all Spicers Shareholders, including Eligible SPS Unitholders issued New Spicers Shares under the Trust Scheme. The impact and the rationale for these releases are discussed in section 8.4.

The key implications of the Trust Scheme on the Combined Spicers Group are:

- (a) **Board renewal:** Spicers Shareholders will be invited to nominate potential directors and vote on the composition of the Spicers Board. See section 8.3 for details of the renewal process. Until Spicers completes the renewal process, it will be unable to undertake the Spicers Prescribed Occurrences set out in the Implementation Agreement (other than in accordance with that agreement, the Trust Scheme or the resolution to be considered at the Spicers Shareholder Meeting, authorising the issue of the Scheme Consideration). See sections 8.3 and 9.2 for details.

4.9 KEY IMPLICATIONS IF THE TRUST SCHEME DOES PROCEED CONTINUED

- (b) **Impact on financial position:** Spicers' consolidated statement of financial position as at 31 December 2016, and the pro forma consolidated statement of financial position as at 31 December 2016, are set out in section 5.7 of the Prospectus. Following implementation of the Proposal (and following Spicers holding 100 per cent of the SPS Units and the sole Ordinary Unit), Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, including extinguishing the subordinated loan notes payable to PaperlinX LLC. Spicers has indicated that this will have no net impact on the Spicers Group's consolidated financial information, as the relevant intra-group balances will be eliminated upon consolidation. See section 5.5 of the Prospectus for further details.
- (c) **Capital structure and ownership:** The New Spicers Shares will represent approximately 68.3 per cent of Spicers' issued capital immediately after completion of the Trust Scheme. The issuance of Spicers Shares is not expected to result in any individual Eligible SPS Unitholder having control of Spicers. However, Eligible SPS Unitholders will hold approximately 68.3 per cent¹⁵ of the enlarged Spicers capital base and, therefore, may collectively have the ability to exert significant influence over Spicers. See section 5.2 of the Prospectus for further details.

4.10 KEY RISKS OF TRUST SCHEME

In considering the Trust Scheme, SPS Unitholders should be aware that there are a number of risk factors, which could materially adversely affect the future operating and financial performance of the SPS Trust and the value of SPS Units.

Additional risks and uncertainties not currently known to The Trust Company may have a material adverse effect on the SPS Trust and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect the SPS Trust.

If the Trust Scheme is implemented, Eligible SPS Unitholders will receive the Scheme Consideration and they will cease to be SPS Unitholders. However, unless you are an Ineligible Overseas Unitholder, you will continue to be exposed to the risks associated with Spicers' business. These risks are set out in section 7 of the Prospectus. If the Trust Scheme does not proceed, you will continue to hold your SPS Units and continue to be exposed to risks associated with that investment.

In deciding whether to vote in favour of the Trust Scheme, you should read this Booklet carefully in its entirety. You should also read the Prospectus accompanying this Booklet in its entirety. SPS Unitholders should carefully consider the risk factors outlined below and in the Prospectus. This section is general in nature only and does not take into account your individual investment objectives, financial situation, taxation position or particular needs.

While The Trust Company considers the benefits for SPS Unitholders outweigh the risks, there are a number of risks to SPS Unitholders associated with the Trust Scheme. These risks include:

- (a) The exact value of Scheme Consideration being uncertain as it will depend on the price at which Spicers Shares trade on the ASX after the Implementation Date.
- (b) As outlined in section 8.3 Spicers has announced a board renewal process. There is a risk that suitable new directors may not be identified. There is also uncertainty over the strategic direction a new board may implement, which may be different from the strategy and intentions of the current Spicers Board as identified in sections 3.2 and 5.6 of the Prospectus.
- (c) Under the Trust Scheme, Spicers will issue a significant number of New Spicers Shares to Eligible SPS Unitholders. Some Eligible SPS Unitholders who receive Spicers Shares under the Trust Scheme may not intend to continue to hold their New Spicers Shares and wish to sell them. There is a risk that increased sales of Spicers Shares may adversely impact the price of, and demand for, Spicers Shares.
- (d) The Foreign Nominee will be issued with New Spicers Shares attributable to Ineligible Overseas Unitholders on the Implementation Date, following which the Foreign Nominee will sell those Spicers Shares on the ASX as soon as practicable. It is possible that the sale of those New Spicers Shares on market may apply downward pressure to the price of Spicers Shares.

These and other risks (including those of a general nature) may affect the future operating performance, financial position, value or reputation of the Combined Spicers Group. See section 7 of the Prospectus for details.

¹⁵ Excludes any Spicers Shares held by Eligible SPS Unitholders prior to implementation of the Proposal. Includes New Spicers Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

4.11 IF THE TRUST SCHEME DOES NOT PROCEED

If any of the Trust Scheme Resolutions are not approved, or all other Conditions Precedent are not satisfied or waived (if applicable), and the Trust Scheme does not proceed and:

- (a) SPS Unitholders will continue to hold SPS Units and will be exposed to the risks relating to SPS Units;
- (b) Eligible SPS Unitholders will not receive the Scheme Consideration;
- (c) the SPS Trust will remain as a registered managed investment scheme with The Trust Company as the responsible entity (unless removed by SPS Unitholders); and
- (d) SPS Unitholders will remain unable to influence the Spicers Board or force a Realisation or Exchange Event.

If the Trust Scheme does not proceed, the SPS Trust will continue as an ASX-listed entity.

The Trust Company is of the opinion that if the Trust Scheme does not proceed, the price of a SPS Units is likely to fall, in the absence of a Superior Proposal. See section 2.2(g) for further information.

4.12 YOUR OPTIONS AS A UNITHOLDER

As a Unitholder, you have three options currently available to you. These options are set out below.

(A) VOTE IN FAVOUR OF OR AGAINST THE TRUST SCHEME

Unitholders may vote in favour of, or against, the Trust Scheme in respect of some or all of their Units. Details of how to vote at the Meetings are set out in section 1.2 and in the explanatory notes to the Notice of General Meeting contained in Annexure E and in the explanatory notes to the Notice of SPS Meeting contained in Annexure F.

SPS Unitholders should note that if they vote against the Trust Scheme but the Trust Scheme is approved and becomes Effective, then any SPS Units held by such SPS Unitholders on the Record Date will be transferred to Spicers, and the SPS Unitholder will receive the Scheme Consideration (provided they are not Ineligible Overseas Holders), notwithstanding that they may have voted against the Trust Scheme.

(B) SELL YOUR SPS UNITS ON MARKET

SPS Unitholders may elect to sell some or all of their SPS Units on market through the ASX. The latest trading price for SPS Units may be obtained from the ASX website at www.asx.com.au. This price may vary from the value of the Scheme Consideration.

SPS Unitholders who sell some or all of their SPS Units on market may be liable for CGT on the disposal of their SPS Units (as may also apply under the Trust Scheme) and may incur a brokerage charge. See the Tax Adviser's Report set out in section 9 of the Prospectus for information regarding the tax implications of the Trust Scheme.

SPS Unitholders who wish to sell some or all of their SPS Units on market should contact their broker for information on how to effect that sale.

(C) DO NOTHING

SPS Unitholders who do not wish to vote for or against the Trust Scheme or sell their SPS Unitholders on market should do nothing.

SPS Unitholders should note that if they do nothing and the Trust Scheme is approved and becomes Effective, then any SPS Units held by Eligible SPS Unitholders on the Record Date will be compulsorily transferred to Spicers, and those SPS Unitholders will be issued the Scheme Consideration in respect of the SPS Units they hold as at the Record Date (subject to the terms of the Sale Facility applicable to Ineligible Overseas Holders), notwithstanding that they did not vote.

5

INFORMATION ABOUT THE SPS TRUST

5.1 OVERVIEW

The beneficial interest in SPS Trust is divided into units. There are two classes of units, the SPS Units and one Ordinary Unit, held by Spicers.

The Trust Company holds the assets of the SPS Trust on trust for the SPS Unitholders and the Ordinary Unitholder (together, the **Unitholders**).

A SPS Unit or Ordinary Unit confers no interest in any particular asset of the SPS Trust, and no Unitholder is entitled to require the transfer to them of any of the assets of the SPS Trust. Unitholders must not interfere with the rights or powers of The Trust Company under the SPS Trust Constitution.

5.2 RIGHT ATTACHING TO UNITS

ORDINARY UNIT RIGHTS

The Ordinary Unit carries a voting right, limited rights to distributions and rights on a winding up of SPS Trust that rank behind the SPS Units. The Ordinary Unit confers no right of exchange or redemption, while the SPS Units are on issue.

SPS UNIT RIGHTS

The SPS Units are preferred units in the SPS Trust, a registered managed investment scheme. The SPS Units are perpetual unless redeemed for cash, exchanged for Spicers Shares or exchanged for Spicers Preference Shares (see section 6 of this Booklet for further details of SPS Units Realisation and Exchange rights). They do not have a maturity date.

Rights attaching to the SPS Units are contained in the SPS Trust Constitution, the Corporations Act, the ASX Listing Rules and the general law relating to trusts. Some of the rights attaching the SPS Units are linked with rights arising under other documents, for example:

- (a) SPS Units may be exchanged for Spicers Shares in certain limited circumstances. The rights attaching to Spicers Shares are set out in the Spicers constitution and the Corporations Act;
- (b) Spicers is required to exchange SPS Units for Spicers Preference Shares if a 'PaperlinX Breach of Undertakings Event' occurs or if a 'PaperlinX Winding Up Event' occurs. For a summary of important rights attaching to the Spicers Preference Shares see section 5.5 of this Booklet;
- (c) the gross proceeds raised through the issue of SPS Units have been invested in LLC Preference Shares which are issued by PaperlinX LLC. For a description of important rights attaching to the LLC Preference Shares see section 5.3 of this Booklet;
- (d) Spicers is a party to the SPS Trust Constitution and has given certain undertakings to The Trust Company in relation to the SPS Units. For a summary of these undertakings see section 5.6 of this Booklet; and
- (e) in limited circumstances, the SPS Units may be Realised through redemption, exchanged for Spicers Shares or through a resale process (these Realisation rights are in addition to the circumstances detailed above where the SPS Units must be exchanged for Spicers Preference Shares). The Realisation method for the SPS Units must be determined by Spicers. Realisation rights attaching to the SPS Units are set out in section 6 of this Booklet.

5.3 DESCRIPTION OF LLC PREFERENCE SHARES

LLC Preference Shares represent the SPS Trust's only material asset. These preferred shares in PaperlinX LLC, a subsidiary of Spicers, were issued with a face value of \$100 and entitle the SPS Trust to semi-annual floating rate discretionary non-cumulative distributions. The distribution rate is calculated on the face value at the 180 day Bank Bill Swap Rate plus a margin. The margin is greater than the margin applicable to the SPS Units: the difference between distribution rates is applied toward meeting the fees and other costs of The Trust Company.

The terms of the LLC Preference Shares require The Trust Company, as the holder, to realise the SPS Units upon the occurrence of certain events. If the event:

- (a) corresponds with The Trust Company's Realisation rights under the SPS Trust Constitution, including where holders of SPS Units have requested Realisation on the occurrence of a Change of Control Event – the SPS Units will be Realised in the manner elected by Spicers; and
- (b) is a 'PaperlinX Winding Up Event' or 'PaperlinX Breach of Undertakings Event' – the SPS Units are exchanged for Spicers Preference Shares.

LLC Preference Shares confer no right to wind up PaperlinX LLC nor do they confer any rights to appoint directors or influence the operations of PaperlinX LLC. LLC Preference Shares can only be transferred in very limited circumstances.

5.4 DESCRIPTION OF THE LLC LOAN NOTES

PaperlinX LLC was established to invest the proceeds of the SPS Trust's subscription in members of the Spicers Group. These funds were used to retire debt drawn under Spicers bank facilities.

PaperlinX LLC's investment was made via the LLC Loan Notes. The Trust Company is not a party to the LLC Loan Notes, nor in its capacity as LLC Preference Shareholder, does it have any clear right to influence the terms or enforcement of the LLC Loan Notes.

The face value and interest payment terms of the LLC Loan Notes mirror those of the LLC Preference Shares. The LLC Loan Notes must be redeemed for cash at maturity (the cash amount equalling the face value of each LLC Loan Note, together with all accrued but unpaid interest). Spicers and PaperlinX LLC agreed to extend the maturity of the LLC Loan Notes in February 2016 by two years. The LLC Loan Notes maturity date is currently 30 June 2019.

The LLC Loan Notes are subordinated to all present and future creditors of Spicers whose claims are entitled to be admitted in the winding up of the Issuer and are not expressed to rank equally with or subordinate to the LLC Loan Noteholder (**Senior Creditors**).

In a winding up of Spicers, PaperlinX LLC (as the LLC Loan Noteholder) is prohibited from exercising any voting rights as a creditor or making any claim until all Senior Creditor claims have been paid in full.

If the LLC Loan Notes are repaid, PaperlinX LLC is able to use those funds to invest in debt instruments or securities issued by any Spicers Group member.

5.5 SUMMARY OF RIGHTS ATTACHING TO SPICERS PREFERENCE SHARES

Spicers Preference Shares are redeemable preference shares in the capital of Spicers. Spicers Preference Shares entitle the holders to a discretionary non-cumulative dividend at the same rate as that which applies to distributions on SPS Units at the date the Spicers Preference Shares are issued. This dividend is payable in priority to the payment of a dividend on Spicers Shares.

If a Spicers Preference Share has been issued as a result of a 'PaperlinX Breach of Undertakings Event', it will be redeemable at any time at the option of the holder. It is also redeemable at the option of Spicers on any dividend payment date or earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment.

If a Spicers Preference Share has been issued other than as a result of a 'PaperlinX Winding Up Event', it will be redeemable on any Distribution Payment Date (and earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment) in respect of the Spicers Preference Share but only at Spicers' option.

The amount payable upon redemption of a Spicers Preference Share is \$100 plus an amount equal to the unpaid amount (if any) of the scheduled SPS Unit Distribution for a period of 12 months preceding (but including) the issue date.

In a winding up of Spicers, the holder of a Spicers Preference Share will be entitled to be paid out of any surplus remaining after payment of all amounts due to creditors of an amount equal to the amount payable on redemption of the Spicers Preference Share.

Spicers Preference Shares entitle the holders to attend all meetings of Spicers but only entitle holders to vote in the following circumstances:

- (a) during a period during which a dividend (or part of a dividend) in respect of the Spicers Preference Share is in arrears;
- (b) on a proposal to reduce Spicers' share capital (other than in respect of the Spicers Preference Shares);
- (c) on a resolution to approve the terms of a buyback agreement (other than a resolution to approve a buyback of the Spicers Preference Shares);
- (d) on a proposal that affects rights attached to the Spicers Preference Shares;
- (e) on a proposal to wind up Spicers;
- (f) on a proposal for the disposal of the whole of Spicers' property, business and undertaking; and
- (g) during the winding up of Spicers.

Each Spicers Preference Share entitles the holder to one vote. Spicers may only issue a preference share which ranks senior to the Spicers Preference Shares with the approval of holders of the Spicers Preference Shares, but may issue equal ranking or junior ranking preference shares without that approval.

5.6 SPICERS UNDERTAKINGS

Spicers has provided certain undertakings to The Trust Company (held on trust for the SPS Unitholders) that Spicers will:

- (a) not pay any dividends to Spicers Shareholders or redeem, reduce, cancel, buyback or acquire for any consideration any share capital of Spicers, unless or until the minimum amount of distributions required under the SPS Trust Constitution have been paid to SPS Unitholders;
- (b) pay cash, issue Spicers Shares, or on behalf of the SPS Unitholders, sell the SPS Units (as required) and Realise the SPS Units in accordance with the SPS Trust Constitution; and
- (c) not issue any preference shares or other instruments which convert into a preference shares and rank (or would upon conversion rank) ahead of the Spicers Preference Shares with respect to dividend payments and the return of capital in a winding up.

These obligations cease to apply if there are no SPS Units on issue. If The Trust Company gives Spicers a notice that Spicers is in breach of one of the above obligations (provided the breach is remediable) and that breach has not been remedied within three Business Days of receipt of the notice a Spicers Breach of Undertakings Event is deemed to occur and as a result the SPS Units must be exchanged for Spicers Preference Shares. See section 6 of this Booklet for further details.

5.7 JUDICIAL ADVICE AND DIRECTION SOUGHT IN RELATION TO SPICERS' UNDERTAKINGS

In response to allegations by SPS Unitholders that Spicers has breached certain obligations in the SPS Trust Constitution, The Trust Company has sought judicial advice and direction of the Court pursuant to section 63(1) of the *Trustee Act 1925* (NSW) in respect of whether:

- (a) the cancellation of certain performance rights held by Canadian employees in March 2015 (in conjunction with the sale of Spicers' Canadian operations in 2015) (**Rights Cancellation**); or
- (b) certain share transactions associated with Spicers' employee share plans and recorded in Spicers' annual reports as 'Purchase of own shares for employees' (**Employee Share Purchase**),

constitute a breach of undertakings given by Spicers in the SPS Trust Constitution.

If the Court were to rule in the affirmative, The Trust Company would be entitled (but not obligated) to give Spicers a notice stating that Spicers had breached its undertakings in the SPS Trust Constitution. Unless Spicers is able to remedy the relevant breach to The Trust Company's satisfaction within three Business Days, this notice would trigger a 'PaperlinX Breach of Undertakings Event' and the SPS Units would need to be Exchanged for Spicers Preference Shares. See section 6.4 of this Booklet for further details.

Any decision by The Trust Company to issue such a notice, and trigger a 'PaperlinX Breach of Undertakings Event', would require The Trust Company to carefully consider, amongst other things, the advantages and disadvantages associated with exchanging SPS Units for Spicers Preference Shares. For example, if a Breach of Undertakings Event occurs, SPS Unitholders would give up their listed SPS Units, which can be traded on the ASX, for an unlisted preference share in Spicers. The Trust Company has not undertaken any such assessment at this time.

These proceedings have been adjourned to allow the Trust Company time to propose the Trust Scheme. If the Trust Scheme proceeds, the proceedings will be withdrawn. If the Trust Scheme does not proceed, The Trust Company will seek orders on this matter within the 2017 calendar year.

6

SPS UNIT REALISATION RIGHTS AND PREFERENCE SHARE TERMS

This section provides a summary of the key terms of the Realisation and Exchange rights relating to the SPS Units. Capitalised terms not defined in this section or in the Glossary have the meaning given to those terms in the SPS Trust Constitution, and as described in the PaperlinX Step-up Preference Securities Replacement Product Disclosure Statement, lodged with ASIC and announced to the ASX on 7 March 2007.

6.1 OVERVIEW OF REALISATION RIGHTS

SPS UNITHOLDER REALISATION RIGHTS

SPS Unitholders may request Realisation of SPS Units following a Change of Control Event, but in no other circumstances.

SPS UNITHOLDER PREFERENCE SHARE EXCHANGE RIGHT

Spicers must exchange the SPS Units for Preference Shares (**Exchange**) in Spicers on request from The Trust Company if:

- (a) a 'PaperlinX Breach of Undertakings Event' occurs (including breach of the Dividend Restriction); or
- (b) a 'PaperlinX Winding Up Event' occurs.

A Spicers Preference Share issued on a 'PaperlinX Breach of Undertakings Event' is immediately redeemable at the option of the SPS Unitholder. A Spicers Preference Share issued on a 'PaperlinX Winding Up Event' is not redeemable at the option of the SPS Unitholder.

SPICERS' REALISATION RIGHTS

Spicers may cause The Trust Company to Realise the SPS Units in the following circumstances:

- (a) immediately prior to each Periodic Remarketing Date (irrespective of whether the relevant Remarketing process was successful or unsuccessful);
- (b) on any Distribution Payment Date if the Step-Up Margin applies;
- (c) following an Acquisition Event;
- (d) following an RE Removal Event or a Trust Winding Up Event;
- (e) following a Tax Event, Regulatory Event or Accounting Event; and
- (f) if the aggregate Face Value of SPS Units on issue is less than \$50 million.

In addition, Spicers may cause The Trust Company to Realise SPS Units held by existing holders (i.e. SPS Unitholders who have given a Step-Up Notice or a Bid Notice that specified a margin which is higher than the Remarketing Margin which applies from the relevant Remarketing Date).

6.2 SPS UNITHOLDER REALISATION RIGHTS

SPS Unitholders may request that their SPS Units be Realised following a Change of Control Event, but in no other circumstances.

In the event of a Change of Control, SPS Unitholders that want to Realise their SPS Units have 15 Business Days following the Change of Control to notify The Trust Company. Following receipt of a SPS Unitholders notice, Spicers is then entitled to determine how the SPS Units will be Realised.

6.3 SPICERS REALISATION RIGHTS

Spicers may cause The Trust Company to Realise the SPS Units on a Periodic Remarketing Date (irrespective of whether Remarketing has taken place) or on any Distribution Payment Date (if the Step-up Margin applies).

In addition, Spicers may cause The Trust Company to Realise the SPS Units if any of the following events occur:

- (a) **an Acquisition Event:** an Acquisition Event is where:
 - (i) a takeover bid is made to acquire all or some Spicers Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and either the offer is supported by a majority of Spicers' directors or the bidder's voting power in Spicers increases to more than 50 per cent; or
 - (ii) a court orders the holding of a meeting to approve a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50 per cent of the Spicers Shares that would be on issue if the scheme were implemented and all classes of members of Spicers pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme;
- (b) **an RE Removal Event:** An RE Removal Event occurs where SPS Unitholders pass a resolution to remove The Trust Company as responsible entity of the SPS Trust and the replacement responsible entity is not a member of the Spicers Group or a person approved by Spicers;
- (c) **a Trust Winding Up Event:** a Trust Winding Up Event occurs if a meeting is called to consider a resolution directing The Trust Company as responsible entity of the SPS Trust to wind up that trust;
- (d) **a Tax Event:** Tax Event is where Spicers' directors determine that a change in law or administrative action after the SPS Units were issued has resulted or may result in a more than negligible increase in taxes or costs or denial of a deduction or other tax benefit for a member of the Spicers Group, The Trust Company or the SPS Trust;
- (e) **a Regulatory Event:** A Regulatory Event is (broadly) where Spicers' directors determine that as a result of a change in law or regulation or interpretation relating to securities or the ASX Listing Rules any member of the Spicers Group or the SPS Trust has been or will be exposed to the imposition of additional requirements which Spicers' directors determine to be unacceptable; or
- (f) **an Accounting Event:** An Accounting Event is where Spicers' directors determine that a change in Australian Accounting Standards or their interpretation or implementation has had or may have the effect that:
 - (i) the SPS Units would be treated in Spicers' consolidated financial statements or in the stand-alone accounts of the SPS Trust, other than as equity; or
 - (ii) the LLC Preference Shares would be treated in the stand-alone accounts of PaperlinX LLC (if such accounts were prepared) other than as equity.

6.4 EXCHANGE FOR SPICERS PREFERENCE SHARES

Spicers must exchange SPS Units for Spicers preference shares if a 'PaperlinX Breach of Undertakings Event' occurs or if a 'PaperlinX Winding Up Event' occurs. If Spicers fails to issue Spicers Preference Shares following such an event, the SPS Units will remain on issue and until such time as the Spicers Preference Shares are issued or the SPS Units are Redeemed, Spicers will be restricted from paying dividends or returning capital to Spicers Shareholders.

A Spicers Preference Share issued as a result of a 'PaperlinX Winding Up Event' is not redeemable at the option of the SPS Unitholders. Spicers Preference Shares issued as a result of a 'PaperlinX Breach of Undertakings Event' are redeemable immediately at the option of SPS Unitholders, subject to compliance with the Corporations Act.

Under the Corporations Act, a Spicers Preference Share may only be redeemed out of profits of Spicers or the proceeds of a new issue of shares made for the purpose of the redemption.

If Spicers fails to issue Spicers Preference Shares to a SPS Unitholder, that Unitholder's claim is limited to specific performance or such monetary claim as it would have had if the Spicers Preference Shares were issued. In a winding up of Spicers, SPS Unitholders' claims rank junior to the claims of all other creditors but ahead of Spicers Shareholders.

A 'PaperlinX Winding Up Event' occurs if:

- (a) an order is made by a court of competent jurisdiction for the winding up of Spicers or PaperlinX LLC (as the case maybe) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or
- (b) a resolution is duly passed by the members of Spicers or PaperlinX LLC for the winding up of Spicers or PaperlinX LLC (as the case may be), in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a Special Resolution of SPS Unitholders.)

6.4 EXCHANGE FOR SPICERS PREFERENCE SHARES CONTINUED

An insolvency event may occur with respect to Spicers other than in the above circumstances; such as the appointment of a receiver to the assets of Spicers, the appointment of a voluntary administrator to Spicers or the appointment of a liquidator following a meeting of creditors during the period of administration of Spicers. The occurrence of these insolvency events do not constitute 'PaperlinX Winding Up Events'. Unless another Realisation Event occurs, SPS Unitholders will continue to hold SPS Units.

The interests of the SPS Unitholders are protected in these circumstances by the LLC Agreement, which requires PaperlinX LLC be wound up if Spicers is liquidated or dissolved and provides for a preferential payment to The Trust Company as the holder of the LLC Preference Shares (of the amount invested plus 12 months of distribution).

A 'PaperlinX Breach of Undertakings Event' occurs if The Trust Company gives Spicers a notice that Spicers is in breach of one of the undertakings contained in the SPS Trust Constitution and, if the breach is remediable, that breach has not been remedied (to The Trust Company's satisfaction) within three Business Days of receipt of the notice. The undertakings include an undertaking to issue Spicers Shares on a Realisation or Spicers Preference Shares on an Exchange. See section 5.6 for further details regarding the undertakings provided by Spicers.

6.5 REALISATION CONTROLLED BY SPICERS

The SPS Trust Constitution prohibits The Trust Company from Realising the SPS Units other than in accordance with instructions from Spicers.

Spicers controls whether or not the SPS Units are Realised in the circumstances detailed in section 6.3.

If SPS Unitholders make a Realisation Request following a Change of Control Event or Spicers directs The Trust Company to Realise the SPS Units in the circumstances detailed in section 6.3, Spicers determines which of the following Realisation methods will be implemented:

- (a) **redemption for cash** – Spicers will make a cash payment of the Redemption Amount to SPS Unitholders and the SPS Units will be cancelled. The 'Redemption Amount' is:
 - (i) in the case of redemption following a Change of Control Event or an Acquisition Event – an amount equal to the number of Spicers Shares that would have been issued on Exchange as a result of that event multiplied by the volume weighted average sale price on the ASX of Spicers Shares over the 20 Business Days on which trading in Spicers Shares took place up to (and including) the Business Day before the date of Realisation; and
 - (ii) in all other circumstances – an amount equal to \$100 per SPS Unit plus any unpaid amount of scheduled Distributions for a period of 12 months immediately preceding (but including) the date of Realisation, plus an amount equal to a Distribution that would have been paid for the period to the date of Realisation;
- (b) **resale to a third party** – SPS Units will be sold to a third party for an amount no less than that which would have been payable had the SPS Units been redeemed for cash (see section 6.5(a) above);
- (c) **Exchange for Spicers Shares** – SPS Units will be redeemed in exchange for the issue to the SPS Unitholder of Spicers Shares on the terms set out in section 6.6.

6.6 EXCHANGE FOR SPICERS SHARES

An Exchange for Spicers Shares is the redemption of SPS Units in exchange for the issue to the SPS Unitholder of Spicers Shares.

Under the SPS Trust Constitution, if exchange for Spicers Shares is selected by Spicers (other than from a Change of Control Event or an Acquisition Event), each SPS Unit will be exchanged for a number of Spicers Shares determined in accordance with the following formula:

Redemption Amount

$VWAP \times (1 - ED)$

where:

- VWAP is the VWAP calculated in respect of the period of 20 Business Days on which trading in Spicers Shares took place immediately preceding the date of exchange; and
- ED equals 2.5 per cent.

6.6 EXCHANGE FOR SPICERS SHARES CONTINUED

If Exchange has resulted from a Change of Control Event or an Acquisition Event, each SPS Unit will be exchanged for the number of Spicers Shares determined in accordance with the following formula:

Redemption Amount

A

where:

- A is the lower of:
 - the VWAP calculated in respect of the period of 20 Business Days on which trading in Spicers Shares took place immediately preceding (but excluding) the public announcement of the takeover bid or the scheme of arrangement, plus 50 per cent of the amount calculated by subtracting that VWAP from the offer price under the takeover bid or the consideration under the scheme of arrangement; and
 - 97.5 per cent of the offer price under the takeover bid or the consideration under the scheme of arrangement.

For the purposes of both calculations, 'Redemption Amount' is an amount equal to \$100 plus any unpaid amount of scheduled Distributions for the period of 12 months immediately preceding (but including) the date of exchange, plus an amount equivalent to a Distribution for the period to the date of exchange (less the amount of any cash payment in respect of the SPS Units made by The Trust Company or Spicers on the date of the exchange for Spicers Shares).

6.7 POTENTIAL CONSTRAINTS ON ISSUE OF SPICERS SHARES AND SPICERS PREFERENCE SHARES REALISATION RISKS

Spicers is admitted to the official list of the ASX and so is subject to the ASX Listing Rules. ASX Listing Rule 7.1 provides that a company may not issue or agree to issue equity securities representing more than 15 per cent of the equity securities of that company on issue on the date 12 months before the date of issue (increased by the number of equity securities issued with shareholder approval in that period or under an exception to Listing Rule 7.1) without first obtaining approval from holders of equity securities. A resolution to approve such an issue is an ordinary resolution.

Prior to being issued, the ASX confirmed that Listing Rule 7.1 will apply to the exchange of SPS Units for Spicers Shares. At the time of issue of the SPS Units, Spicers did not obtain approval from its shareholders to the exchange of SPS Units for Spicers Shares or Spicers Preference Shares.

If a Realisation Event occurs, Spicers may be constrained from issuing Spicers Shares or Spicers Preference Shares in exchange for SPS Units without first obtaining the approval of Spicers Shareholders under Listing Rule 7.1. There can be no certainty that Spicers Shareholder approval, if required by the ASX under Listing Rule 7.1, would be obtained. If Spicers elects to exchange Spicers Shares or Spicers Preference Shares for SPS Units and does not issue those securities (including as a result of failure to obtain any necessary Spicers Shareholder approval), a Spicers Breach of Undertaking Event will have occurred. In these circumstances, the exchange for Spicers Preference Shares will be required.

If that exchange also does not proceed, any claim will be limited to an order for specific performance or such monetary claim as it would have had if the Spicers Preference Shares were issued. See section 5.5 of this Booklet for details.

It is open to Spicers to seek to achieve the same commercial outcome as Realisation by other means. By way of example, if Spicers considered it critical to simplify the capital structure for the Spicers Group and was unable to undertake Realisation due to an inability to obtain approval from Spicers Shareholders, Spicers could undertake scrip for scrip takeover bid for SPS Units.

7

SPICERS

7.1 INTRODUCTION

All information concerning Spicers, its related entities and the intentions, views and opinions is set out in the Prospectus accompanying this Booklet. The Prospectus was issued by Spicers and is the responsibility of Spicers. The Trust Company and its officers and advisers do not assume any responsibility for the accuracy or completeness of the information.

The purpose of this section 7 is to draw SPS Unitholders attention to specific sections of the Prospectus.

SPS Unitholders should still read the Prospectus in full.

7.2 SPICERS INFORMATION

Where can I find out about Spicers and its business operations?	<p>Spicers is a merchant group with market leading positions in Australia, New Zealand and Asia. Spicers offers a full suite of products and services to the printing, signage, visual display and graphics industries – incorporating commercial print, packaging, digital media, sign & display, hardware, pressure sensitive labels and industrial packaging offerings.</p> <p>Spicers sources, stocks, markets and distributes a broad range of products and services to its customers, supported by expert local sales teams and broad nationwide distribution footprints.</p> <p>An overview of Spicers and its business operations is contained in section 3 of the Prospectus.</p>												
Who are the directors and senior managers of Spicers?	<p>The Spicers Board is currently comprised of Robert Kaye SC, Michael Barker and Wayne Johnston.</p> <p>The senior management of Spicers are David Martin (Chief Executive Officer), Wayne Johnston (Finance Director and Chief Financial Officer) and Frank Glynn (Company Secretary).</p> <p>The directors of Spicers, members of senior management and their respective functions are set out in section 3.3 of the Prospectus.</p>												
What are the significant benefits and interests of directors and other persons connected with the Trust Scheme?	<p>As at the date of the Prospectus, the directors of Spicers have the following relevant interests in Spicers Shares and SPS Units:</p> <table><tr><th>Director</th><th>Spicers Shares</th><th>SPS Units</th></tr><tr><td>Mr Robert Kaye</td><td>1,002,246</td><td>0</td></tr><tr><td>Mr Michael Barker</td><td>1,000,000</td><td>0</td></tr><tr><td>Mr Wayne Johnston</td><td>469,130</td><td>0</td></tr></table> <p>Further details of the Spicers directors’ remuneration arrangements and other interests are described in section 8.2 of the Prospectus.</p> <p>In addition, the costs of the Trust Scheme expected to be payable by Spicers is currently estimated to be approximately \$4.2 million. This includes financial advisory, legal, accounting, independent experts, tax, administrative fees, registry, and other expenses. It also includes transaction costs incurred by The Trust Company.</p>	Director	Spicers Shares	SPS Units	Mr Robert Kaye	1,002,246	0	Mr Michael Barker	1,000,000	0	Mr Wayne Johnston	469,130	0
Director	Spicers Shares	SPS Units											
Mr Robert Kaye	1,002,246	0											
Mr Michael Barker	1,000,000	0											
Mr Wayne Johnston	469,130	0											

7.2 SPICERS INFORMATION CONTINUED

What is Spicers capital structure?	Information regarding Spicers' capital structure is set out in section 3.4 of the Prospectus.
What is Spicers dividend policy?	<p>As the Spicers Board is undertaking a board renewal process, the current Spicers Board will not determine a future dividend policy for Spicers following implementation of the Trust Scheme and will instead allow the new Spicers Board to establish and then communicate the future Spicers dividend policy at the appropriate time.</p> <p>Further information regarding Spicers' dividend policy is contained in section 5.4 of the Prospectus.</p>
What is the board renewal process?	Information regarding the Spicers board renewal process is contained in section 5.3 of the Prospectus.
What is Spicers' rationale for its proposed acquisition of the SPS Trust?	<p>The Spicers Board believes that a simplified capital structure is in the best interests of Spicers and both sets of security holders. Specifically, it is expected that Implementation of the Proposal will provide several benefits, including:</p> <ul style="list-style-type: none"> (a) creation of a unified, simplified and transparent capital structure. The Spicers directors believe it may also broaden investor and analyst interest in Spicers, thus improving trading liquidity in Spicers Shares. This may also assist in improving Spicers' equity market based valuation; (b) removal of dividend-paying constraints imposed by the existing capital structure, enabling a new Spicers Board to consider paying ordinary share dividends in the future; (c) enabling Spicers to undertake a full range of commercial and financial activities beyond its current capabilities, including, if determined appropriate by a new Spicers Board, access to capital raisings and engaging in M&A activity; (d) removing the uncertainties caused by the existing capital structure will enable the Spicers Board and management to focus without distraction on Spicers' performance and delivering its strategy; (e) improving confidence and removing perceptions of counterparty risk among Spicers' key stakeholders including customers, suppliers and financiers; and (f) eliminating the complexity and administrative cost of maintaining the SPS Trust structure. <p>In addition, Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, by undertaking the steps set out in section 5.5 of the Prospectus. Although the stand alone financial statements of Spicers Limited and the Spicers Deed of Cross Guarantee Group will benefit from reinstatement to positive equity positions from the extinguishment of the subordinated loan notes payable to PaperlinX LLC, there will be no net impact on the Spicers Group's consolidated financial information, as the transactions relating to the relevant intra-group balances will be eliminated upon consolidation.</p> <p>Further information regarding Spicers' rationale for the Proposal is contained in section 2 of the Prospectus.</p>
What are Spicers' intentions if the Trust Scheme is implemented?	<p>If the Trust Scheme is implemented, Spicers will issue the Scheme Consideration and the SPS Trust will become wholly owned by Spicers.</p> <p>Following implementation of the Trust Scheme, Spicers' operations and business will remain unchanged.</p> <p>Further Information regarding the Combined Spicers Group, including Spicers' intentions following implementation of the Trust Scheme, is contained in section 5 of the Prospectus.</p>

7.2 SPICERS INFORMATION CONTINUED

What will the Combined Spicers Group financials look like?	<p>A pro forma statement of financial position, which assumes (among other things, completion of the Trust Scheme as at 31 December 2016) is set out in section 5.7 of the Prospectus.</p> <p>A brief summary of Spicers' pro forma consolidated statement of financial position is presented below.</p> <table><tr><th>\$'000</th><th>Statutory 31 Dec 2016</th><th>Pro forma adjustments</th><th>Pro forma 31 Dec 2016</th></tr><tr><td>Total assets</td><td>225,248</td><td>(4,189)</td><td>221,059</td></tr><tr><td>Total liabilities</td><td>82,939</td><td>-</td><td>82,939</td></tr><tr><td>Net assets/Total equity</td><td>142,309</td><td>(4,189)</td><td>138,120</td></tr></table> <p>There would be no material impacts on the Spicers consolidated income statement or consolidated statement of cash flows arising from the implementation of the Trust Scheme.</p>	\$'000	Statutory 31 Dec 2016	Pro forma adjustments	Pro forma 31 Dec 2016	Total assets	225,248	(4,189)	221,059	Total liabilities	82,939	-	82,939	Net assets/Total equity	142,309	(4,189)	138,120
\$'000	Statutory 31 Dec 2016	Pro forma adjustments	Pro forma 31 Dec 2016														
Total assets	225,248	(4,189)	221,059														
Total liabilities	82,939	-	82,939														
Net assets/Total equity	142,309	(4,189)	138,120														
What are the tax consequences of the Trust Scheme for Spicers?	<p>Spicers has obtained a private binding ruling from the ATO that confirms that the Proposal:</p> <ul style="list-style-type: none">• will not result in Spicers failing the continuity of ownership test which is currently relied upon by Spicers for the utilisation of tax losses in future years; and• will not give rise to any adverse income tax implications associated with the post-implementation corporate restructure steps as described in section 5.5 of the Prospectus.																

7.3 NO OTHER MATERIAL INFORMATION

Except as disclosed elsewhere in this Booklet or the Prospectus, there is no other information that is material to the making of a decision in relation to the Trust Scheme, being information that is within the knowledge of any director of Spicers or any director of The Trust Company, at the date of this Booklet, which has not previously been disclosed to SPS Unitholders.

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INFORMATION RELATING TO THE PROPOSAL

This section 8 provides further details of the steps involved in the Proposal.

8.1 REPLACEMENT OF THE TRUST COMPANY

If the Trust Scheme is approved and takes effect then The Trust Company will apply to ASIC to deregister the SPS Trust as a registered managed investment scheme. Following deregistration, The Trust Company will retire as Responsible Entity of the SPS Trust. A wholly owned subsidiary of Spicers will become the trustee of the SPS Trust following the retirement of The Trust Company. The exact timing of such a change has not yet been determined but it is expected to be completed as soon as possible following deregistration of the SPS Trust as a managed investment scheme with ASIC.

8.2 AMENDMENTS TO THE SPS TRUST CONSTITUTION

As part of the Trust Scheme, approval will be sought at the Meetings to amend the SPS Trust Constitution in a manner that will enable the Trust Scheme to be put into effect.

The effect of the proposed amendments to the Trust Constitution would be to vary the rights of SPS Unitholders. This is because the amendments incorporate certain releases that seek to limit the rights of SPS Unitholders to bring claims against The Trust Company or Spicers following implementation of the Trust Scheme. These releases are explained in section 8.4.

The Corporations Act (as amended by Class Order CO 98/60) and the Trust Constitution prohibit amendments to the Trust Constitution that would have the effect of varying any rights that attach to a class of Units without the members of that Unit class authorising the variation by special resolution. Accordingly, for the Trust Scheme to proceed, the Trust Constitution Amendment Resolution must be approved as a special resolution at:

- (a) at the General Meeting, SPS Unitholders and Spicers as holder of the sole Ordinary Unit may vote on the Trust Constitution Amendment; and
- (b) a meeting of SPS holders (**SPS Meeting**), at which SPS Unitholders only can vote on the Trust Constitution Amendment. The SPS Meeting will be held immediately after the General Meeting.

See section 8.7 for further details.

8.3 SPICERS BOARD RENEWAL

The Spicers Board is currently comprised of Mr Robert Kaye (Chairman), Mr Michael Barker and Mr Wayne Johnston. Information regarding the current members of the Spicers Board and senior management of Spicers is contained in section 3.3 of the Prospectus.

As announced to the ASX on 20 December 2016, the Spicers Board has agreed to undertake a comprehensive board renewal process. This will enable the newly unified body of Spicers Shareholders to elect the directors that will take Spicers forward on its next phase of activity.

The board renewal process involves the following:

- (a) Spicers has appointed a recruitment consultant which specialises in director and chairperson appointments for ASX-listed entities to undertake a recruitment process to appoint up to three suitably qualified and experienced, independent, non-executive directors (including a potential chairperson) to the Spicers Board;
- (b) if the Proposal is Implemented, Spicers will after the Implementation Date, make an announcement to the ASX that Spicers will accept nominations for the election of directors from Spicers Shareholders, subject to those nominations being made in compliance with the ASX Listing Rules and the Spicers Constitution; and
- (c) Spicers will, as soon as reasonably practicable following the Implementation Date and in any event within four months from the Implementation Date, call and hold an extraordinary general meeting to seek Spicers Shareholder approval for:
 - (i) the election of any person nominated by the Spicers Board to be a director, or any person appointed as director by the Spicers Board prior to the extraordinary general meeting (including those appointed under the recruitment process); and
 - (ii) the election of any person validly nominated by a Spicers Shareholder to be a director.
- (d) It is also intended that Mr Robert Kaye and Mr Michael Barker will each resign as directors of Spicers with effect from the close of the extraordinary general meeting subject to the Spicers Board comprising such minimum number of directors as is required under the Corporations Act and the Spicers Constitution. Mr Wayne Johnston, as Finance Director and CFO, intends to remain on the Spicers Board.

Spicers will undertake appropriate background checks of each person nominated as a director to confirm that they are legally entitled to be appointed and have not been disqualified from being a director.

Spicers has also undertaken to Eligible SPS Unitholders that until Spicers holds a general meeting of Shareholders to seek Shareholder approval for the election of new directors, it will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement the Trust Scheme or the resolution to be considered at the Spicers Shareholder Meeting (authorising the issue of the Scheme Consideration). This undertaking is provided in the Trust Scheme Deed Poll contained in Annexure C.

For further information regarding what constitutes a Spicers Prescribed Occurrence, see section 9.1(c) of this Booklet. A summary of the Trust Scheme Deed Poll is contained in section 9.2 of this Booklet.

8.4 SPS UNITHOLDER RELEASES

(A) INTRODUCTION AND RATIONALE FOR THE RELEASES

Under the Trust Scheme, SPS Unitholders will provide certain releases to The Trust Company and Spicers. These releases will be provided through an amendment to the SPS Trust Constitution. The proposed terms of these releases are set out in the Supplemental Deed which will be lodged with ASIC on the Effective Date (provided each of the Trust Scheme Resolutions are passed and all other Conditions Precedents have been satisfied). In addition, The Trust Company will, on behalf of Eligible SPS Unitholders (under power of attorney granted under the Supplemental Deed), sign a deed poll in favour of Spicers and The Trust Company (in its capacity as responsible entity of the SPS Trust and in its personal capacity) in respect of the releases. A draft of the Supplemental Deed (which attaches the deed poll in respect of the releases) is contained in Annexure D.

If the Trust Scheme is implemented, to the extent permitted by law, SPS Unitholders will fully release each of The Trust Company (in its capacity as responsible entity of the SPS Trust and in its personal capacity) and Spicers in respect of all actions, conduct and decisions made in relation to the TrustCo Matters and the Spicers Matters.

Subject to the below limitations, the releases will act to release all rights held by SPS Unitholders (in relation to the TrustCo Matters and the Spicers Matters). In this way the releases will affect any rights currently held by SPS Unitholders in equity, at common law and under statute. For the avoidance of doubt, this includes rights under the Corporations Act (including section 601MA), the *Trustee Act 1925* (NSW) and any other relevant legislation.

The releases are limited to the TrustCo Matters and the Spicers Matters and will only be effective to the extent permitted by law. As a result, if a court were to find the release of a specific right unlawful, the releases provided by SPS Unitholders under the Trust Scheme would not be effective in respect of that right. Further, the releases will not be effective to release The Trust Company or Spicers from liability in relation to fraud or wilful misconduct.

The rationale for the SPS Unitholders providing releases under the Trust Scheme is to support the Combined Spicers Group moving forward on its next phase of activity. The releases are aimed at ensuring that the Spicers Board elected through the renewal process (outlined above) is able to focus on the future direction of Spicers. In this way, the releases are intended to benefit all Spicers Shareholders, including Eligible SPS Unitholders issued New Spicers Shares under the Trust Scheme.

Absent these releases in the Trust Scheme, Spicers considers there to be an increased risk of the Combined Spicers Group continuing to incur material costs associated with the SPS Trust and the historical management of the Spicers Group.

In respect of the TrustCo Matters, such costs would be incurred as a result of certain indemnities that have been provided by Spicers to The Trust Company. In particular:

- pursuant to a service and indemnity agreement dated 21 February 2007 between Spicers and The Trust Company, Spicers agreed to indemnify The Trust Company in respect to costs and losses which The Trust Company incurs in connection with a range of matters. Relevantly, as the SPS Trust's sole asset is the LLC Preference Shares, the indemnified costs included costs properly incurred by The Trust Company under the SPS Trust Constitution but are unable to be reimbursed from the assets of SPS Trust. Absent the fraud, negligence or wilful misconduct of The Trust Company or any of its agents, cost of litigation brought in respect of the SPS Trust would be caught by this indemnity; and
- in the Implementation Agreement Spicers releases and indemnifies The Trust Company in respect of the TrustCo Matters. See section 9.1(d) for a summary of this release and indemnity.

Both these indemnities remain in place following completion of the Trust Scheme and would require Spicers to pay the costs of any claims brought by a SPS Unitholder in respect of the TrustCo Matters following completion of the Trust Scheme.

(B) IMPACT OF THE TRUST COMPANY AND SPS TRUST RELEASES

Except as disclosed in this Booklet, The Trust Company is not aware of any claim or potential claim by SPS Unitholders in relation to the TrustCo Matters. However, if the Trust Scheme proceeds, SPS Unitholders may be unable to make any claim in respect of (among other things):

- any statements in the PDS that SPS Unitholders allege are misleading;
- any perceived failure by The Trust Company to comply with its obligations under the SPS Trust Constitution; or
- any perceived failure by The Trust Company to exercise rights it might have (including rights under the LLC Agreement or the SPS Trust Constitution) to gain access to relevant information or force a Realisation.

For example, you might consider that Spicers has breached an undertaking in the SPS Trust Constitution by cancelling certain Canadian performance rights in 2015 (see section 5.7), and believe that The Trust Company has caused you to suffer loss because it has not triggered a 'PaperlinX Breach of Undertaking'. If the Trust Scheme proceeds, you may no longer be able to bring a claim against The Trust Company (either personally or as responsible entity of the SPS Trust) for failing to trigger the Exchange.

8.4 SPS UNITHOLDER RELEASES CONTINUED

(C) SPICERS RELEASES

If the Trust Scheme is implemented, SPS Unitholders may not be able to bring proceedings against Spicers in relation to management and operation of the Spicers business or the SPS Trust in the period from the date of the SPS Trust to completion of the Trust Scheme.

If you consider that Spicers has caused you to suffer loss through the extension of the LLC Loan Notes or through the management of its businesses generally and the Trust Scheme proceeds, you may no longer be able to bring a claim against Spicers for your loss.

The Prospectus discloses that proceedings have been brought against Spicers in the NSW Supreme Court seeking preliminary discovery of documents relating to LLC Loan Notes to Spicers and its subsidiaries, and to the renegotiation and amendment or variation of the LLC Loan Notes. Spicers states in the Prospectus that the preliminary discovery proceedings relate to a potential claim foreshadowed by a Unitholder seeking declarations that Spicers has failed to comply with its continuous disclosure obligations under section 674 of the Corporations Act and the ASX Listing Rules in relation to the LLC Loan Notes and their renegotiation. Spicers has not yet filed any evidence in the preliminary discovery proceedings and has foreshadowed an application seeking security for costs. Spicers states in the Prospectus that these proceedings have been adjourned to allow Spicers to convene the Shareholder Meeting and to provide The Trust Company time to propose the Trust Scheme. In addition, Spicers states in the Prospectus that while not the subject of litigation, allegations have been made in correspondence by two SPS Unitholders against Spicers and its directors regarding the management and conduct of the Spicers Group and the arrangements with respect to the SPS Trust.

Spicers states that other than the matters identified in this Booklet (in this section 8.4(c) and section 5.7), there are no current proceedings in relation to these allegations. See section 10.8 of the Prospectus for further details. If the Trust Scheme proceeds, the SPS Unitholders involved may no longer be able to bring a claim against Spicers in respect of such matters.

8.5 SCHEME CONSIDERATION

RIGHTS ATTACHING TO THE NEW SPICERS SHARES

The rights and liabilities attaching to New Spicers Shares, which form the Trust Scheme Consideration, are set out in the Spicers Constitution and in the Corporations Act. A copy of the Spicers' Constitution can be obtained from Spicers on request (free of charge) or from Spicers' website at www.spicerslimited.com.au.

A broad summary of the rights and liabilities attaching to Spicers Shares is set out in section 6.2 of the Prospectus. That summary is not intended to be an exhaustive or definitive summary as this can involve complex questions of law arising from the interaction of the Spicers Constitution, statutes, common law and ASX Listing Rule requirements. To obtain a definitive assessment of the rights and liabilities that attach to Spicers Shares in any specific circumstances, SPS Unitholders should seek their own advice.

8.5 SCHEME CONSIDERATION CONTINUED

COMPARISON OF SPS UNITS AND SPICERS SHARES

The key differences between holding Spicers Shares and SPS Units are summarised in the below table. You should consider this table carefully to assess the key differences between these instruments:

Legal form	Spicers Shares (following implementation of the Trust Scheme)	SPS Units
Ranking in winding up of Spicers	Ranks behind all other securities and obligations in Spicers.	None. Note that SPS Units may be redeemed for Spicers Preference Shares if a PaperlinX Winding Up Event occurs (exchanged at the direction of The Trust Company).
Ranking in winding up of SPS Trust	None.	Ranks ahead of the Ordinary Unit in the SPS Trust but ranks behind all obligations in the SPS Trust.
Term	Perpetual (unless bought back).	Perpetual (unless Realised or Exchanged).
Dividend/Distributions	Dividends, payable at the absolute discretion of the Spicers Board. Following completion of post-implementation corporate restructure summarised in section 5.5 of the Prospectus, payment of dividends on Spicers Shares will no longer be subject to restrictions contained in the SPS Trust Constitution.	Distributions, payable at the absolute discretion of the responsible entity of the SPS Trust and dependent on income of SPS Trust. If a distribution is not paid the distribution does not accumulate and may never be paid on SPS Units. SPS Unitholders do not have the right to require the responsible entity of the SPS Trust to make the distribution.
Payment amounts	Based on Spicers' level of profitability, cash resources and the prevailing dividend policy.	Calculated as follows: $(\text{Distribution Rate} \times \$100 \times D)/365$ Where: Distribution Rate = Broadly means the aggregate of a market based rate (average mid-rate for bills having a term of 180 days) and the applicable margin determined under the SPS Trust Constitution. D = Broadly means the number of days between either the issue date and the first Distribution Payment Date, or the number of days between a preceding Distribution Payment Date and the subsequent Distribution Payment Date.
Payment accumulation	None.	None.
Participation in Spicers' surplus on winding up	Yes.	No.
Rights to be repaid at end of term of security	Not applicable – perpetual.	Not applicable – perpetual.
Voting rights at general meeting of Shareholders	Yes.	No.
Transferability and liquidity	Yes, quoted on the ASX.	Yes, quoted on the ASX.

8.6 INELIGIBLE OVERSEAS HOLDERS

For the reasons outlined in section 10.10, New Spicers Shares will not be issued to Eligible SPS Unitholders that are Ineligible Overseas Holders.

The New Spicers Shares each Ineligible Overseas Holder becomes entitled to under the Trust Scheme (**Sale Securities**) will be issued to the Foreign Nominee, being an entity that holds an Australian financial services licence issued by ASIC.

The Foreign Nominee will then:

- (a) sell all Sale Securities issued to it on market in such manner as it considers appropriate as soon as possible and no later than 25 Business Days after implementation of the Trust Scheme and hold all sale proceeds on trust for the Ineligible Overseas Holders; and
- (b) within 5 Business Days after all Sale Securities are sold, the Foreign Nominee will transfer the proceeds of the sale (after deducting duties, taxes and brokerage) to the Spicers Registry, who will then distribute the net proceeds of the sale to the Ineligible Overseas Unitholders, proportionately to their relevant holdings of SPS Units, within a further 5 Business Days.

Each Ineligible Overseas Holder will receive an amount equal to the average price (per New Spicers Share) at which the Sale Securities are sold by the Foreign Nominee under the Sale Facility (after deducting any applicable brokerage, stamp duty and other taxes), multiplied by the number of New Spicers Shares the Ineligible Overseas Holder would otherwise have been entitled to receive under the Trust Scheme, subject to rounding to the nearest whole cent (or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent).

The payments to be made by the Spicers Registry will be dispatched to Ineligible Overseas Holders' by mail to the registered address as shown in the SPS Trust Register by cheque in Australian currency, drawn on an Australian bank. In the case of joint holders, the cheque will be made payable and forwarded to the holder whose name first appears in the SPS Trust Register at the Record Date.

The Trust Company considers that it is in the best interests of SPS Unitholders, and not unfair to Ineligible Overseas Holders, that the SPS Units of Ineligible Overseas Holders are transferred to the Foreign Nominee in the manner and for the consideration described above.

The sale price for the Sale Securities and the proceeds of sale that Ineligible Overseas Holders will receive cannot be guaranteed. The proceeds of sale from the Foreign Nominee will not necessarily be the highest price at which Sale Securities can be sold in the relevant period. The sale process will be conducted having regard to a range of factors including:

- the number of Sale Securities that are to be sold the Foreign Nominee. If a large number of Sale Securities are to be sold, the sale price for those Sale Securities may be lower;
- the prevailing market conditions, including the price of Spicers Shares on the ASX and the demand for Sale Securities offered by the Foreign Nominee;
- the need to maintain an orderly market for Spicers Shares; and
- the period during which the sale process is undertaken.

As an alternative to participating in the sale by the Foreign Nominee, SPS Unitholders who expect to be Ineligible Overseas Holders at the Record Date may choose to sell their SPS Units on market prior to the last day of trading of SPS Units before the Trust Scheme takes effect.

There are a number of differences between selling SPS Units on market and participating via the Foreign Nominee, including:

- the price may be higher or lower;
- under the Sale Facility, Ineligible Overseas Holders have no control over the proceeds of sale they will receive;
- Ineligible Overseas Holders will need to wait until the sale process to be undertaken by the Foreign Nominee is completed before they receive their proceeds of sale; and
- transfers and sales by the Foreign Nominee will only occur if the Trust Scheme is implemented.

8.7 EXPLANATION OF TRUST SCHEME RESOLUTIONS

The following is an explanation for each of the Trust Scheme Resolutions. This explanation should be read together with the entirety of this Booklet.

As noted above the Trust Constitution Amendment Resolution will be considered at both the Meetings. SPS Unitholders and Spicers as holder of the sole Ordinary Unit may attend and vote on the Trust Constitution Amendment at the General Meeting. Only holders of SPS Units may attend and vote at the SPS Meeting.

A second resolution, the Trust Acquisition Resolution, will be put to Unitholders at the General Meeting. This resolution will not be put to SPS Unitholders at the SPS Meeting.

TRUST CONSTITUTION AMENDMENT RESOLUTION

The Trust Constitution Amendment Resolution authorises the amendments to the SPS Trust Constitution to enable the Trust Scheme to be implemented.

In summary, if all Conditions Precedent are satisfied and the Trust Scheme is implemented, the proposed SPS Trust Constitution amendments will permit The Trust Company, as agent for each Eligible SPS Unitholder, to transfer SPS Units to Spicers and procure the issue of the New Spicers Shares in accordance with the Trust Scheme.

The proposed amendments to the SPS Trust Constitution are set out in the Supplemental Deed which will be lodged with ASIC on the Effective Date (provided each of the Trust Scheme Resolutions are passed and all other Conditions Precedents have been satisfied).

A draft of the Supplemental Deed is a schedule to the Implementation Agreement, a copy of which is contained in Annexure D.

The Trust Constitution Amendment Resolution is required under section 601GC(1) of the Corporations Act which requires the amendments to the SPS Trust Constitution to be made by a special resolution of members. As the Trust Constitution Amendment Resolution varies the rights of SPS Unitholders, the amendments must also be approved by a special resolution at a class meeting of SPS Unitholders.

To be approved as a special resolution at the Meetings, not less than 75 per cent of the votes which are cast (in person or by proxy) at either Meeting on the Trust Constitution Amendment Resolution must be cast in favour of the resolution.

TRUST ACQUISITION RESOLUTION

The Trust Acquisition Resolution is required under section 611 (item 7) of the Corporations Act.

Section 606 of the Corporations Act prohibits the acquisition of units or interests in a listed managed investment scheme if the acquisition would increase a person's voting rights in the scheme to more than 20 per cent.

However, section 611 (item 7) of the Corporations Act permits the acquisition if it has previously been approved by a resolution of members where no votes are cast in favour of the Resolution by a person acquiring the interest and its Associates (that is, Spicers and its Associates) or by persons from whom the acquisition is to be made and their Associates. ASIC has granted relief to Spicers to allow members from whom the acquisition is to be made and their Associates to vote on the Resolution.

Accordingly, the Trust Acquisition Resolution, if approved, operates to satisfy the requirement of section 611 (item 7) of the Corporations Act so as to permit the transfer of all SPS Units (not already held by Spicers) to Spicers thus giving Spicers voting rights in 100 per cent of the SPS Trust.

The Trust Acquisition Resolution must be passed as an ordinary resolution at the General Meeting.

INTERDEPENDENT

The Trust Scheme Resolutions to be passed at the General and SPS Meetings are interdependent on each other, which means if Unitholders at the General Meeting do not pass any one of the Trust Scheme Resolutions or SPS Unitholders at the SPS Meeting do not pass the Trust Constitution Amendment Resolution, the Trust Scheme will not proceed.

8.8 CHAIRMAN OF MEETINGS

In accordance with section 252S of the Corporations Act, The Trust Company proposes to appoint Michael Beaumont, partner of Kardos Scanlan Corporate Lawyers, to act as an independent chairman of the Meetings.

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MATERIAL CONTRACTS

The Directors consider that the material contracts described below and elsewhere in this Booklet are the contracts that an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Booklet for the purpose of making an informed assessment of the Trust Scheme.

This Booklet only contains a summary of the material contracts and their substantive terms.

9.1 IMPLEMENTATION AGREEMENT

(A) OVERVIEW

The Implementation Agreement dated 19 December 2016 is between Spicers and The Trust Company. It sets out the procedures to be followed to implement the Trust Scheme and related matters. A copy of the Implementation Agreement (omitting all schedules other than schedule 4) is set out in Annexure B.

In addition to those elements of the Proposal described elsewhere in this Booklet, the Implementation Agreement deals with the following material matters:

(B) CONDITIONS OF THE TRUST SCHEME

The Implementation Agreement sets out the Conditions Precedent. See section 4.3 for details of the Conditions Precedent that have not been satisfied as at the date of this Booklet.

Each party to the Implementation Agreement must use all reasonable endeavours to ensure that each Condition Precedent is fulfilled before 30 June 2017.

(C) CONDUCT OF BUSINESS

Clause 7 of the Implementation Agreement sets out the obligations of Spicers (in relation to the Spicers Group) and The Trust Company (in relation to the SPS Trust) from the date of the Implementation Agreement up to and including the Implementation Date in relation to conduct of business.

Broadly, Spicers has agreed to ensure that the Spicers Group conducts its business in the ordinary and proper course of business in a manner generally consistent with the manner in which it was conducted as at the date of the Implementation Agreement.

In addition, Spicers has agreed not to undertake certain activities with respect to conduct of the Spicers Group between the date of the Implementation Agreement up to the Business Day prior to the Second Judicial Advice Date, unless such activities have been expressly permitted by The Trust Company. These activities, the 'Spicers Prescribed Occurrences', include:

- entering into any new loan or other financing arrangement, guarantees or indemnities; or materially amending any existing arrangements if the new or amended loan, other arrangement, guarantee or indemnity is an increased commitment to the relevant existing agreement;
- employing a new director, employee, consultant or agent entitled to a termination payment of more than six months remuneration;
- entering into, or varying or terminating any existing contract or arrangement involving revenue or expenditure individually or more than \$250,000 per annum; and
- entering into, announcing an intention to enter into or incurring an obligation to dispose or acquire an asset or business or to perform or acquire the benefit of services, having an individual value greater than \$250,000.

See clause 6.1(d) of the Implementation Agreement, which is set out in Annexure B.

Separately, in the Trust Scheme Deed Poll, Spicers has agreed that it will not undertake any Spicers Prescribed Occurrence until the Spicers Shareholders have elected a new Spicers Board at a general meeting to be convened following implementation of the Trust Scheme. The Trust Scheme Deed Poll is attached to this Booklet at Annexure C. Further information regarding the Spicers Board renewal process is set out in section 8.3.

9.1 IMPLEMENTATION AGREEMENT CONTINUED

(D) RELEASES AND INDEMNITY

Under the Trust Scheme, The Trust Company (in its personal capacity) will be released and indemnified by Spicers (except to the extent of any fraud or wilful misconduct), in respect of all actions, conduct and decisions made as responsible entity of the SPS Trust in relation to the following matters:

- the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 (**PDS**) issued by The Trust Company as responsible entity of the SPS Trust and the issue of the SPS Units by The Trust Company pursuant to that PDS;
- The Trust Company's compliance with the SPS Trust Constitution, the terms of issue of the SPS Units and all agreements between The Trust Company and Spicers; and
- the management and operation of the SPS Trust (in the period from inception until completion of the Trust Scheme).

In addition, under the Trust Scheme, Eligible SPS Unitholders will provide certain releases to The Trust Company and Spicers.

Further details of these releases and indemnity, including a discussion of their impact and purpose, is set out section 8.4 and in clause 3.4 of the Implementation Agreement, a full copy of which is at Annexure B.

(E) CHANGE IN RECOMMENDATION

Each of Spicers and The Trust Company must use their best endeavours to ensure that their respective boards unanimously recommend that Spicers Shareholders (in respect of Spicers only) and SPS Unitholders (in respect of The Trust Company only) vote in favour of the Trust Scheme and not change, withdraw or modify its recommendation unless:

- In respect of The Trust Company, the Independent Expert concludes that the Trust Scheme is not in the best interests of SPS Unitholders or a Superior Proposal for the SPS Trust is received.
- In respect of Spicers, the independent expert appointed by Spicers concludes that the Trust Scheme is not in the best interests of Spicers Shareholders or Spicers receives a Superior Proposal.

Further details of obligations regarding the recommendation of the Trust Scheme are set out in clause 8 of the Implementation Agreement, a full copy of which is in Annexure B.

(F) TERMINATION

Any party may terminate the Implementation Agreement at any time before completion of the Trust Scheme if:

- a Condition Precedent relating to the Trust Scheme is incapable of fulfilment;
- the Court refuses to make an order providing the Second Judicial Advice;
- the Trust Scheme is not implemented before the End Date (30 June 2017); or
- there is a material breach by the other party (provided, if the breach is capable of being remedied, the relevant party has failed to remedy that breach within five Business Days of being put on notice of the breach and the intention to terminate by the terminating party).

The Trust Company may terminate the Implementation Agreement if a Spicers Prescribed Occurrences occurs. Spicers may terminate the Implementation Agreement if a TrustCo Prescribed Occurrences occurs.

(G) COMPLETION STEPS

The Implementation Agreement sets out the steps which must be undertaken to complete the Trust Scheme. In summary those steps are:

- an agreement between Spicers and the Foreign Nominee for dealing with Ineligible Overseas Holders entitlement to Scheme Consideration in the manner set out in sections 8.6 and 10.10 must be executed if it has not been entered into before completion;
- on the Implementation Date, Spicers must pay the Scheme Consideration by issuing 1,431,386,910 New Spicers Shares and allotting them to each Eligible SPS Unitholder and in the case of Ineligible Overseas Holders, allotting them to the Foreign Nominee, on a 545 for 1 basis;
- The Trust Company, as agent and attorney for each Eligible SPS Unitholder, must transfer all the rights, title and interest of and in the SPS Units held by Eligible SPS Unitholders to Spicers and The Trust Company must register Spicers as holder of such SPS Units.

(H) ISSUING OF HOLDING STATEMENTS

Spicers agrees to notify and request the Spicers Registry to despatch holding statements in relation to the issue of the Scheme Consideration pursuant to the terms of the Trust Scheme no later than three Business Days after the date of issue of the Scheme Consideration.

9.1 IMPLEMENTATION AGREEMENT CONTINUED

(I) DEREGISTRATION OF THE SPS TRUST AND CHANGE OF TRUSTEE

Following completion of the Trust Scheme, The Trust Company must apply to ASIC to deregister the SPS Trust as a registered managed investment scheme.

Spicers must nominate an entity controlled by it to replace The Trust Company as the trustee for the SPS Trust with effect the SPS Trust ceasing to be a registered managed investment scheme. The nominee and The Trust Company must enter into the Deed of Retirement and Appointment of Trustee discussed in section 9.3.

(J) WARRANTIES

Each party to the Implementation Deed represents and warrants to each other that:

- it has the power to enter into and perform its obligations under the Implementation Agreement and (subject to obtaining those approvals and consents expressly contemplated by the Implementation Agreement) has obtained all necessary approvals and consents to enable it to do so; and
- the Implementation Agreement is valid and binding upon it.

In addition, if the Trust Scheme is implemented, each Eligible SPS Unitholder is deemed to have warranted to Spicers that:

- all of their SPS Units transferred to the Spicers under the Trust Scheme will, as at the date of the transfer, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- they have full power and capacity to sell and to transfer their SPS Units to Spicers under the Trust Scheme.

The terms of these deemed warranties are set out in 23A.8 of the Supplemental Deed, a full copy of which is at Annexure D.

(K) DEALING IN SPS UNITS

For the purposes of establishing who is a SPS Unitholder at the Record Date, the Implementation Agreement provides that dealings in SPS Units or any ownership interest in SPS Units will only be recognised provided that:

- in the case of dealings effected on CHESS, the transferee is registered in the register of members of the SPS Trust as a holder of the relevant SPS Units by the Record Date; and
- in all other cases, the registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the register of members of the SPS Trust is kept.

(L) LIMITATION OF LIABILITY

The liability of The Trust Company to pay or satisfy any obligations or liabilities of whatever kind undertaken or incurred by, or devolving upon, The Trust Company under or in respect of the Implementation Agreement is limited to the assets of the SPS Trust against which The Trust Company is indemnified. This limitation does not apply to the extent that the assets of the SPS Trust have been reduced by reasons of fraud, gross negligence or breach of trust by The Trust Company in the performance of its duties as Responsible Entity, in which event The Trust Company may be personally liable.

(M) EXCLUSIVITY ARRANGEMENTS

Both The Trust Company and Spicers have agreed to a 'no shop', 'no talk and no due diligence' and 'notification of approaches' provisions in the Implementation Agreement. These provisions apply until 30 June 2017 and are on standard terms, including the 'no talk and no due diligence' provision which is subject to a standard fiduciary carve out.

In addition, if either party receives Superior Proposal, the directors of that party, provided they do not breach their statutory and fiduciary duties, must give the other party to the Implementation Agreement five Business Days notice before publicly withdrawing their recommendation for the Trust Scheme.

These exclusivity arrangements are set out at clause 15 of the Implementation Agreement, a full copy of which is at Annexure B.

9.2 TRUST SCHEME DEED POLL

Spicers has entered into the Trust Scheme Deed Poll for the purpose of covenanting in favour of the Eligible SPS Unitholders at the Record Date to comply with its obligations under the Implementation Agreement and to do all acts and things as may be necessary or desirable on its part to give effect to the Trust Scheme.

This includes to issue the Scheme Consideration to the Eligible SPS Unitholders (and the Foreign Nominee in respect of Eligible SPS Unitholders that are Ineligible Overseas Holders) on the completion of the Trust Scheme in accordance with the Implementation Agreement.

In the Trust Scheme Deed Poll Spicers covenants that it will not undertake any Spicers Prescribed Occurrence (other than in accordance with the Implementation Agreement, the Trust Scheme or the resolution to be considered at the Spicers Shareholder Meeting, authorising the issue of the Scheme Consideration) until the Spicers Shareholders have elected a new Spicers Board at a general meeting to be convened following implementation of the Trust Scheme. Further information regarding the Spicers Board renewal process is set out in section 8.3.

A copy of the Trust Scheme Deed Poll is set out in Annexure C.

Spicers' obligations under the Trust Scheme Deed Poll are subject to satisfaction or waiver of the Conditions Precedent and automatically terminate if the Implementation Agreement is terminated in accordance with its terms.

9.3 DEED OF RETIREMENT AND APPOINTMENT OF TRUSTEE

If the Trust Scheme is approved, Spicers is required to nominate an entity controlled by it to replace The Trust Company as trustee of the SPS Trust with effect from the SPS Trust ceasing to be a registered managed investment scheme. This nominee and The Trust Company must enter into the Deed of Retirement and Appointment of Trustee.

Under this Deed, The Trust Company will formally retire as trustee and appoint Spicers' nominee (**New Trustee**) in its place. The New Trustee will covenant to be bound by the provisions of the SPS Trust Constitution and carry out the obligations of the trustee under the SPS Trust Constitution as if it had originally been a party to it.

The Deed also provides for the release of The Trust Company from all duties, obligations and liabilities under or in connection with the SPS Trust arising on and from the date of retirement. The Trust Company will be entitled to any fees or other amounts payable to it up until that date.

With effect from the date of retirement, the New Trustee will indemnify The Trust Company for any liabilities properly incurred by it prior to the date of the retirement to the extent that it would have been entitled to be indemnified for that liability out of the assets of the SPS Trust had it remained as trustee of the SPS Trust. The New Trustee will also indemnify The Trust Company for any liability of The Trust Company for any capital gains tax or other tax or duty arising from the vesting of the assets of the SPS Trust in the New Trustee or for dealing with assets of the SPS Trust as directed by the New Trustee.

The Trust Company will indemnify the New Trustee for any liability arising out of the performance of The Trust Company's duties and obligations in relation to the SPS Trust prior to the date of retirement to the extent that it would not have had a right of indemnity out of the assets of the SPS Trust for those liabilities and would have been liable for them had it remained as trustee of the SPS Trust.

9.4 SALE FACILITY

Spicers has entered into an agreement with the Foreign Nominee, under which the Foreign Nominee has been appointed to run the Sale Facility.

Under the Sale Facility, the Foreign Nominee will be issued the Trust Scheme Consideration on behalf of Ineligible Overseas Unitholders. The Foreign Nominee must then:

- sell all of the Shares issued to the Foreign Nominee on market no later than 25 Business Days after implementation; and
- deposit all the proceeds of the sale (less duties, taxes and brokerage) into an account maintained by the Share Registry within five Business Days after the sale of all of the New Spicers Shares issued to the Foreign Nominee.

The Share Registry will then distribute the net proceeds of the sale to the Ineligible Overseas Unitholders, proportionately to their relevant holdings of SPS Units, within a further five Business Days.

Under the Sale Facility, Spicers will pay the Foreign Nominee \$5,000 (plus GST) and reimburse the Foreign Nominee its pre-approved expenses. These amounts will be paid separately by Spicers, and the Foreign Nominee will not deduct this from the amounts to be distributed to Ineligible Overseas Unitholders.

10

ADDITIONAL INFORMATION

10.1 INTRODUCTION

This section includes additional information that The Trust Company considers is material to the decision on how to vote on the Trust Scheme Resolutions to be considered at the Meetings.

10.2 ABOUT THE TRUST COMPANY

The responsible entity of the SPS Trust, The Trust Company (RE Services) Limited, is ultimately wholly owned by Perpetual Limited. Perpetual is one of Australia's largest independent wealth managers, an expert adviser to high net worth individuals, families and businesses, and a leading provider of corporate trustee services. We manage \$31.9 billion in funds under management, \$13.3 billion in funds under advice and \$644.1 billion in funds under administration (at 31 December 2016).

10.3 THE TRUST COMPANY BOARD

The Board comprises the following persons:

Director's Name	Position
Andrew Cannane	Director
Christopher Green	Director
Michael Vainauskas	Director
Glenn Foster	Director
Neil Wesley	Alternate Director
Andrew McIver	Alternate Director
Vicki Riggio	Alternate Director
Rodney Ellwood	Alternate Director

10.4 SPS TRUST CAPITAL STRUCTURE

CAPITAL STRUCTURE

At the date of this Booklet, the SPS Trust has on issue:

- (a) One Ordinary Unit, issued at an issue price of \$100, and held by Spicers; and
- (b) 2,850,000 SPS Units, issued on 30 March 2007 at an issue price (or face value) of \$100 per SPS Unit.

Of the total SPS Units on issue as at the date of this Booklet, Spicers holds 223,602 SPS Units and the one Ordinary Unit.

10.4 SPS TRUST CAPITAL STRUCTURE CONTINUED

SUBSTANTIAL SPS UNITHOLDERS

Based on filings to the ASX, the substantial holders of SPS Units as at 2 May 2017 are:

Substantial SPS Unitholders are	Number of SPS Units	Percentage
Coastal Capital Ltd & Associates	546,000	19.16%
Spicers Limited	223,602	7.84%
Samuel Terry Asset Management Pty Ltd ATF Samuel Terry Absolute Return Fund	202,823	7.12%
Blann Properties Pty Limited	193,200	6.78%
Berger Equities Pty Ltd <Berger Super Fund A/C>	145,286	5.12%

10.5 SPS UNIT TRADING PRICE

SPS Units are thinly traded and the average daily volume traded over last five years represents less than 0.1 per cent of the total SPS Units on issue.

Movements in the historical trading price of the SPS Units have therefore been volatile and since 1 January 2013, the trading price of the SPS Units has fluctuated between \$6.30 and \$16.50.

The SPS Units closed at \$9.00 on 10 October 2016 (being the day prior to Announcement Date). Since then, the SPS Units have traded in the range of \$11.00 to \$14.35. In the 12 months to 31 December 2016, SPS Units have traded at as high of \$13.45 and a low of \$8.50. The volume weighted average price at which SPS Units have traded in this period was \$11.86.

See sections 3.9 and 5.4 of the Independent Expert's Report for further trading information for SPS Units.

10.6 DISTRIBUTION HISTORY

No distribution has been paid or declared on the SPS Units since 30 June 2011.

10.7 DEALING IN SPS UNITS BY SPICERS

NO DEALINGS IN SPS UNITS IN THE PREVIOUS FOUR MONTHS

During the period of four months prior to the date of this Booklet, none of Spicers, nor any of its subsidiaries or any of their respective Associates have provided, or agreed to provide, consideration for SPS Units under a purchase agreement.

BENEFIT TO HOLDERS OF SPS UNITHOLDERS

During the period of four months prior to the date of this Booklet, none of Spicers, any of its subsidiaries nor any of their respective Associates gave or offered or agreed to give a benefit to another person which is likely to induce the other person, or an Associate of the other person, to:

- vote in favour of the Trust Scheme; or
- dispose of SPS Units,

and which is not offered to all SPS Unitholders.

10.8 HISTORICAL FINANCIAL INFORMATION

Half year accounts for the period ending 31 December 2016 for the SPS Trust were released to the ASX on 24 February 2017. No material changes have occurred since the balance date for these accounts.

Further information regarding the SPS Trust's financial performance is also set out in the Independent Expert's Report which forms Annexure A.

10.9 PUBLICLY AVAILABLE INFORMATION ABOUT THE SPS TRUST

The SPS Trust is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed entity, the SPS Trust is subject to the ASX Listing Rules which require continuous disclosure of any information known to The Trust Company that a reasonable person would expect to have a material effect on the price or value of SPS Units.

The ASX maintains files containing publicly disclosed information about all listed companies. Information disclosed to the ASX by the SPS Trust is available on the ASX website at www.asx.com.au.

In addition, the SPS Trust is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by the SPS Trust may be obtained from an ASIC office.

A list of announcements made in relation to the SPS Trust between the date on which the FY2016 accounts were released on 31 August 2016 and 2 May 2017 is listed in the table below.

Date	Announcement
21/04/2017	PXU: Update on transaction to simplify Spicers capital structure
21/04/2017	SRS: Update on transaction to simplify Spicers capital structure
04/04/2017	Spicers New Zealand to relocate Auckland premises
03/04/2017	Resignation of Alternate Director of the Responsible Entity
24/02/2017	Half Year Accounts
24/02/2017	Company Secretary Appointment/Resignation
16/02/2017	SRS: Appendix 4D & Interim Financial Report 31 December 2016
15/02/2017	SRS: Spicers 2017 Interim Results
13/01/2017	Appendix 3X
13/01/2017	Appendix 3X
13/01/2017	Appointment Of Alternate Directors Of The Responsible Entity
20/12/2016	Scheme Implementation Agreement
20/12/2016	Restructuring of the PaperlinX SPS Trust
20/12/2016	SRS: Spicers enters into Implementation Agreement
19/12/2016	Trading Halt Request
19/12/2016	Trading Halt
19/12/2016	Change in substantial holding
01/12/2016	PaperlinX Step-Up Preference Securities
29/11/2016	Becoming a substantial holder
16/11/2016	SRS: Germany Obligations Settled
01/11/2016	Initial Director's Interest Notice
01/11/2016	Appointment of RE Alternate Director
21/10/2016	Amended Announcement
11/10/2016	Proposed Restructure of the PaperlinX SPS Trust
11/10/2016	SRS: Spicers to Propose Resolution of Capital Structure
31/08/2016	Updated Appendix 4G

10.10 FOREIGN SECURITIES LAWS AND INELIGIBLE OVERSEAS HOLDERS

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive New Spicers Shares in those countries. Neither this Booklet nor the Prospectus constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, the Prospectus may not be distributed to any person, and the New Spicers Shares may not be offered or sold, in any country outside Australia except to the extent provided below. Refer to the definition of Ineligible Overseas Holders in the Glossary for a description of SPS Unitholders who will not receive New Spicers Shares, and refer to section 8.6 for further details of how Ineligible Overseas Holders will be treated under the Trust Scheme.

(A) NEW ZEALAND

The Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Spicers Shares being made to existing Eligible SPS Unitholders (except, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

(B) UNITED STATES OF AMERICA

Spicers intends to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by section 3(a)(10) thereof in connection with the consummation of the Proposal and the Trust Scheme and the issuance of Spicers Shares. Approval of the Trust Scheme by the Court will be relied upon by Spicers for purposes of qualifying for the section 3(a)(10) exemption.

Eligible SPS Unitholders should note that the Trust Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Trust Scheme is subject to disclosure requirements of Australia that are different from those of the United States of America.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Spicers is located in Australia and its officers and directors are residents of Australia. You may not be able to sue Spicers or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Spicers and its affiliates to subject themselves to a US court's judgement.

You should be aware that Spicers may purchase securities otherwise than under the Proposal and Trust Scheme, such as in privately negotiated purchases.

Neither this Booklet nor the Prospectus has been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Proposal and Trust Scheme or the accuracy, adequacy or completeness of the Booklet. Any representation to the contrary is a criminal offence.

The New Spicers Shares have not been, and will be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The offer of Spicers Shares is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

(C) CAYMAN ISLANDS

No offer or invitation to subscribe for the Spicers Shares may be made to the public in the Cayman Islands.

10.11 ASIC MODIFICATIONS

ASIC has granted the following relief from and modifications to the Corporations Act in respect of the Proposal the Booklet and the Prospectus:

- relief from section 601FC(1)(d) of the Corporations Act to enable The Trust Company to treat the Ineligible Overseas Holders and Spicers (in respect of the SPS Units it currently holds) in the way described in this Booklet;
- certain relief from Chapter 6D of the Corporations Act to enable the New Spicers Shares to be issued to SPS Unitholders without the SPS Unitholders receiving or completing an application form in respect of the New Spicers Shares to be issued and to permit advertisements and publications to be made without reference to an application form;
- relief from Division 5A of Part 7.9 of the Corporations Act so that the Trust Scheme (including the payment of the Scheme Consideration) does not constitute an unsolicited offer;
- a modification to section 611 Item 7 of the Corporations Act to enable all members of the SPS Trust (other than Spicers and its Associates) to vote on the Trust Acquisition Resolution at the General Meeting.

10.12 VOTING EXCLUSION STATEMENTS

Voting restrictions and exclusions in respect of the Trust Scheme Resolutions are set out below.

In accordance with the Corporations Act, The Trust Company will disregard any votes cast on:

- the Trust Acquisition Resolution at the General Meeting by The Trust Company, Spicers or any Associate of either of them; and
- the Trust Constitution Amendment Resolution at the General Meeting and at the SPS Meeting by The Trust Company or any Associate of The Trust Company.

At the date of this Booklet, neither The Trust Company nor any of its Associates own any SPS Units.

However, The Trust Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the General or SPS Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

10.13 INDEPENDENT ADVICE

SPS Unitholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Trust Scheme;
- the taxation implications for them if the Trust Scheme is implemented; and
- any other aspects of this Booklet.

10.14 OTHER MATERIAL INFORMATION

The Trust Company will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the Meetings:

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, The Trust Company may circulate and publish any supplementary document by:

- making an announcement to the ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to SPS Unitholders at their registered address as shown in the register of SPS Unitholders; and/or
- posting a statement on The Trust Company's corporate website,

as The Trust Company considers appropriate.

Further, Spicers will issue a supplementary Prospectus if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the Meetings:

- a material statement in the Prospectus is false or misleading in a material respect;
- a material omission from the Prospectus;
- a significant change affecting a matter included in the Prospectus; or
- a significant new matter has arisen and it would have been required to be included in the Prospectus if it had arisen before the date of lodgement of the Prospectus with ASIC.

10.15 APPROVAL OF THE BOOKLET

Each of the Directors of The Trust Company has consented to the lodgement of this Booklet.

11

GLOSSARY AND INTERPRETATION

11.1 GLOSSARY

The meanings of the terms used in this Booklet are set out below.

Accounting Event	Has the meaning set out in paragraph (f) of section 6.3 of this Booklet
Acquisition Event	Has the meaning set out in paragraph (a) of section 6.3 of this Booklet
Announcement Date	The date the Proposal was first announced, being 11 October 2016
ASIC	Australian Securities & Investments Commission
Associate	Has the meaning set out in the Corporations Act
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited, as the context requires
ASX Listing Rules	Official listing rules of the ASX
Board	The board of directors of The Trust Company
Booklet or Explanatory Memorandum	This document, and each of its annexures, issued by The Trust Company as responsible entity of the SPS Trust in relation to the Trust Scheme and dated 4 May 2017
Business Day	A business day in the State of New South Wales
Change of Control Event	<ol style="list-style-type: none"> a. A takeover bid is made to acquire all or some Spicers Shares and the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and: <ol style="list-style-type: none"> i. The bidder's voting power in Spicers increases to more than 50 per cent of the Spicers Shares that would be on issue; and ii. Spicers issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or b. A court orders the holding of a meeting to approve a scheme of arrangement which scheme has been recommended by at least a majority of the directors of Spicers eligible to do so and which, when implemented, would result in a person having a relevant interest in more than 50 per cent of the Spicers Shares that would be on issue if the scheme were implemented and: <ol style="list-style-type: none"> i. All classes of members of Spicers pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and ii. All conditions to the implementation of the scheme (other than approval of the scheme by the court) have been satisfied or waived

11.1 GLOSSARY CONTINUED

Combined Spicers Group	Spicers Limited ACN 005 146 350 and its subsidiaries and the SPS Trust following acquisition of all SPS Units not already held by Spicers under the Trust Scheme
Computershare	Computershare Investor Services Pty Limited (ABN 48 078279 277)
Condition Precedent	The conditions precedent to implementation of the Trust Scheme which need to be satisfied or waived (as applicable) before the Trust Scheme can become Effective, contained in clause 6 of the Implementation Agreement at Annexure B
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of The Trust Company
Effective	The Trust Scheme becoming effective, which occurs on the date on which the Supplemental Deed takes effect pursuant to section 601GC of the Corporations Act
Effective Date	The date on which the Trust Scheme becomes effective, being the date on which the Supplemental Deed takes effect pursuant to section 601GC of the Corporations Act
Eligible SPS Unitholder	A registered holder of SPS Units immediately following the close of the SPS Trust Register on the Record Date, excluding Spicers
Exchange Event	An event listed in the terms of issue of the SPS Units which requires or entitles Spicers to Exchange the SPS Units for Spicers Preference Shares
Exchange or Preference Share Exchange	Circumstances in which Spicers must exchange the SPS Units for Spicers Preference Shares
Foreign Nominee	Gleneagle Securities (Aust) Pty Limited ABN 58 136 930 526
General Meeting	The general meeting of Unitholders convened pursuant to the Notice of General Meeting in Annexure E to consider the Trust Scheme Resolutions and includes any adjournment of that meeting
Implementation Agreement	The Scheme Implementation Agreement dated 19 December 2016 entered into between Spicers and The Trust Company in relation to the Proposal
Implementation Date	The date on which the Trust Scheme is implemented, being the third business day following the Record Date or such later business day as Spicers and The Trust Company may agree
Independent Expert	Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127) (AFSL 241457)
Independent Expert's Report	The independent expert's report prepared by the Independent Expert in relation to the Trust Scheme as set out in Annexure A
Ineligible Overseas Holders	An Eligible SPS Unitholder who has a registered address which is outside Australia and its external territories, New Zealand, the United States or the Cayman Islands, unless The Trust Company and Spicers are satisfied that Spicers is not prevented from lawfully issuing Spicers Shares to such SPS Unitholder, either unconditionally or after compliance with such conditions as The Trust Company and Spicers regard as acceptable

11.1 GLOSSARY CONTINUED

LLC Agreement	The limited liability company agreement of PaperlinX LLC
LLC Loan Notes	Has the meaning given to that term in section 2.2(c)
LLC Preference Shares	Has the meaning given to that term in section 2.2(c)
LLC Preference Share Terms	The terms of the LLC Preference Shares set out in Annexure A to the LLC Agreement and summarised in section 5.3 of this Booklet
Meetings	The General Meeting and the SPS Meeting, and includes any adjournment of those meetings
Notice of Meetings	The notice of meetings included as Annexure E and Annexure F of this Booklet
New Spicers Shares	Ordinary fully paid shares in Spicers issued as the Scheme Consideration
Ordinary Unit	The one ordinary unit in the SPS Trust
PaperlinX Breach Notice	A notice given by The Trust Company to Spicers under clause 1.1 of Schedule 3 to the SPS Trust Constitution following a failure by Spicers to comply with any of its undertakings in accordance with that clause
PaperlinX Breach of Undertakings Event	Where The Trust Company duly gives a PaperlinX Breach Notice to Spicers in accordance with the SPS Trust Constitution and, if the breach the subject of the PaperlinX Breach of Undertakings Event is remediable, that breach has not been remedied to the satisfaction of The Trust Company within three Business Days
PaperlinX LLC	PaperlinX SPS LLC, a limited liability company established under the laws of Delaware, United States of America
PaperlinX Winding Up Event	Occurs if: <ul style="list-style-type: none"> a. an order is made by a court of competent jurisdiction for the winding up of Spicers or PaperlinX LLC (as the case maybe) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or b. a resolution is duly passed by the members of Spicers or PaperlinX LLC for the winding up of Spicers or PaperlinX LLC (as the case may be), in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a Special Resolution of SPS Unitholders)
Proposal	The proposal summarised in section 4.1, which includes the Trust Scheme
Prospectus	The prospectus to be issued by Spicers to SPS Unitholders on or around the date of this Booklet in relation to the offer to issue the Scheme Consideration under the Trust Scheme
Proxy Form	The proxy form enclosed with this Booklet in relation to the resolutions to be put to the Meetings
Realisation Event	An event listed in the terms of issue of the SPS Units which requires or entitles Spicers to Realise the SPS Units

11.1 GLOSSARY CONTINUED

Realise, Realised, Realisation	Redeem for cash, exchange for Spicers Shares or resell, and Realised and Realisation have the corresponding meaning
Record Date	The second business day following the Effective Date or such later date as Spicers and The Trust Company may agree in writing
Regulatory Event	Has the meaning set out in paragraph (e) of section 6.3 of this Booklet
RE Removal Event	Has the meaning set out in paragraph (b) of section 6.3 of this Booklet
Sale Facility	The facility to be run by the Foreign Nominee, governed by a sale facility deed, under which it will be issued the Scheme Consideration for Ineligible Overseas Holders, and sell those New Spicers Shares on market following implementation, with the net proceeds distributed to Ineligible Overseas Holders proportionately to their relevant holdings of SPS Units
Scheme Consideration	545 New Spicers Shares in respect of each SPS Unit held by an Eligible SPS Unitholder that: <ul style="list-style-type: none"> (a) are issued on the Implementation Date to each Eligible SPS Unitholder; or (b) in the case of Ineligible Overseas Holders, the New Spicers Shares are issued to the Foreign Nominee on the Implementation Date and which must be sold on behalf of Ineligible Overseas Holders under the Sale Facility
Second Judicial Advice Date	The date on which the Supreme Court of New South Wales confirms that, subject to the Trust Scheme Resolutions being approved at the General Meeting and the SPS General Meeting, The Trust Company would be justified in doing all things and taking all necessary steps to effect the Trust Scheme
Spicers	Spicers Limited ACN 005 146 350
Spicers Board	The board of directors of Spicers
Spicers Constitution	The constitution of Spicers (as amended from time to time)
Spicers Deed of Gross Guarantee Group	Represents Spicers and its wholly owned Australian subsidiaries who have entered into an approved deed for the cross guarantee of liabilities pursuant to ASIC Class Order 98/1418 (as amended)
Spicers Group	Spicers Limited ACN 005 146 350 and its subsidiaries
Spicers Matters	The management and operation of the Spicers' business in the period from inception of the SPS Trust until completion of the Trust Scheme
Spicers Preference Shares	means redeemable preference shares in the capital of Spicers, the terms of which are summarised in section 5.5 of this Booklet

11.1 GLOSSARY CONTINUED

Spicers Prescribed Occurrences	<p>As defined in the Implementation Agreement and means the occurrence of any of the following on or after the date of the Implementation Agreement:</p> <ul style="list-style-type: none"> (a) Spicers or any of its subsidiaries converting all or any securities into a larger or smaller number of securities; (b) Spicers or any of its subsidiaries resolving to reduce its issued capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of the securities of a member of the Spicers Group; (c) Spicers or any of its subsidiaries: <ul style="list-style-type: none"> (i) entering into a buyback agreement; or (ii) resolving to approve the terms of a buyback agreement under the Corporations Act; (d) Spicers declaring, paying or distributing any dividend, bonus or other security of its profits or assets or returning or agreeing to return any capital to its shareholders (whether by way of dividend, capital reduction, distribution or otherwise and whether in cash or in specie); (e) Spicers or any of its subsidiaries issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option; (f) Spicers or any of its subsidiaries issuing or agreeing to issue, securities or other instruments convertible into securities or debt securities; (g) Spicers or any of its subsidiaries making any change or amendment to its constitution; (h) Spicers or any of its subsidiaries creating, or agreeing to create, any Encumbrance (as defined in the Implementation Agreement) over the whole, or a substantial part, of its business or property; (i) an Insolvency Event (as that term is defined in the Implementation Agreement) occurring in relation to any member of the Spicers Group; (j) Spicers or any of its subsidiaries changing any significant accounting policy applied by them to report their financial position; (k) Spicers or any of its subsidiaries making any loans, advances or capital contributions to or investments in any person other than a wholly owned Subsidiary; (l) Spicers or any of its subsidiaries cancelling, materially amending or failing to renew on its expiry any existing material insurance policy; (m) Spicers or any of its subsidiaries: <ul style="list-style-type: none"> (i) entering into or announcing an intention or proposal to enter into; (ii) disclosing the existence of; or (iii) incurring, becoming subject to or advancing the time for performance of, an obligation to acquire or dispose of any entity, asset, undertaking or business (or any interest in any assets or business) or to perform or acquire the benefit of any services in relation to any asset or business or interest therein having an individual value greater than \$250,000; (n) Spicers ceases to be admitted on the official list of the ASX; (o) Spicers or any of its Subsidiaries enters into a new loan, advance or financing arrangement, or guarantees or indemnifies the obligations of any other person, or materially amends (or waives any material rights under) any existing financing arrangements except extension, refinancing or replacement of any existing facilities provided that any such extension, refinancing or replacement does not result in an increase in any existing facility; (p) a new director, employee, consultant or agent is employed or engaged by Spicers or any of its Subsidiaries, who cannot be terminated on payment of not more than 6 months remuneration; (q) Spicers changing the remuneration or compensation payable to a director or key executive, including any bonus payments, except pursuant to any contractual rights or arrangements entered into prior to the date of this Agreement;
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11.1 GLOSSARY CONTINUED

Spicers Prescribed Occurrences continued	<ul style="list-style-type: none"> (r) Spicers entering into or varying any agreement or arrangement with a director and/or Shareholder (or Related Entity of a director and/or Shareholder); (s) Spicers or any of its subsidiaries enters into, varies or terminates any contract, joint venture, partnership or commitment involving revenue or expenditure individually of more than \$250,000 per annum; (t) Spicers or any of its subsidiaries taking any action that triggers a Realisation, Redemption or Exchange of the Units (as those terms are defined in the Trust Constitution); (u) a claim is brought against Spicers or any of its subsidiaries (other than a frivolous or vexatious claim) which will or is reasonably likely to have a material adverse effect on the Spicers Group; (v) Spicers or any of its subsidiaries agrees or resolves to do any of the foregoing, provided that a Spicers Prescribed Occurrence will not include a matter: (w) required to be done or procured by Spicers or any of its subsidiaries pursuant to, or which is otherwise contemplated by, the Implementation Agreement or the approvals sought at the Meetings or the Spicers Shareholder Meeting; (x) the implementation of any redundancy program involving expenditure individually or in aggregate up to \$1 million; (y) Spicers or a subsidiary entering into, or agreeing to enter into, any obligation to acquire any entity, asset, undertaking or business located in Australia or New Zealand, for an amount less than \$1 million; (z) in the ordinary course of business; (aa) necessary to implement the reduction of capital of Spicers Paper (Hong Kong) Limited; or (bb) the undertaking of which The Trust Company has approved in writing, which approval may be given or withheld in its absolute discretion
Spicers Register	The share register of Spicers
Spicers Registry	The registry engaged by Spicers, being Computershare
Spicers Share	An ordinary share in Spicers
Spicers Shareholder	A person registered on the Spicers Register as a holder of Spicers Shares
Spicers Shareholder Meeting	The extraordinary general meeting of the Spicers Shareholders to consider the Shareholder Resolution to be held on the date of the Meetings
SPS Meeting	The general meeting of SPS Unitholders convened pursuant to the Notice of Meeting in Annexure F, and any adjournment of that meeting
SPS Trust	PaperlinX SPS Trust, ARSN 123 839 814
SPS Trust Constitution	The constitution establishing the SPS Trust dated 7 February 2007 (as amended from time to time)
SPS Trust Information	Information regarding the SPS Trust contained in this Booklet
SPS Trust Register	The unit register of the SPS Trust

11.1 GLOSSARY CONTINUED

SPS Trust Registry	The unit registry engaged the SPS Trust, being Computershare
SPS Unit	PaperlinX Step-up Preference Securities in the SPS Trust
SPS Unit Terms	The terms of issue of the SPS Units set out in schedule 1 of the SPS Trust Constitution
SPS Unitholder	A person registered on the SPS Trust Register as a holder of SPS Units
Superior Proposal	<p>A bona fide competing proposal that was not solicited, invited or initiated by The Trust Company, any Spicers Group member or any of their advisers prior to 30 June 2017, which The Trust Company's board of Directors or the Spicers Board determines, acting in good faith and acting reasonably, after consultation with its financial adviser and after receiving written advice from its external legal adviser:</p> <ul style="list-style-type: none"> (a) is reasonably capable of being valued and implemented on a timely basis, taking into account all aspects of the competing proposal, including its conditions precedent; and (b) would, if completed substantially in accordance with its terms, be more favourable than the Trust Scheme to the SPS Unitholders not associated with Spicers and Spicers Shareholders, taking into account all terms and conditions of the Competing Proposal, <p>after taking into account a qualitative assessment of the identity, reputation and financial standing of the person making the competing proposal, such that The Trust Company's board of Directors or the Spicers Board would be in breach of their fiduciary and/or statutory duties were they to continue to recommend the Trust Scheme (in the case of The Trust Company) or the Spicers Shareholder resolution authorising the issue of the Scheme Consideration (in the case of Spicers) instead of that competing proposal</p>
Supplemental Deed	The deed poll under which The Trust Company will amend the SPS Trust Constitution, a draft of which is set out in Annexure D
The Trust Company	The Trust Company (RE Services) Limited ACN 003 278 831 in its capacity as responsible entity for the SPS Trust
Trust Acquisition Resolution	Resolution to be passed at the General Meeting to approve Spicers becoming the sole holder of SPS Units for the purposes of section 611 (item 7) of the Corporations Act
TrustCo Matters	<p>Each of the following matters:</p> <ul style="list-style-type: none"> (a) the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 issued by The Trust Company as responsible entity of the SPS Trust (PDS) and the issue of the SPS Units by The Trust Company pursuant to that PDS; (b) The Trust Company's compliance with the SPS Trust Constitution, the terms of issue of the SPS Units and all agreements between The Trust Company and Spicers; and (c) the management and operation of the SPS Trust (in the period from inception until completion of the Trust Scheme)

11.1 GLOSSARY CONTINUED

TrustCo Prescribed Occurrences	<p>As defined in the Implementation Agreement and means the occurrence of any of the following on or after the date of the Implementation Agreement:</p> <ul style="list-style-type: none"> (a) The Trust Company converting all or any Unit or other securities of the SPS Trust into a larger or smaller number of Units or other securities (as applicable); (b) The Trust Company resolving to reduce the SPS Trust's issued capital in any way or reclassifying, combining, splitting or redeeming directly or indirectly any of the securities of the SPS Trust; (c) The Trust Company (in respect of the SPS Trust) declaring, paying or distributing any distribution, bonus or other security of its profits or assets or returning or agreeing to return any capital to Unitholders (whether by way of capital reduction, distribution or otherwise and whether in cash or in specie); (d) The Trust Company (in respect of the SPS Trust) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option; (e) The Trust Company (in respect of the SPS Trust) issuing or agreeing to issue, securities or other instruments convertible into securities or debt securities; (f) The Trust Company making any change or amendment to the constitution of the SPS Trust, other than the Supplemental Deed; (g) The Trust Company (in respect of the SPS Trust) creating, or agreeing to create, any encumbrance over the whole, or a substantial part, of the business or property of the SPS Trust; (h) The Trust Company (in respect of the SPS Trust) using the assets of the SPS Trust for the purposes of making any loans, advances or capital contributions to or investments in any person other than a wholly owned Subsidiary; (i) The Trust Company (in respect of the SPS Trust) cancelling, materially amending or failing to renew on its expiry any existing material insurance policy; (j) The Trust Company (in respect of the SPS Trust): <ul style="list-style-type: none"> (i) entering into or announcing an intention or proposal to enter into; (ii) publicly disclosing the existence of; or (iii) incurring, becoming subject to or advancing the time for performance of, an obligation to acquire or dispose of any entity, asset, undertaking or business (or any interest in any assets or business) or to perform or acquire the benefit of any services in relation to any asset or business or interest therein but excluding any services provided in relation to the Trust Scheme, having a value greater than \$250,000, whether individually or in the aggregate; (k) The Trust Company effects or facilitates the retirement, removal or replacement of The Trust Company as trustee or responsible entity of the SPS Trust; (l) The Trust Company does or omits to do something that could restrict The Trust Company's right of indemnity from the property of the SPS Trust in respect of obligations incurred by The Trust Company under the documents to which it is a party; (m) the SPS Trust is terminated or there is a resettlement of the SPS Trust; (n) the SPS Trust ceases to be admitted to the official list of the ASX;
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11.1 GLOSSARY CONTINUED

TrustCo Prescribed Occurrences continued	<p>(o) The Trust Company (in respect of the SPS Trust) enters into a new loan, advance or financing arrangement, or guarantees or indemnifies the obligations of any other person, or materially amends (or waives any material rights under) any existing financing arrangements except extension, refinancing or replacement of any existing facilities provided that any such extension, refinancing or replacement does not result in an increase in any existing facility;</p> <p>(p) a new consultant or agent is engaged by The Trust Company (in respect of the SPS Trust) and whose fees will be paid for by Spicers and, who cannot be terminated on payment of not more than 3 months remuneration;</p> <p>(q) The Trust Company in respect of the SPS Trust enters into, varies or terminates any contract, joint venture, partnership or commitment involving revenue or expenditure individually of more than \$250,000; or</p> <p>(r) The Trust Company agrees or resolves to do any of the foregoing, provided that a TrustCo Prescribed Occurrence will not include a matter:</p> <p>(s) required to be done or procured by The Trust Company pursuant to, or which is otherwise contemplated by, ordinary course of business; or</p> <p>(t) the undertaking of which Spicers has approved in writing, which approval may be given or withheld in its absolute discretion</p>
Trust Constitution Amendment Resolution	Resolution to be passed at the General Meeting and the SPS Meeting to approve pursuant to section 601GC(2) of the Corporations Act the amendments to the SPS Trust Constitution to authorise implementation of the Trust Scheme
Trust Scheme	An arrangement under which Spicers acquires all of the SPS Units in the SPS Trust from Eligible SPS Unitholders by way of an amendment to the SPS Trust Constitution, among other matters, subject to the requisite approval of Unitholders of the SPS Trust
Trust Scheme Deed Poll	The deed poll given by Spicers in favour of each Eligible SPS Unitholder for the purpose of covenanting in favour of the Eligible SPS Unitholders to take certain steps to facilitate the implementation of the Proposal if the Trust Scheme becomes Effective, including the issuance of the Scheme Consideration
Trust Scheme Resolutions	The Trust Constitution Amendment Resolution and the Trust Acquisition Resolution
Unit	A SPS Unit or the Ordinary Unit
Unitholder	A person registered on the SPS Trust Register as a holder of a Unit in SPS Trust
VWAP	Volume weighted average price
you	The reader of this document, if you are a Unitholder in the SPS Trust

11.2 INTERPRETATION

In this Booklet, unless the context otherwise requires or appears:

- Other words and phrases not in the glossary have the same meaning (if any) given to them in the Corporations Act.
- Words of any gender include all genders.
- Words importing the singular include the plural and vice versa.
- An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- A reference to a section or annexure is a reference to a section or annexure of this Booklet as relevant.
- A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- Headings and bold type are for convenience only and do not affect the interpretation of this Booklet.
- A reference to time is a reference to Sydney time.
- A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

ANNEXURE

A

INDEPENDENT EXPERT'S REPORT



**The Trust Company (RE Services) Limited
as responsible entity of PaperlinX SPS
Trust**

Independent expert's report and Financial Services Guide
28/04/2017



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$250,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed transaction with the PaperlinX SPS Trust, under which Spicers Limited would acquire PaperlinX Step-Up Preference Securities it does not already own, in exchange for ordinary shares in Spicers, by way of a trust scheme of arrangement.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9255 8434

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
www.fos.org.au
Tel: 1800 367 287
Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

28 April 2017

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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The Directors
The Trust Company (RE Services) Limited
as responsible entity of PaperlinX SPS Trust
Level 18, 123 Pitt Street
Sydney NSW 2000

28 April 2017

Dear Directors

Independent expert's report

Introduction

On 11 October 2016 (**First Announcement Date**), Spicers Limited (**Spicers** or the **Company**) announced that it had entered into discussions with The Trust Company (RE Services) Limited (**TrustCo** or the **Responsible Entity**), as responsible entity of the PaperlinX SPS Trust (**SPS Trust**) regarding a conditional and non-binding offer to simplify Spicers' capital structure.

On 20 December 2016 (**Second Announcement Date**), Spicers announced it had entered into a binding Scheme Implementation Agreement (**SIA**) to acquire the PaperlinX Step-Up Preference Securities (the **SPS Units**) it does not already own, in exchange for Spicers ordinary shares (**Spicers Shares**), by way of a trust scheme of arrangement (the **Proposed Trust Scheme**).

If implemented, the Proposed Trust Scheme would result in Spicers issuing a total of 1,431,386,910 Spicers Shares as consideration (**Share Consideration**). Spicers Shares will be allotted to holders of the SPS Units (**SPS Unitholders**) other than Spicers (**Eligible SPS Unitholders**) on the record date for the Proposed Trust Scheme. For Eligible SPS Unitholders who have a registered address which is outside of Australia and its external territories, New Zealand or the United States (**US**) (unless TrustCo and Spicers are satisfied that Spicers is not prevented from lawfully issuing Spicers Shares to such SPS Unitholder) (**Ineligible Overseas Holders**), Spicers Shares will be allotted to an entity that is a holder of an Australian financial services licence and sold on their behalf (the **Foreign Nominee**).

Upon completion of the Proposed Trust Scheme, the SPS Trust would become wholly owned by Spicers and the Eligible SPS Unitholders collectively would hold a controlling interest in Spicers, owning 68.3%¹ of the Spicers Shares.

The board of TrustCo has prepared a scheme booklet containing the detailed terms of the Proposed Trust Scheme (the **Scheme Booklet**) and an overview of the Proposed Trust Scheme is provided in Section 1 of our detailed report.

¹ The 68.3% includes the Spicers Shares allotted to the Foreign Nominee. It does not consider any existing interests that SPS Unitholders may have in Spicers.

Purpose of the report

Whilst an independent expert's report (**IER**) in respect of the Proposed Trust Scheme is not required to meet any statutory obligations, the directors of TrustCo (the **Directors**) have requested that Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) provide an IER advising whether, in our opinion, the Proposed Trust Scheme is in the best interests of SPS Unitholders.

This IER has been prepared to assist SPS Unitholders and the Directors in their consideration of the Proposed Trust Scheme. We have prepared this report having regard to Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 (**RG 111**), ASIC Regulatory Guide 112 (**RG 112**) and the Takeovers Panel Guidance Note 15 - Trust Scheme Mergers (**GN 15**).

This report is to be included in the Scheme Booklet to be sent to SPS Unitholders and has been prepared for the exclusive purpose of assisting SPS Unitholders in their consideration of the Proposed Trust Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, assumes responsibility to any person, other than the SPS Unitholders, in respect of this report, including for any errors or omissions however caused.

Basis of evaluation

Guidance

We have prepared this report having regard to RG 111 and RG 112, in line with Australian practice for IERs.

Control transactions can include many different types of transactions and the basis of evaluation selected by the expert must take account of the substance of a transaction. RG 111 provides guidance in relation to the content of IERs prepared for a range of transactions.

Where the Proposed Trust Scheme has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid; however, where the takeover bid is in the form of a scheme, the opinion reached should also state whether the proposed transaction is "in the best interests of the members of the company".

Under RG 111 a control transaction (such as the Proposed Trust Scheme) is:

- fair, when the value of the Share Consideration (i.e. the Spicers Shares) is equal to or greater than the value of the SPS Units subject to the proposed offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or despite not being fair, after considering other significant factors, SPS Unitholders should accept the offer, in the absence of any higher bids.

Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable', it will also be able to conclude that the proposed scheme is in the best interests of the members of the company. If an expert were to conclude that the proposal was 'not fair but reasonable', it is open to the expert to conclude that the proposal is in the best interests of the members of the company. If the expert concludes that the proposal is 'neither fair nor reasonable' then the expert would conclude that the proposal is not in the best interests of members.

To assess whether the Proposed Trust Scheme is in the best interests of Eligible SPS Unitholders, we have adopted the test of whether the Proposed Trust Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG 111.

We have valued both the SPS Units and the Share Consideration on a control basis. Whilst Spicers would gain control over the SPS Trust, the Proposed Trust Scheme would at the same time result in SPS Unitholders, as a collective, holding a controlling interest in Spicers. However, this does not mean that all SPS Unitholders' interests will be aligned.

Fairness

The SPS units have been valued at fair market value, which we have defined as the amount at which the SPS Units would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of an SPS Unit has not been premised on the existence of a special purchaser.



We have assessed whether the Proposed Trust Scheme is fair by comparing the value of the Share Consideration to be received by SPS Unitholders to the assessed value of the SPS Units.

Reasonableness

RG 111 considers an offer in respect of a control transaction to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, securityholders should accept the offer in the absence of any higher bid before the close of the offer.

Summary and conclusion

In our opinion, and in the absence of a superior proposal, the Proposed Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders. In arriving at this opinion, we have had regard to the factors set out below.

As explained in the Scheme Booklet, TrustCo did consider options available to SPS Unitholders and sought independent legal opinions as to whether there may be avenues or triggers available that may deliver greater value to SPS Unitholders than the Proposed Trust Scheme. Based on the outcome of these inquiries, the Directors formed the view that there are no viable alternative strategies that would deliver superior value to SPS Unitholders at this time. You may be of a different view.

If you are of a different view, then there is a material disadvantage in the Proposed Trust Scheme in that SPS Unitholders will fully release TrustCo, in its personal capacity and in its capacity as responsible entity of the SPS Trust, and Spicers in respect of all actions, conduct and decisions made in relation to SPS Trust Matters and Spicers Matters, as defined in the SIA. This factor, along with other factors, is discussed in the reasonableness section below.

The Proposed Trust Scheme is fair

In order to give effect to the intent of RG 111, in order to assess whether the Proposed Trust Scheme is fair, the independent expert is required to compare the fair market value of SPS Units with the fair market value of the Share Consideration on a control basis. The Proposed Trust Scheme is fair if the value of the Share Consideration is equal to or greater than the value of the securities subject to the offer.

The Share Consideration offered by Spicers is above the range of our assessment of value of the SPS Units. Accordingly it is our opinion that the Proposed Trust Scheme is fair.

Assessment of value of the Share Consideration

We have estimated the fair market value of the equity of Spicers, on a control basis, to range from \$49.1 million to \$147.6 million. If the Proposed Trust Scheme is implemented, this will result in the SPS Unitholders as a collective owning 68.3% of Spicers on a post-transaction basis and accordingly, the equity value of Spicers attributable to the SPS Unitholders will range from \$33.5 million to \$100.8 million. As the SPS Unitholders collectively hold 2,626,398 SPS Units, this implies that the Share Consideration will range from \$12.80 to \$38.40.

We have presented our calculation of the Share Consideration in the table below:

Table 1

	Section	Units	Low	High
Equity value of Spicers (on a control basis)	4.2	\$'000s	49,071	147,574
SPS Unitholders' interest in Spicers as a result of the Proposed Trust Scheme		%	68.3%	68.3%
Equity value held by SPS Unitholders		\$'000s	33,502	100,753
# of SPS Units held by SPS Unitholders	4.2.3	No.	2,626,398	2,626,398
Assessed value of the Share Consideration per SPS Unit		\$	12.80	38.40

Source: Deloitte Corporate Finance analysis

In considering this value range, we make the following comments:

- the valuation of the Share Consideration to be received by an SPS Unitholder for an SPS Unit has been assessed on a control basis because Eligible SPS Unitholders will collectively own 68.3% of Spicers if the Proposed Trust Scheme is accepted
- we have used an asset based methodology in assessing the equity value of Spicers given that:
 - Spicers underwent significant restructuring between financial year (FY) 2009 and FY2015 and therefore historical earnings are not a reflection of likely future performance
 - Spicers Management have not prepared long term cash flow forecasts for the business
 - Spicers is currently generating relatively low levels of return in comparison to invested capital and our experience is that such businesses trade at either net asset value or at a discount to net asset value. Our experience is borne out by recent sale transactions involving businesses operated by Spicers
- the high end of the range (\$38.40) is determined by valuing Spicers using the net assets on a going concern basis, which estimates the value of Spicers by aggregating the fair market value of its assets and liabilities. Our assessment of the fair market value of Spicers' net assets has been based on the 31 December 2016 unaudited, but reviewed, financial statements, adjusted to reflect an upward revaluation to the properties which Spicers owns. For this purpose, we have relied upon valuations prepared by the Directors of Spicers (the **Directors' Valuations**). It is unlikely that the fair market value of the Share Consideration would be in excess of the high end of our valuation range based on current trading results
- the low end of the range (\$12.80) has been determined using the orderly realisation of assets method and assumes that the Spicers Shareholders (including SPS Unitholders who will receive Spicers Shares under the Proposed Trust Scheme) would elect to wind up the Company should the Proposed Trust Scheme be approved. Both new and existing equity holders would realise value proportionate to their post transaction equity holdings in Spicers.

Our assessment of the fair market value of Spicers' assets under the orderly realisation approach has been based on the 31 December 2016 unaudited, but reviewed, financial statements, adjusted to reflect the values that the assets could be expected to realise if the company were to cease trading in a planned way and after allowing for costs associated with the closure of the business. We would expect the fair market value of Spicers to lie slightly above the bottom end of the range, particularly in light of the relative strength of the operations in New Zealand, which makes a sale of that business as a going concern possible even if all remaining operations were wound down
- the above value range is relatively wide given the level of uncertainty regarding the value of Spicers. The value SPS Unitholders would ultimately realise will depend upon the collective view as to whether it would be best to continue operations in light of perceived risks and rewards or realise the assets and wind down the business in an orderly manner.

Some may take the view that the Proposed Trust Scheme does not result in individual SPS Unitholders gaining control over Spicers and the Share Consideration should therefore be evaluated on a minority basis. Even if this is the case, this would not alter our conclusions for the following reasons:

- the valuation methodology used in arriving at the low end of our valuation range assumes that capital will be returned to investors, and no minority discount is therefore warranted
- the Proposed Trust Scheme would still be considered fair even if we applied a minority discount of between 20% and 40% (the range of minority discounts typically observed through our experience with control transactions) to the high end of our valuation range. For example, a minority discount of 40% would imply a value of \$23.04 for the Share Consideration, which is above our assessed value of a SPS Unit.

We have cross-checked our valuation of Spicers by assessing the earnings before interest and tax (EBIT) multiples implied by our valuation of the Spicers' business (enterprise value).

The use of earnings multiples may be problematic as a cross-check where asset based methodologies are used. In particular, it is difficult to arrive at the value of the business (as opposed to the equity) under an orderly realisation of assets basis as there is an assumption that all assets are realised, liabilities are settled and costs are incurred in winding up the entity. The value of the business in these circumstances is therefore somewhat moot. We nonetheless are of the opinion that an earnings multiples provide some support for our valuation outcome.



Table 2

	Section	Unit	Low ⁴	High
Assessed equity value of Spicers	4.2	\$'000s	49,071	147,574
Less: excess cash	4.3.1.1	\$'000s	-	(17,978)
Less: surplus properties	4.3.1.1	\$'000s	-	(12,750)
Add back: borrowings	4.3.1.1	\$'000s	-	3,474
Enterprise value		\$'000s	49,071	120,320
Implied EBIT multiple				
FY2017 (annualised) ¹	4.3.1.2	times	10.18x	24.95x
FY2016 ²	4.3.1.2	times	8.85x	21.70x
FY2015 ^{2, 3}	4.3.1.2	times	14.68x	36.00x

Source: Deloitte Corporate Finance analysis

Notes:

1. FY2017 EBIT is based on the EBIT before significant items for the six months to 31 December 2016, which has been normalised as described in section 4.3.1.2 and then annualised based on the proportion of earnings in the first half of FY2016 compared to the second half of FY2016

2. FY2016 and FY2015 EBIT is based on the EBIT before significant items extracted from the financial report for year ended 30 June 2016, which has been normalised as described in section 4.3.1.2

3. FY2015 EBIT reflects divestments in FY2016

4. for illustrative purposes, we assume that the equity value equates to the enterprise value and that there are no surplus assets or liabilities.

The implied EBIT multiples have been based on the audited financial performance for FY2015 and FY2016 and the reviewed financial performance for the six months ended 31 December 2016 and have been adjusted to reflect normalisation adjustments as discussed in Section 4.3.1.2.

We are of the opinion that the multiples implied by the Spicers' enterprise value as presented above provide support for our valuation range, particularly at the lower end of the range having regard to:

- the mean and median current EBIT multiples implied by share prices of broadly comparable listed companies of 14.2x and 14.9x, respectively. A notional premium of 20% was applied to these multiples to account for control
- the mean and median current EBIT multiples that were achieved in mergers and acquisitions in the paper and print wholesaling, general packaging wholesaling and general wholesaling industries of 10.5x and 12.2x, respectively.

The companies are considered only broadly comparable as they operate in different jurisdictions and may have vertically integrated manufacturing and distribution operations rather than being purely wholesalers.

We have also cross-checked our assessed value of the Share Consideration with reference to the recent trading prices of the SPS Units. We note that the three month volume weighted average price (VWAP) and 10 day VWAP post the First Announcement Date range from \$12.92 to \$13.12, which is slightly above the low end of our assessed value of the Share Consideration per SPS Unit. Trading prices post the First Announcement Date give an indication of the market's view of the Proposed Trust Scheme, its likelihood of success and the resulting outcome for the SPS Unitholders.

If we were asked to determine a most likely value for the Share Consideration, we would consider it reasonable to adopt a value above the low end of the valuation range particularly in light of the relative strength of the operations in New Zealand, which makes a sale of that business as a going concern possible even if all remaining operations were wound down.

Assessment of value of an SPS Unit

The SPS Units are perpetual instruments, unless redeemed for cash or exchanged for Spicers Shares or Spicers Preference Shares (as defined in Section 3.1), and do not have a maturity date.

We are of the opinion that there is likely to be little, if any, fundamental value attaching to the SPS Units from an economic point of view. An assessment of the fundamental fair market value of an SPS Unit is dependent upon the following:

- the likelihood of receiving distributions
- the likelihood of SPS Unitholders having some, or all, of this capital repaid

- the potential for a Realisation Event to occur (Realisation Event is explained in detail in Section 3.5.3.1) that could result in SPS Unitholders receiving a greater proportion of the Spicers Shares
- the prospects for a capital restructure of Spicers, including the possible conversion of the SPS Units into Spicers Shares (such as would occur under the Proposed Trust Scheme), or the possibility of recovering value by pursuing legal action against the Company and TrustCo (in its capacity as the responsible entity of the SPS Trust and in its personal capacity) in relation to SPS Trust Matters and Spicers Matters, as defined in the SIA.

In the absence of the Proposed Trust Scheme, there is little prospect of distributions being made to the SPS Unitholders on an ongoing basis, as Spicers is not generating sufficient cash for this purpose. The inability to make full distributions to the SPS Unitholders in turn precludes the payment of dividends to ordinary shareholders. We highlight this because the Proposed Trust Scheme could aid in resolving this issue and consequently result in Spicers resuming payment of dividends to the shareholders of Spicers (**Spicers Shareholders**) (including SPS Unitholders who will become Spicers Shareholders as a result of the Proposed Trust Scheme).

Whilst Spicers currently has a surplus cash balance of approximately \$18 million, there would be only limited cash available for payment of a dividend to ordinary shareholders and/or to make strategic acquisitions if a preferential distribution was made to the SPS Unitholders. Given this dynamic, the ordinary shareholders are unlikely to support the payment of distributions to the SPS Unitholders in the short to medium term.

There is also only a remote prospect of the SPS Unitholders receiving either a partial or full return of capital, as Spicers would be required to undertake either a substantial equity raising or secure additional debt facilities. We are of the opinion that both are unlikely possibilities given the current capital structure and the resulting blockages that the structure causes as to dividend payments and capital raisings. The most practical avenue for SPS Unitholders to pursue in order to realise value for their SPS Units is the simplification of the capital structure of the Company, as envisaged by the Proposed Trust Scheme, which would allow for the resumption of dividend payments to ordinary shareholders of Spicers.

The current proposed conversion ratio would result in the SPS Unitholders holding 68.3% of the Spicers Shares². It is possible that SPS Unitholders could receive a greater proportion of the Spicers Shares in certain limited circumstances, which include a Change of Control Event (other than as a result of a capital reorganisation as currently contemplated), a Spicers Breach of Undertakings Event or a Spicers Winding Up Event (the meanings given to each of the aforementioned capitalised terms are set out in Section 3.5.3.1).

We make the following observations in relation to these possibilities:

- if a Change of Control Event occurred, the SPS Unitholders may request their SPS Units be realised either through redemption, resale or in exchange for Spicers Shares. It is highly unlikely that a Change of Control Event will occur, unless there is a simplification of the capital structure and the SPS Units redeemed or converted to Spicers Shares. Redemption, as noted above, is improbable because it is unlikely that Spicers could raise capital for this purpose
- if a Spicers Breach of Undertakings Event occurred, Spicers must exchange the SPS Units for Spicers Preference Shares, which are immediately redeemable at the option of the SPS Unitholder. In this regard we note that TrustCo is currently seeking judicial advice to assess whether or not Spicers has breached an undertaking (see Section 5.6 of the Trust Scheme Booklet). These proceedings have been adjourned to allow TrustCo to put forward the Proposed Trust Scheme. If the Proposed Trust Scheme proceeds, the proceedings will be withdrawn. Except for the matters referred to in the Scheme Booklet, we assume a Spicers Breach of Undertakings Event will not otherwise occur as this would require the Directors of Spicers to act improperly or have acted improperly

² The 68.3% includes the Spicers Shares allotted to the Foreign Nominee. It does not consider any existing interests that SPS Unitholders may have in Spicers.



- if a Spicers Winding Up Event occurred, Spicers must exchange the SPS Units for Spicers Preference Shares. A Spicers Winding Up Event would require either:
 - the members of Spicers or PaperlinX LLC³ to pass a resolution for the winding up of the respective entities
 - a court order to wind up either Spicers or PaperlinX LLC.

As the members and the board of Spicers are in control of both Spicers and PaperlinX LLC respectively, it is unlikely that they would pass a resolution to this effect. TrustCo has received advice that it is unlikely it could successfully petition a court to wind up either Spicers or PaperlinX LLC. Given the advice, the prospect of a Spicers Winding Up Event appears remote.

Notwithstanding the above, if any of the events mentioned above occur, Spicers may be constrained from issuing Spicers Shares or Spicers Preference Shares in exchange for SPS Units without first obtaining the approval of Spicers Shareholders under ASX Listing Rule 7.1. There can be no certainty that Spicers Shareholders approval, if required by the ASX under Listing Rule 7.1, would be obtained. If Spicers elects to exchange Spicers Shares or Spicers Preference Shares for SPS Units and does not issue those securities (including as a result of failure to obtain any necessary Spicers Shareholder approval), a Spicers Breach of Undertaking Event will have occurred. In these circumstances, the exchange for Spicers Preference Shares will be required.

If that exchange also does not proceed, any claim will be limited to an order for specific performance or such monetary claim as SPS Unitholders would have had if the Spicers Preference Shares were issued (refer to Section 3.5.3.1 for further details).

It is open to Spicers to seek to achieve the same commercial outcome as a Realisation Event by other means.

It may be argued that one could attribute some value to an SPS Unit due to the prospect of:

- a capital restructure (such as this Proposed Trust Scheme)
- recovering value by pursuing legal action against the Company, its related entities and TrustCo.

There is significant uncertainty in terms of the timing and quantum of the end outcome associated with either of the aforementioned possibilities. We are therefore of the opinion that the SPS Units would have a value that lies below the low end of our assessed value range for the Share Consideration.

In summary, we consider that:

- there is little prospect for a distribution and/or a return of capital to SPS Unitholders
- there are no realistic alternatives currently available for SPS Unitholders to crystallise any higher value than the assessed value of the Share Consideration
- in the absence of the SPS Unitholders being able to seek legal redress against the Company, its related entities and TrustCo, the SPS Units have little, if any, value.

The SPS Units have a VWAP ranging from approximately \$11.00 to \$12.00 over the last two calendar years (refer to Section 5.4 for further details on our analysis), which is below the low end of our assessed value range for the Share Consideration of \$12.80.

The Proposed Trust Scheme is reasonable

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Trust Scheme is reasonable. We have nonetheless also considered the following factors in assessing the reasonableness of the Proposed Trust Scheme.

We have formed our opinion on the reasonableness of the Proposed Trust Scheme based on an analysis of the following likely advantages and disadvantages to the SPS Unitholders of accepting the Proposed Trust Scheme.

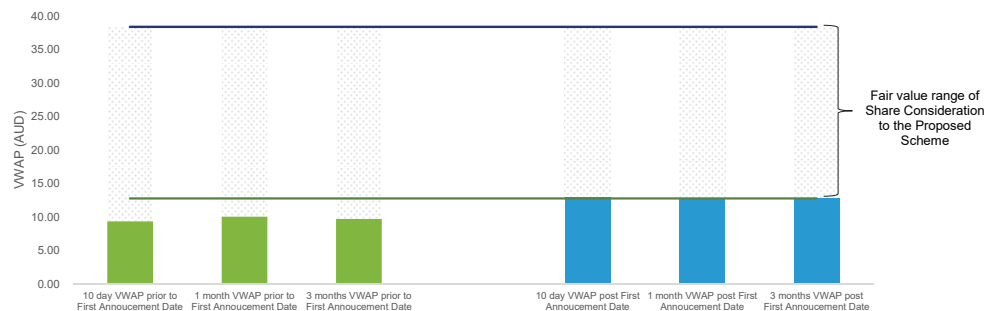
³ The SPS Trust invested \$285 million in 2007 in PaperlinX SPS LLC (**PaperlinX LLC**), which is a wholly owned subsidiary of Spicers, in the form of preference shares (**LLC Preference Shares**). PaperlinX subsequently lent the proceeds to Spicers by way of a subordinated convertible loan note (**Loan Note**).

Advantages of the Proposed Trust Scheme

Share Consideration represents a premium to recent unit trading prices

Our assessed value range of the Share Consideration, other than at the lower bound, represents a premium to recent unit trading prices for the SPS Units prior to and after the First Announcement Date, as set out below:

Figure 1



Source: Deloitte Corporate Finance analysis

The low end of the Share Consideration value range represents:

- a premium of between 31% to 36%, respectively, to the 3 month VWAP and the 10 day VWAP of the SPS Units prior the First Announcement Date
- a discount of between 1% to 2%, respectively, to the 3 month VWAP and the 10 day VWAP of the SPS Units post the First Announcement Date.

Given current illiquidity of the SPS Units, it is likely that the SPS Units will trade at prices below the low end of the Share Consideration value range and more in line with the prices observed prior to the First Announcement Date if the Proposed Trust Scheme is not approved.

The Proposed Trust Scheme hands control to the SPS Unitholders

SPS Unitholders currently have no direct or indirect ability to influence the composition of the board of Spicers or exert any influence over the future direction and strategy of the Company.

If the Proposed Trust Scheme is approved, SPS Unitholders will own approximately 68.3% of Spicers. As a collective, SPS Unitholders will be able to control the company, including:

- the ability to appoint new directors and the composition of the board
- determine the strategic direction of the company
- influence the payment of dividends, through the composition of the board
- vote on resolutions, including whether to wind up the Company and share in any proceeds should the company be wound up.

A simplified capital structure may unlock value for holders of all classes of securities

A simplified capital structure may unlock value for holders of all classes of securities for at least the following reasons:

- if the Proposed Trust Scheme is approved, Spicers' Management will be able to focus on operational matters and the execution of the Company strategy
- the simplified capital structure may allow Spicers to more easily access capital and debt markets to pursue growth opportunities as a result of improved stakeholder confidence
- the creation of a unified, simplified and transparent capital structure may broaden investor and analyst interest in the Company, thereby enhancing the trading liquidity of Spicers Shares and improve the equity valuation



- the resolution of the capital structure may allow for the resumption of dividend payments. The current capital structure effectively prevents distributions being made to any classes of securities. There is no incentive for shareholders of Spicers to resume making distributions to SPS Unitholders and this in turn prevents dividends being paid to ordinary shareholders
- the Proposed Trust Scheme will eliminate the costs associated with maintaining the SPS Trust structure
- the Proposed Trust Scheme should improve confidence and remove perceptions of counterparty risk amongst the Company's stakeholders (customers, suppliers and financiers).

The resolution of the capital structure issues and uncertainty may also result in Spicers receiving a takeover offer or allow it to participate in industry consolidation in the future.

SPS Unitholders will share in any future capital growth of Spicers

SPS Units are thinly traded and difficult to dispose of given uncertainty in relation to dividend and capital repayment prospects. This has a direct impact on the value of the SPS Units.

If the Proposed Trust Scheme is implemented, and the capital structure simplified, this will lead to greater transparency and allow investors to properly assess the underlying value of the Company and the risks of, and rewards attaching to, the Spicers Shares. This is likely to result in greater trading depth and improved levels of liquidity, which may lead to a re-rating of the company and the possibility of share price appreciation. However, it is also worth noting that future share price appreciation is ultimately dependent upon market conditions and ability of the Spicers' Management to implement its strategy successfully.

SPS Unitholders could crystallise a control value at some point in the future

The current capital structure of Spicers effectively precludes certain takeover offers being made for the Company as this would trigger a Change of Control Event and result in a Realisation Event for the SPS Units. However, if the Proposed Trust Scheme is implemented and the capital structure is simplified, this would allow for a future control transaction and SPS Unitholders may be able to crystallise a control value for their Spicers Shares at some point in the future.

No superior alternative realisation option is likely to emerge

As at the date of this report, no superior alternative offers have emerged. The Directors have indicated that they have sought comprehensive legal and other advice on alternatives to the Proposed Trust Scheme. We understand that the Directors are not aware of any other party who intends to make a competing proposal and have no basis for believing that an alternative proposal will be received unless there is a resolution to the Spicers' capital structure. We also note that there was an attempt to resolve the capital structure issues associated with the SPS Units in 2013 and in spite of the fact that that attempt did not succeed, no alternate proposal (other than the Proposed Trust Scheme) has been successfully put forward by any party. In addition, under the terms of the SIA, TrustCo is bound by customary obligations relating to exclusivity, including a restriction on soliciting alternative proposals.

No transfer costs for Eligible SPS Unitholders, excluding Ineligible Overseas Holders

The Proposed Trust Scheme will not result in any brokerage or stamp duty costs on the transfer of the SPS Units to Spicers or the issue of Spicers Shares for Eligible SPS Unitholders, excluding Ineligible Overseas Holders.

Disadvantages of the Proposed Trust Scheme

The Proposed Trust Scheme will seek to extinguish any claims that the SPS Unitholders have in respect of their SPS Units

The SPS Unitholders may form the view that they have a claim in respect of the SPS Units, and that the quantum of the claim is material. Further details of the potential claims SPS Unitholders may have against the Company or TrustCo have been described in the Scheme Booklet.

By voting in favour of the Proposed Trust Scheme, SPS Unitholders will forego the opportunity to seek legal redress against the Company and TrustCo (in its capacity as the responsible entity of the SPS Trust and in its personal capacity) in relation to SPS Trust Matters and Spicers Matters, as detailed below. Under Clause 3.4(b) of the SIA, SPS Unitholders are required to fully release:

- TrustCo in its personal capacity and in its capacity as responsible entity of the SPS Trust, in respect of all actions, conduct and decisions made in relation to the following:

- the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 and the issue of the SPS Units
- TrustCo's compliance with the Constitution, terms of issue of the SPS Units and all agreement between TrustCo and Spicers
- the management and operation of the SPS Trust
- Spicers in respect of all actions, conduct and decisions made in relation to its management and operation of the Spicers business in the period from the date of the commencement of the SPS Trust to the completion of the Proposed Trust Scheme.

SPS Unitholders give up their right to a preferential return if the Company is wound up

The SPS Unitholders have the right to a preferential return of capital should Spicers be wound up. This right will be lost once they hold ordinary shares. However, we note that the prospects for a winding up are considered remote under the current capital structure.

SPS Unitholders should bear in mind that even though they lose their right to a preferential return of capital if the Proposed Trust Scheme is approved, this may not lead to a less favourable outcome for them.

The Share Consideration does not compensate SPS Unitholders for unpaid distributions and is below the face value of the SPS Units

The SPS Units offer unfranked, semi-annual, floating rate, non-cumulative distributions, which are payable at the discretion of Spicers. When a Realisation Event occurs, the realisation value of the SPS Units must include any unpaid distributions that would otherwise have been payable for the 12 month period prior to the Realisation Event. The Share Consideration does not sufficiently compensate for any unpaid distributions.

In addition, our assessed value range of the Share Consideration is significantly below the face value of the SPS Unit of \$100.

Spicers Shares may trade below recent share trading prices and/or there may be limited market liquidity

We would expect the price of the Spicers Shares to be more closely aligned with the price implied by our assessed value of Spicers if the Proposed Trust Scheme is implemented. There is, however, no guarantee that the share price and liquidity levels will increase.

Other considerations

SPS Unitholders may be of the opinion that they are entitled to a greater number of Spicers Shares

SPS Unitholders may form the view that they are entitled to a greater interest in Spicers than is currently offered, i.e. more than 545 Spicers Shares per SPS Unit. In forming a view as to whether or not to accept the offer or reject the offer and seek a better outcome, SPS Unitholders should take into account that Spicers Shareholders may not approve the issue of additional shares in the Company (a requirement of the Proposed Trust Scheme) if their interests are diluted excessively. The capital restructure therefore involves a level of compromise and accommodation by both Spicers Shareholders and the SPS Unitholders.

Whilst it may be theoretically possible for SPS Unitholders to obtain a greater number of Spicers Shares, there are risks in pursuing such a path and there is no guarantee that the outcome would be more favourable for SPS Unitholders.

Even if SPS Unitholders consider the current proposed conversion ratio to be unfair, we would nonetheless consider the Proposed Trust Scheme to be reasonable and in the best interests of SPS Unitholders in light of the advantages as discussed above, under the section entitled "Advantages of the Proposed Scheme".

SPS Unitholders may be of the opinion that an alternative realisation option is achievable and would deliver a superior outcome

Notwithstanding the Directors' view that no superior alternative realisation option is likely to emerge, as discussed above, SPS Unitholders may consider that there are alternative realisation options that would deliver a superior outcome. In particular, SPS Unitholders may consider that a Realisation Event or an event that would result in an exchange of the SPS Units to Spicers Preference Shares may be possible.



SPS Unitholders may be of the opinion that an investment in Spicers Shares changes their investment profile

An investment in Spicers Shares offers the opportunity to partake in the upside and downside of the operations of Spicers, whereas the investments in SPS Units is not a direct investments in Spicers. SPS Unitholders may consider that an equity investment in Spicers does not suit their investment needs.

Consequence if the Proposed Trust Scheme is not approved

It is common for the security price of the entities involved in a transaction to trade at or around the value implied by the transaction, particularly if the market has formed the view that the transaction will proceed. It is also not uncommon for the share price to fall back to pre-transaction levels or lower in the event that the transaction does not proceed. Accordingly, in the event that the Proposed Trust Scheme is unsuccessful, the price of the SPS Units may decline to levels observed prior to the First Announcement Date, noting that the current capital structure is value destructive for all securityholders.

Uncertainty regarding the operational and financial position of Spicers

Notwithstanding the restructuring initiatives already implemented by Spicers, there remains uncertainty regarding the operational and financial position of Spicers, as Spicers is exposed to the following risks:

- the market in which Spicers operates has experienced and is expected to continue a long period of structural decline
- Spicers' turnaround strategy remains ongoing and is subject to a number of execution and market related risks
- a decline in the availability of cash, which is at risk from working capital pressures and restrained funding, could result in operational liquidity risks and restrictions in the ability to invest, innovate and respond to market conditions and opportunities.

The value that SPS Unitholders realise may differ from the assessed value of the Share Consideration

In the event that SPS Unitholders approve the Proposed Trust Scheme, the value of the consideration they receive may vary from our assessed value for the Share Consideration. The value SPS Unitholders would ultimately realise will depend on the actual price at which the shares trade following implementation of the Proposed Trust Scheme.

Consequences for Ineligible Overseas Holders

The Spicers Shares held by the Foreign Transferee, on behalf of the Ineligible Overseas Holders, will be sold at the discretion of the Foreign Transferee, and as such Ineligible Overseas Holders will not have any control as to the exact timing of the sale. Ineligible Overseas Holders run the risk of receiving less than would be the case had they been able to control the timing of the sale process in respect of their allotted shares. They also incur the costs of brokerage, stamp duty and other taxes.

Opinion

In our opinion and in the absence of a superior proposal, the Proposed Trust Scheme is fair and reasonable to SPS Unitholders. It is therefore in the best interests of SPS Unitholders.

An individual SPS Unitholder's decision in relation to the Proposed Trust Scheme may be influenced by his or her particular circumstances, including taxation considerations. If in doubt the SPS Unitholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Stephen Ferris
Authorised Representative Number: 460999

Tapan Parekh
Authorised Representative: 461009

Glossary

Reference	Definition
AFSL	Australian Financial Services Licence
APESB	Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
AUD	Australian dollars
AUASB	Auditing and Assurance Standards Board
BBSW	180 day bank bill swap rate
bps	Basis points
CME	Capitalisation of maintainable earnings
Company	Spicers Limited and its controlled entities
Constitution	The constitution of the SPS Trust
DCF	Discounted cash flow
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Distribution Payment Date	30 June and 31 December of each year, commencing on 30 June 2007
Directors' Valuations	The valuation of the properties owned by Spicers which have been undertaken by the Directors of Spicers
Distribution Payment Dates	30 June and 31 December each year, commencing on 30 June 2007
Distribution Period	The number of days from (but excluding) the preceding Distribution Payment Date to (and including) that Distribution Payment Date
Distribution Rate	The sum of the BBSW and the margin, which was initially set at 2.4% per annum but increased to 4.65% as at 30 June 2012
Directors	The Directors of TrustCo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible SPS Unitholders	SPS Unitholders other than Spicers
EMRP	Equity Market Risk Premium
Exchange	The exchange of an SPS Unit for Spicers Shares
Face Value	\$100, being the issue price of the SPS Units
FICS	Financial Industry Complaints Service
First Announcement Date	11 October 2016
Foreign Nominee	The party that holds an Australian financial services licence issued by ASIC, whom will be allotted the 545 Spicers Shares for each SPS Unit, and subsequently sold on behalf of the Ineligible Overseas Holders
FSG	Financial Services Guide
FY	Financial year
GN 15	Takeovers Panel Guidance Note 15 – Trust Scheme Mergers
IBIS	IBIS World Pty Ltd
IER	Independent expert's report
Ineligible Overseas Holders	Eligible SPS Unitholders who have a registered address outside of Australia and its external territories, New Zealand or the US
Interest Payment Date	Each 31 December and 30 June until the date on which the Loan Notes are redeemed
LLC Preference Shares	Preference shares in PaperlinX SPS LLC
Loan Note	The \$285 million loan issued by PaperlinX LLC to Spicers
NPAT	Net profit after tax
NTA	Net tangible assets
Optional Distribution	A distribution that the SPS Trust, in its absolute discretion, elect at any time to pay SPS Unitholders an optional distribution in an amount equal to the unpaid amount of the scheduled distribution for the immediate 12 months prior
PaperlinX LLC	PaperlinX SPS LLC
Proposed Trust Scheme	The announced offer made by Spicers on 20 December 2016 to acquire the SPS Units it does not already own, in exchange for Spicers Shares



Reference	Definition
Realisation Event	This refers to the following three events that can cause the SPS Units to be realised or exchanged for Spicers Preference Shares: <ul style="list-style-type: none"> • Change of Control Event • Spicers Breach of Undertakings Event • Spicers Winding Up Event
Redemption	The redemption for cash payment to the SPS Unitholder and the cancellation of the SPS Units
Resale	The arrangement of the resale of an SPS Unit to the third party
Remarketing	A process to adjust the margin and other terms of the SPS Units
PDS	Product Disclosure Statement
Responsible Entity	The Trust Company (RE Services) Limited
RG 111	ASIC Regulatory Guide 111
RG 112	ASIC Regulatory Guide 112
Scheme Booklet	The scheme booklet containing the detailed terms of the Proposed Trust Scheme
Section 640	Section 640 of the Corporations Act 2001
Second Announcement Date	20 December 2016
Share Consideration	Spicers Shares as consideration
SIA	Share Implementation Agreement
SWOT	Strengths, weaknesses, opportunities and threats
Spicers	Spicers Limited and its controlled entities
Spicers Shareholders	Shareholders of Spicers
Spicers Shares	Ordinary shares in Spicers
Spicers Preference Shares	Preference shares in Spicers
SPS Ordinary Unitholder	The holder of the SPS Ordinary Unit, being Spicers
SPS Ordinary Units	The ordinary unit in the SPS Trust which is held by Spicers
SPS Trust	PaperlinX SPS Trust
SPS Units	PaperlinX Step-Up Preference Securities
SPS Unitholders	Holders of SPS Units excluding Spicers
Step-up Margin	4.65%
TrustCo	The Trust Company (RE Services) Limited
UK	United Kingdom
Undertakings	Undertakings bound Spicers to: <ul style="list-style-type: none"> • not pay any dividends to its shareholders or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital of Spicers, unless or until the minimum amount of distributions required, have been paid to SPS Unitholders • pay cash, issue Spicers Shares or resell SPS Units on behalf of the SPS Unitholder as required to realise the SPS Units • not issue any preference shares or other instruments which convert into preference shares and rank (or would upon conversion rank) ahead of the Spicers Preference Shares with respect to dividend payments and the return of capital on a winding up.
Unitholders	The holders of the SPS Ordinary Unit and the holders of the SPS Units
US	United States
VWAP	Volume weighted average price

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1 Overview of the Proposed Trust Scheme

1.1 Summary

On 20 December 2016, Spicers announced it had entered into a binding SIA to acquire the SPS Units it does not already own, in exchange for the Spicers Shares, by way of a trust scheme of arrangement.

If implemented, the Proposed Trust Scheme would result in Spicers issuing a total of 1,431,386,910 Spicers Shares as consideration for the acquisition of all the SPS Units it does not already hold. Spicers Shares will be allotted to Eligible SPS Unitholders, whereas for Ineligible Overseas Holders, Spicers Shares will be allotted to an entity that is a holder of an Australian financial services licence and sold on their behalf.

Upon completion of the Proposed Trust Scheme, the SPS Trust would become wholly owned by Spicers and new Spicers Shares issued under the Proposed Trust Scheme to SPS Unitholders or in the case of Ineligible Overseas Holders, the Foreign Nominee, would represent 68.3% of the total Spicers Shares on issue. TrustCo will then deregister the SPS Trust as a registered managed investment scheme.

The board of TrustCo has prepared a scheme booklet containing the detailed terms of the Proposed Trust Scheme.

1.2 Key conditions of the Proposed Trust Scheme

Under the SIA, the obligations of Spicers and TrustCo are subject to the satisfaction or waiver (as applicable) of each of the following outstanding Conditions Precedent:

- all necessary regulatory approvals being obtained
- no prescribed occurrence for Spicers, TrustCo or any of their subsidiaries under the SIA occurring
- no change in Spicers' board recommendation to shareholders to vote in favour of resolutions put forth for the purpose of ASX Listing Rule 7.1 to permit the issuance of the Share Consideration
- no change in TrustCo's board recommendation to SPS Unitholders on the Proposed Trust Scheme
- the requisite majority of Spicers shareholders approving the resolution in connection with the Proposed Trust Scheme prior to the second court date
- the requisite majority of SPS Unitholders approving the Proposed Trust Scheme prior to the second court date
- the approval by the court by granting judicial advice
- the SIA has not been terminated
- there is no change of law that restrains, prohibits or materially adversely impacts on the implementation of the Proposed Trust Scheme
- there is no temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition on the Proposed Trust Scheme
- there is no superior proposal announced or proposed to the Spicers Group or the SPS Trust.

1.4 Intentions if the Proposed Trust Scheme proceeds

Following the implementation of the Proposed Trust Scheme, it is intended that:

- SPS Trust will be removed from the official list of the ASX
- SPS Trust will be deregistered as a registered managed investment scheme, following which TrustCo will be replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers
- the SPS Units will be cancelled and the SPS Trust will be wound-up
- Spicers will initiate a board renewal process which will provide for up to 3 new directors, including a Chairman, to be appointed to replace the existing non-executive directors, Mr Robert Kaye and Mr Michael Barker. Shareholders of Spicers (including former SPS Unitholders who receive new Spicers Shares under the Proposed Trust Scheme) will be invited to submit any director nominations they consider appropriate.

The operations of Spicers will remain unchanged following the implementation of the Proposed Trust Scheme.

2 Profile of Spicers

2.1 Overview of Spicers

Spicers (previously known as PaperlinX Limited) is an Australian listed entity. Spicers is a distributor and provider of services to customers in commercial print, packaging, signage and display and pressure sensitive labelling sectors.

The paper and paper related products that Spicers distributes are used across a range of printing applications, covering traditional commercial print and packaging uses through to expanding digital print applications and industrial packaging materials.

Products and services include coated and uncoated fine papers, carbonless paper, specialty paper (coloured, textured and thermal), synthetic papers, digital (high speed inkjet) papers, cardboard packaging materials and other industrial packaging products, ranging from protective packaging through to wrapping films and self-adhesive tapes.

For its sign and display solutions, Spicers distribute to customers in the signage, visual display, labels and graphics industries.

Products and services include flexible vinyl substrates, rigid substrates, pressure sensitive films and wraps, wide and grand format printing and finishing equipment, print media and finishing products (roll media, inks and protective laminates), pressure sensitive label materials for varied self-adhesive label applications, LED and LCD display products and architectural and construction solutions.

An overview of the company history is provided in the table below.

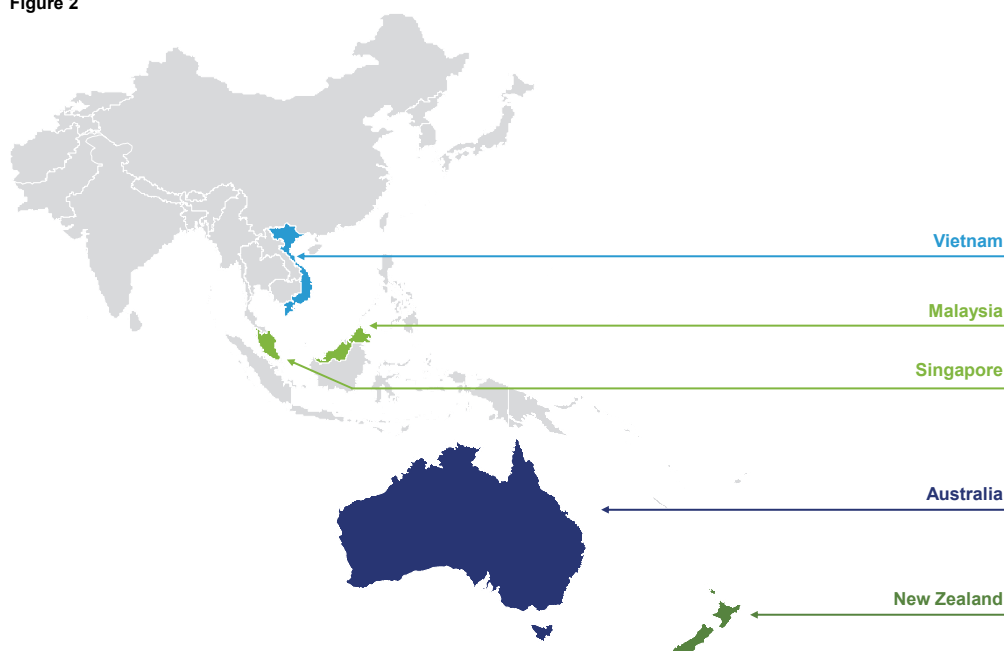
Table 3

Period	Description of events
April 2000	Listed on the ASX after demerging from Amcor Limited
January 2001	Acquired Australian paper distributor Spicers Paper Limited
May 2001	Acquired Canadian paper merchant, Coast Paper Inc
April 2002	Acquired Canadian paper merchant, La Papeterie L.P. Turgeon Inc
July 2002	Acquired Bunzl Fine Paper, which operated in the UK, from Bunzl plc
November 2003	Acquired Buhrmann's paper merchandising division, which operated in Europe, the United Kingdom (UK) and the US
March 2006	Acquired Cascades Resources, the Canadian paper merchandising business of Cascades Inc
May 2007	Simultaneously acquired Italy based Antalis S.p.A and sold France based Axelium SAS
June 2009	Sold the Australian paper manufacturing business to Nippon Paper Group, except for Wesley Vale and Burnie mills in Tasmania, which were retained by Spicers
December 2009	Announced the closure of the Wesley Vale mill and part of the operations of the Burnie mills. Closure was completed in March 2010
April 2010	Announced the complete closure of the Burnie mill. Closure was completed in June 2010
June 2012	Sold the businesses in the US and Italy
September 2012	Sold the South African business
November 2012	Sold the operations in Slovakia, Hungary, Slovenia, Croatia and Serbia
June 2013	Acquired Cadorit AB, a Swedish company providing digital solutions for the sign and printing industry
October 2014	Acquired Total Supply Limited, a sign industry supplier in New Zealand
March 2015	Sold the Canadian business
April 2015	Businesses in the UK, Benelux and Austria were placed into administration
May 2015	Sold the Polish business
June 2015	Sold the operations in Scandinavia, Spain and Ireland
December 2015	Insolvency administrator was appointed for the German business (last remaining European operations of Spicers), with settlement of obligations related to the Spicers group completed in November 2016
October 2016	Announced the proposed restructure of Spicers' capital structure
December 2016	Announced that the SPS Trust and Spicers entered into a Scheme Implementation Agreement, and if implemented, Spicers will acquire all SPS Units that it does not already own in exchange for ordinary shares in Spicers

Source: Spicers' company website, ASX announcements

Through its subsidiaries, Spicers operates in Australia, New Zealand, Malaysia, Singapore and Vietnam. Spicers currently has approximately 440 employees across all jurisdictions.

Figure 2



Source: Spicers 2016 Annual Report and Deloitte Corporate Finance analysis

Spicers' subsidiaries, which are all wholly owned, are listed below.

Table 4

Investment	Country of incorporation
PaperlinX Services Pty Ltd	Australia
Tas Paper Pty Ltd	Australia
PaperlinX SPS Trust	Australia
PaperlinX SPS LLC	United States of America
Spicers Australia Pty Ltd	Australia
Pebmis Pty Ltd	Australia
Paper Associates Pty Ltd	Australia
PaperlinX Holdings Coöperatieve UA	Netherlands
PPX Canada Limited	Canada
Spicers Holdings (Asia) Pte Ltd	Singapore
Spicers Paper (Singapore) Pte Ltd	Singapore
Spicers Paper (Hong Kong) Ltd	Hong Kong
Spicers Paper (Malaysia) Sdn Bhd	Malaysia
PaperlinX Investments Pty Ltd	Australia
Spicers (N.Z.) Ltd	New Zealand
Total Supply Limited	New Zealand

Source: Spicers 2016 Annual Report, Management, Deloitte Corporate Finance analysis



2.2 Capital structure and shareholders

The Spicers group had the following securities on issue as at the Announcement Date:

- 665,181,261 ordinary shares listed on the ASX under the SRS ticker at the date of this report
- 61,100 employee options and performance options pursuant to the Spicers Employee Share/Option Plans
- 12,000,000 options issued under the Executive Options Plan
- 2,850,000 SPS Units issued by the SPS Trust, which is a part of the Spicers consolidated group. We discuss the SPS Trust structure in Section 3.1.

Ordinary shares (Spicers Shares)

Spicers' Shareholders holding more than 5% of the Spicers Shares are set out in the table below.

Table 5

Spicers Shareholders	No. of Spicers Shares held	Percentage of issued Spicers Shares
Allan Gray Australia Pty Ltd	111,814,965	16.81%
Hishenk Pty Ltd	79,650,000	11.97%
Communications Power Incorporated (Aust) Pty Ltd	55,500,000	8.34%
Substantial shareholders	246,964,965	37.13%
Other shareholders	418,216,296	62.87%
Total units outstanding	665,181,261	100.00%

Source: Spicers Management

Notes: as at the date of this report as extracted from substantial shareholder notices

Share plans

Set out below is a summary of current outstanding performance options.

Table 6

Grant Date	Exercise price	Status	No. of options	Expiry date
14 April 2000	\$3.13	Exercisable now	10,000	Refer Note 1
20 November 2000	\$3.32	Exercisable now	12,500	Refer Note 1
19 April 2001	\$3.50	Exercisable now	10,000	Refer Note 1
13 September 2001	\$4.12	Exercisable now	19,600	Refer Note 1
20 September 2002	\$5.13	Exercisable now	9,000	Refer Note 1
10 April 2014	\$0.10	Exercisable now	1,000,000	10/04/2017
10 April 2014	\$0.15	Exercisable now	1,000,000	10/04/2017
10 April 2014	\$0.20	Exercisable 10 April 2017	1,000,000	10/05/2017
10 April 2014	\$0.30	Exercisable 10 April 2017	1,000,000	10/05/2017
10 April 2014	\$0.40	Exercisable 10 April 2017	1,000,000	10/05/2017
10 April 2014	\$0.50	Exercisable 10 April 2017	1,000,000	10/05/2019
28 October 2014	\$0.07	Exercisable now	6,000,000	28/10/2017
Total options issued			12,061,100	

Source: Spicers Management, annual report for the financial year ended 30 June 2016

Notes:

1. options issued to employees on commencement of employment are not subject to performance conditions and do not have an expiry date.

However, on termination, vested options must be exercised within a specified period of the termination date (not exceeding twelve months)

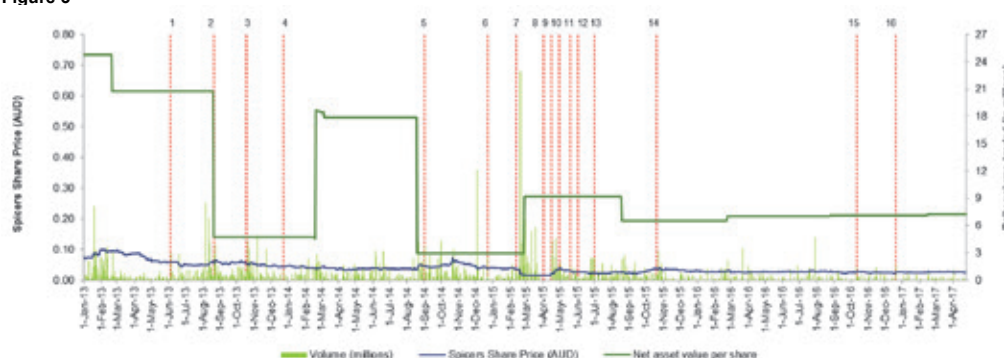
2. As at 31 October 2016

2.4 Share price performance

Set out below is the summary of the performance of Spicers Shares on the ASX since 1 January 2013. We have not considered the share price before 1 January 2013 given the amount of time that has elapsed.

Since 1 January 2013, the price of the Spicers Shares has consistently traded at a discount to net asset value.

Figure 3



Source: Company website, ASX

Table 7

Note	Date	Comments
1	4 June 2013	Spicers' Scandinavian operations, CC&CO AS acquired Cadorit AB for approximately \$1.1m funded out of local credit facilities. The purchase price represents an EBIT multiple (pre-synergies) of approximately 5 times the 2012 earnings of Cadorit AB.
2	21 August 2013	Spicers announced that it was exploring a potential scrip based merger between the Company and the SPS Trust.
3	18 October 2013	Spicers Limited made a conditional, off-market, scrip takeover offer for all of the issued SPS Units in the PaperlinX SPS Trust with a consideration of 250 PaperlinX ordinary shares for each Hybrid on issue which implied a price of \$14.00 per SPS Unit based on the last closing price of PaperlinX ordinary shares.
4	23 December 2013	Spicers made an announcement on restructuring plans of its German business to recalibrate its geographic footprint and cost base to assist in return the business to profitability. It was also announced that three UK logistics sites would be closed and consolidated into the existing network of the UK business, resulting in a reduction of headcount.
5	1 September 2014	Spicers acquired 100% of the shares in Total Supply Limited, a leading sign industry supplier with a purchase consideration of approximately \$4.4m.
6	22 December 2014	Spicers announced that it was commencing a strategic review of the European and Canadian operations to evaluate the changing market landscape and options for its various businesses.
7	11 November 2015	Spicers entered into an agreement with Central National-Gottesman Incorporation to sell Spicers Canada for approximately \$64.5m. The sale was at a premium to the net tangible assets of the operations which recognised the fact that the business generated high returns.
8	2 April 2015	Spicers announced that a number of companies comprising the paper merchanting and VTS businesses of PaperlinX UK have been placed into administration by its directors.
9	15 April 2015	Spicers appointed an administrator to its Benelux Operations due to substantial ongoing losses incurred as a result of declining revenue, tightening supplier credit terms and the termination of its primary financing facility.
10	29 April 2015	Spicers appointed an administrator to its Austrian business due to liquidity issues that the business faced following the withdrawal of credit terms from suppliers and lenders after the UK and Benelux businesses were placed into administration.
11	18 May 2015	Spicers announced that its European subsidiary, PaperlinX Netherlands Holding BV, entered into an agreement to sell the Polish operations to a consortium of a local private equity firm, Warsaw Equity Group and the local management team. The sale was at a discount to the net assets of the operations.
12	2 June 2015	Spicers announced that its European subsidiary, PaperlinX Netherlands Holding BV, entered into agreements to sell its operations in Scandinavia, Spain & Ireland to Antalis International, the Spanish management team and the Irish management team, respectively. The sale was at a discount to the net assets of the operations.
13	30 June 2015	PaperlinX Netherlands Holding BV, the holding company for the majority of the businesses operating in Continental Europe, was placed into a 'suspension of payments' insolvency process by the Amsterdam Court on 29 June 2015 due to the anticipation by its Directors of non-payment of debts on a timely basis in the future. This affected Ospap a.s. (located in Czech Republic), the only remaining trading subsidiary of this entity, and thus was subsequently sold by the insolvency trustee.



Note	Date	Comments
14	20 October 2015	Spicers' German paper merchanting operation (PaperlinX Deutschland GmbH) and its immediate parent entity (Deutsche Papier Holding GmbH) commenced an administration process due to substantial ongoing losses. The operations progressed to full insolvency proceedings on 28 December 2015.
15	11 October 2016	Spicers announced the Proposed Trust Scheme.
16	20 December 2016	Announced that the SPS Trust and Spicers entered into a Scheme Implementation Agreement, and if implemented, Spicers will acquire all SPS Units that it does not already own in exchange for ordinary shares in Spicers

Source: Company website, ASX

2.5 Financial performance

The audited financial performance for Spicers for the financial years ending 30 June 2015 and 30 June 2016 are summarised in the table below. The reviewed financial performance for the six months ended 31 December 2016 is also presented below.

Table 8

(\$'000)	Audited 30 June 2015 ¹ 12 months	Audited 30 June 2016 ¹ 12 months	Reviewed 31 Dec 2016 6 months
Continuing operations:			
Trading revenue	403,961	392,682	195,217
Gross profit	85,697	81,405	40,384
EBIT before significant items	3,179	4,515	3,260
Significant items (pre-tax)	(14,321)	(403)	(375)
EBIT	(11,142)	4,112	2,885
Net interest	(1,204)	(937)	(226)
Profit / (loss) before tax	(12,346)	3,175	2,659
Tax expense	(1,743)	(1,678)	(1,247)
Profit / (loss) after tax	(14,089)	1,497	1,412
Discontinued operations:			
Profit / (loss) from discontinued operations, net of tax	(378,237)	3,799	2,192
Profit / (loss) for the period	(392,326)	5,296	3,604
Other comprehensive income:			
Items that will not be reclassified to profit or loss	103,781	4,198	-
Items that may be reclassified subsequently to profit or loss	8,648	2,820	(926)
Items reclassified to profit or loss	95,524	(1,304)	(115)
Other comprehensive income for the period	207,953	5,714	(1,041)
Total comprehensive income / (loss) for the period, net of tax	(184,373)	11,010	2,563
Key metrics:			
Gross profit margin %	21.2%	20.7%	20.7%
EBIT before significant items margin %	0.8%	1.1%	1.7%
EBIT margin %	(2.8%)	1.0%	1.5%
Basic earnings per share (cents)	(59.0)	0.8	0.5
Basic earnings per share from continuing operations (cents)	(2.1)	0.2	0.2
Dividends declared (cents)	-	-	-

(\$'000)	Audited 30 June 2015 ¹ 12 months	Audited 30 June 2016 ¹ 12 months	Reviewed 31 Dec 2016 6 months
Segmented revenue:			
Australia	219,462	210,975	102,829
New Zealand	92,151	97,919	53,126
Asia	92,443	83,923	39,434
Corporate	(95)	(135)	(172)
Total revenue for continuing operations	403,961	392,682	195,217

Source: audited financial statements for the financial years ended 30 June 2015 and 30 June 2016 and reviewed financial statements for the six months ended 31 December 2016

Notes:

1. the audited financial performance for the financial years ended 30 June 2015 and 30 June 2016 have been extracted from the audited financial statement for the year ended 30 June 2016 and therefore reflects the continuing and discontinued operations as at 30 June 2016.

We have also presented the segmented reporting for the financial years ended 30 June 2016 and 30 June 2015 and the half year ended 31 December 2016 for the continuing operations in the table below:

Table 9

(\$'000)	Australia	New Zealand	Asia	Unallocated	Total continuing operations
Half year ended 31 December 2016:					
Trading revenue	102,829	53,126	39,434	(172)	195,217
EBIT before significant items	1,810	4,176	969	(3,695)	3,260
As a % of revenue	1.8%	7.9%	2.5%	n/m	1.7%
EBIT	1,705	4,074	931	(3,825)	2,885
EBIT margin %	1.7%	7.7%	2.4%	n/m	1.5%
Financial year ended 30 June 2016:					
Trading revenue	210,975	97,919	83,923	(135)	392,682
EBIT before significant items	5,355	7,198	1,561	(9,599)	4,515
As a % of revenue	2.5%	7.4%	1.9%	n/m	1.1%
EBIT	4,924	7,089	1,457	(9,358)	4,112
EBIT margin %	2.3%	7.2%	1.7%	n/m	1.0%
Financial year ended 30 June 2015:					
Trading revenue	219,462	92,151	92,443	(95)	403,961
EBIT before significant items	8,960	6,189	677	(12,647)	3,179
As a % of revenue	4.1%	6.7%	0.7%	n/m	0.8%
EBIT	6,674	6,150	(6,269)	(17,697)	(11,142)
EBIT margin %	3.0%	6.7%	n/m	n/m	(2.8%)

Source: audited financial statements for the financial years ended 30 June 2015 and 30 June 2016 and reviewed financial statements for the six months ended 31 December 2016

Notes:

1. n/m = not meaningful.

Trading revenue is derived from the wholesale and distribution of products of the following categories:

- 'core' categories, being products supplied in relation to commercial print, packaging and industrial packaging
- 'diversified' categories, being products supplied in relation to sign and display, pressure-sensitive labels and hardware for printing.



For the continuing operations, revenue declined between FY2015 and FY2016, reflecting the challenging operating conditions and reduced demand for paper products (particularly for the products in Spicers' core categories). Declining revenues in Australia and Asia were offset by an improved sales result in New Zealand. New Zealand continues to generate much higher margins than in Australia and Asia because of competitive dynamics and the Company's positioning in that jurisdiction. In addition, the acquisition of Total Supply Limited, a signage business, in October 2014 has placed New Zealand in a prominent position within the sign and display sector.

Despite tough operation conditions, the overall gross profit margin percentage has been relatively stable at approximately 21% across FY2015 and FY2016 and in the six months ended 31 December 2016.

The group's ability to maintain or increase EBIT margins (before significant items) in absolute terms will depend upon:

- its ability to diversify its revenue base into growth segments, in light of declining core line sales
- a shift in product mix so that a greater proportion of revenue is generated from non-core lines, which achieve higher margins than the traditional product offering
- continued efforts to reduce operating expenses, which consist of personnel costs, logistics and distribution costs, sales and marketing expenses, depreciation and amortisation and other general operating expenses.

Significant items (from continuing operations) primarily relate to:

- restructuring costs incurred in FY2015 and FY2016
- group strategic review costs incurred in FY2015
- goodwill impairment charges in FY2015 in relation to the Asian and Canadian businesses.

The net finance cost has decreased year on year, in line with the reduction in bank borrowings. The purpose of the bank facilities is to fund working capital requirements. The bank facilities in place as at 30 June 2016 have been summarised in Section 2.6 below.

The profit or loss from discontinued operations and items that will not be reclassified to profit or loss relate to the sale or derecognition of the businesses noted in Table 3 for each respective financial year.

Items that may be reclassified subsequently to profit or loss relate to foreign exchange differences which arise on translation of the net assets and performances of Spicers' wholly owned foreign subsidiaries. Items reclassified to profit or loss relate to realised foreign exchange differences, which were originally recorded in the reserves, on disposal of controlled operations.

2.6 Financial position

The audited statements of financial position for Spicers as at 30 June 2015 and 30 June 2016 and the reviewed statement of financial position as at 31 December 2016 are summarised in the table below.

Table 10

(\$'000)	Audited 30 Jun 2015 12 months	Audited 30 Jun 2016 12 months	Reviewed 31 Dec 2016 6 months
Cash and cash equivalents	55,518	31,626	29,023
Short-term deposits	3,955	3,955	3,955
Trade and other receivables	100,937	76,112	78,507
Inventories	83,049	74,905	74,791
Assets held for sale	1,702	-	-
Total current assets	245,161	186,598	186,276
Receivables	3,578	920	504
Property, plant and equipment	9,797	9,523	9,074
Intangible assets	26,345	28,373	28,679
Deferred tax assets	238	543	715
Total non-current assets	39,958	39,359	38,972

(\$'000)	Audited 30 Jun 2015 12 months	Audited 30 Jun 2016 12 months	Reviewed 31 Dec 2016 6 months
Trade and other payables	110,724	64,659	68,027
Loans and borrowings	16,441	4,893	3,474
Income tax payable	4,037	2,867	2,618
Employee benefits	8,354	7,779	7,613
Provisions	5,345	5,310	295
Total current liabilities	144,901	85,508	82,027
Deferred tax liabilities	42	108	310
Employee benefits	11,514	596	602
Total non-current liabilities	11,556	704	912
Net assets	128,662	139,745	142,309
Issued capital	1,895,767	1,895,767	1,895,767
Reserves	(10,327)	(8,747)	(9,791)
Accumulated losses	(2,011,601)	(2,002,098)	(1,998,490)
Total equity attributable to holders of Spicers Shares	(126,161)	(115,078)	(112,514)
Issued SPS Units	276,518	276,518	276,518
Reserve for own SPS Units	(21,695)	(21,695)	(21,695)
SPS Units	254,823	254,823	254,823
Total equity	128,662	139,745	142,309
Segmented net assets:			
Australia	57,786	58,997	54,619
New Zealand	48,050	50,089	54,992
Asia	39,152	40,757	39,608
Corporate	(1,573)	4,109	4,705
Discontinued operations (including group eliminations)	(14,753)	(14,207)	(11,615)
Total net assets	128,662	139,745	142,309
Key metrics:			
Return on asset (based on continuing operations) (%) ¹	(5.4)%	0.8%	0.7%
Return on equity (based on continuing operations) (%) ²	(0.7)%	0.1%	0.1%
Inventory days ³	101	92	92
Net working capital (\$) ⁴	96,237	93,550	93,943

Source: audited financial statements for the financial years ended 30 June 2015 and 30 June 2016 and reviewed financial statements for the six months ended 31 December 2016

Notes:

1. return on asset calculated as profit after tax (for continuing operations) divided by total assets, excluding intangible assets and deferred tax asset

2. return on equity calculated as profit after tax (for continuing operations) divided by issued capital

3. inventory days calculated as gross inventory divided by cost of goods sold

4. extracted from the ASX announcements that accompany the release of the financial statements for the financial years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016.

Cash balances have continued to decline from 30 June 2015 to 31 December 2016. We note the following with respect to this:

- the \$14 million decline in cash balances from 30 June 2015 to 30 June 2016 primarily related to cash used in operating activities, although \$9 million of this outflow related to discontinued operations. The primary cause of this was increases in inventory levels and net working capital balances
- the \$2 million decline in cash balances from 30 June 2016 to 31 December 2016 was primarily due to net repayment of borrowings. Cash flows from operating activities were positive, albeit marginal, over the six months, reflecting Spicers Management's focus to better manage working capital, reduce inventory levels and improve key supplier credit terms.

We note that under some of Spicers' regional asset backed loan facilities (as described below), lender approval is required to transfer cash between entities within Spicers. Balances totalling \$6.1 million were subject to such



approvals as at 30 June 2016. In addition, approximately \$4 million is restricted for the purpose of bank guarantees.

Current and non-current trade and other receivables relate to trade debtors and amounts receivable from the sale of property, plant and equipment, controlled entities and investments. Overall, trade debtors have decreased year on year over the observed period above as Spicers' operations have reduced in size, as a result of the sale of controlled foreign operations. We note that the banks have collateral over some of the receivables balance (as described below). The amount of receivables pledged as part of the regional loan facilities as at 31 December 2016 was \$nil.

Inventories relate to finished goods on hand and includes a provision for impairment losses of approximately 5% of gross inventory.

The asset held for sale as at 30 June 2015 relates to a warehouse that was part of the discontinued European operations and which was sold during FY2016. There are no assets held for sale as at either 30 June 2016 or 31 December 2016.

Property, plant and equipment relates to land and buildings, improvements to the land, and plant and equipment. Spicers currently has two properties in Tasmania (former manufacturing sites in Burnie and Wesley Vale) and one property in Singapore (currently occupied by the Singaporean operation). We understand that these properties have been valued by the Directors of Spicers to be at \$12.8 million.

Intangible assets relate to goodwill and computer software. The majority of the goodwill and all European brand names were written off during FY2015 on disposal and derecognition of wholly owned businesses. In addition, the goodwill associated with the Asian operations was fully impaired in FY2015 due to ongoing weak demand for core paper products. The intangible asset balance as at 31 December 2016 primarily comprises goodwill relating to the New Zealand operations.

Deferred tax assets and deferred tax liabilities are attributable to timing differences in provisions and employee benefits, depreciation of property, plant and equipment, amortisation of intangible assets and other items. Spicers as a group has approximately \$301 million of deferred tax assets in relation to capital and revenue losses (primarily relating to Australia), which have not been recognised on the balance sheet given uncertainty as to their recovery. Recoverability is dependent upon future taxable profits in Australia.

Trade and other payables primarily relate to trade creditors, accrued expenses and other creditors. If the Proposed Trust Scheme is implemented, Spicers Management hopes to be able to negotiate better trade terms with suppliers, thereby reducing its investment in working capital.

The loans and borrowings facilities as at 31 December 2016 included the following:

Table 11

	Australia	New Zealand	Malaysia
Limit	AUD 40 million	NZD 10 million	MYR 26.5 million
Weighted average interest rate	4.7%	3.9%	6.0%
Maturity date	March 2018	October 2019	Various
Collateral	Securitisation of receivables	Charge over property of NZ businesses	n/a

Source: audited financial statement for the financial year ended 30 June 2016, reviewed financial statements for the six months ended 31 December 2016

Notes:

1. n/a = not applicable.

The asset backed facilities in Australia and New Zealand include regional covenant measures. These vary by region and include fixed charge coverage ratios, interest coverage ratios, leverage ratios, net worth and capital expenditure tests. These facilities have restrictions on the ability to draw down and move cash within the Spicers group.

The provisions relate to the costs associated with employee redundancies, relocation, office / warehouse closure costs and onerous contracts arising from restructuring programs in Australia and Germany. Only a small provision balance remains as 31 December 2016.

Reserves primarily relate to foreign exchange reserve, which arise on consolidation of controlled foreign subsidiaries. The foreign exchange reserve balance has decreased year on year as controlled foreign subsidiaries are sold or derecognised, resulting in a portion of this reserve being realised in Spicers' statement of profit or loss.

The SPS Trust is consolidated within Spicers for accounting purposes, as Spicers holds the only ordinary unit in the SPS Trust (**SPS Ordinary Unit**) in the SPS Trust and therefore controls it. The total value of SPS Units issued of approximately \$277 million is net of issue costs of approximately \$8.5 million. The “Reserve for own SPS Units” of \$21.7 million in the statement of financial position relates to the SPS Units acquired and retained by Spicers as part of an off-market takeover offer in 28 February 2014 and comprises the carrying value (issue price less issue costs) of the 223,602 SPS Units acquired. This represents 7.8% of all SPS Units on issue.

Whilst Spicers is turning around its business and is currently profitable based on its financial performance for FY2016 and the six months ended 31 December 2016, we note that its return on assets and equity continue to be marginal.

3 Profile of SPS Trust

3.1 Structure

TrustCo is the responsible entity of the SPS Trust, a registered managed investment scheme. SPS Trust was established for the purpose of issuing the SPS Units, which were issued to investors under the replacement product disclosure statement dated 7 March 2007 (**PDS**).

The SPS Units are perpetual, preferred units in SPS Trust, unless redeemed for cash, exchanged for Spicers Shares or exchanged for preference shares in Spicers (**Spicers Preference Shares**)⁴.

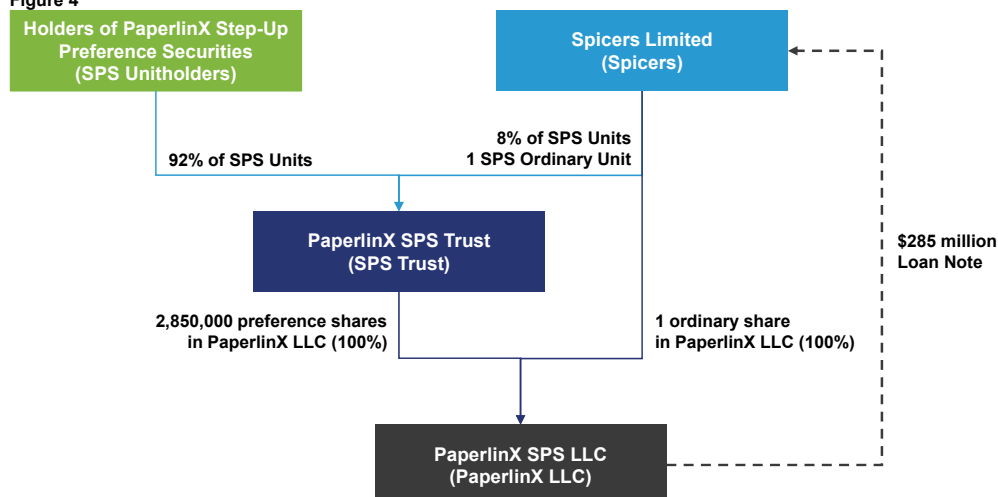
On 30 March 2007, 2,850,000 SPS Units were issued at an issue price of \$100 (**Face Value**) per security, raising \$285 million. The proceeds were used to subscribe for 2,850,000 preference shares (i.e. the LLC Preference Shares) in a subsidiary of Spicers, PaperlinX LLC. PaperlinX LLC subsequently lent these funds to Spicers by way of Loan Notes.

The SPS Trust also issued one ordinary unit to Spicers (**SPS Ordinary Unit**), which provides Spicers with the right to attend and vote at meetings of unitholders. The SPS Ordinary Unit has a face value of \$100.

In 2014, Spicers acquired 223,602 SPS Units in an off-market takeover, representing 7.8% of all SPS Units on issue.

A diagram setting out the relationship between the SPS Trust, Spicers and PaperlinX LLC is presented below.

Figure 4



Source: Deloitte Corporate Finance analysis

Currently, 99.13% of the SPS Units on issue are held by Australian holders or by Australian based nominees, whilst the remainder are held by holders in Bermuda, China, France, Italy, New Zealand, Singapore and America.

3.2 Capital structure and unitholders

As at Announcement Date, the SPS Trust had the following securities on issue (collectively **Unitholders**):

- one Ordinary Unit (the SPS Ordinary Unit), which is currently on issue to Spicers
- 2,850,000 SPS Units listed on the ASX under the SPS Trust ticker as at the date of this report.

⁴ There are currently none, and have not been during the life of the SPS Units, Spicers Preference Shares on issue.

SPS Unitholders holding more than 5% of the SPS Units are set out in the table below.

Table 12

SPS Unitholder	No. of SPS Units held	Percentage of issued SPS Units
Coastal Capital International Ltd & its affiliates	546,000	19.16%
Spicers Limited	223,552	7.84%
Samuel Terry Asset Management Pty Ltd ATF Samuel Terry Absolute Return Fund	202,823	7.12%
Blann Properties Pty Limited	193,200	6.78%
Berger Equities Pty Ltd <Berger Super Fund A/C>	145,286	5.10%
Substantial shareholders	1,310,861	46.00%
Other shareholders	1,539,139	54.00%
Total units outstanding	2,850,000	100.00%

Source: Spicers Management

Notes: as at the date of this report as extracted from substantial shareholder notices

3.3 SPS Trust Constitution

The SPS Trust has a constitution that outlines the fundamental principles by which it must be managed (the **Constitution**). A high level summary of key clauses of the Constitution is set out below:

- Unitholders are entitled to attend and vote at meetings of Unitholders in person or in proxy. In certain circumstances governed by the Corporations Act, Unitholders can call a meeting. A resolution passed:
 - at a meeting of Unitholders binds all Unitholders; and
 - at a meeting or a class of unitholders binds all unitholders in that class whether or not they are present
- the SPS Trust terminates on the earlier of:
 - the date specified by the holder of the SPS Ordinary Unit (**SPS Ordinary Unitholder**) as the date of termination of the SPS Trust in a notice given to TrustCo. The notice can only be given if the SPS Ordinary Unitholder is the sole holder of units of the SPS Trust; or
 - the date on which the SPS Trust terminates by law
- on winding up of the SPS Trust, the net proceeds of realisation, after making allowance for all the liabilities of the SPS Trust, must be distributed:
 - first to the SPS Unitholders for each SPS Unit held as at the termination date
 - second, the balance (if any) to the SPS Ordinary Unitholder
- TrustCo has all the powers in respect of the SPS Trust that is possible under the law to confer on a trustee as though it were the absolute owner of the assets and acting in its personal capacity
- TrustCo is not liable to SPS Unitholders for any loss suffered in any way relating to the SPS Trust, except to the extent the Corporations Act imposes such liability
- TrustCo may amend the Constitution by resolution passed by a 75% majority of Unitholders. However, the rights attached to a class of units can only be amended or varied by resolution passed by 75% majority of that class of unitholders as well as a resolution passed by a 75% majority of Unitholders. Furthermore, Unitholders undertake not to vary the Constitution in a manner which the SPS Ordinary Unitholder reasonably considers may adversely affect its interests or those of Spicers without the consent of the SPS Ordinary Unitholder.

The Constitution also binds Spicers in respect of the following (the **Undertakings**):

- to not pay any dividends to its shareholders or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital of Spicers, unless or until the minimum amount of distributions required, as described in Section 3.5.1, have been paid to SPS Unitholders (dividend restriction)
- to pay cash, issue Spicers Shares or resell SPS Units on behalf of the SPS Unitholder as required to realise the SPS Units in accordance with the SPS Trust Constitution



- Spicers may not issue any preference shares or other instruments which convert into preference shares and rank (or would upon conversion rank) ahead of the Spicers Preference Shares with respect to dividend payments and the return of capital on a winding up.

If TrustCo gives Spicers a notice that Spicers is in breach of one of the above obligations (provided the breach is remediable) and the breach has not been remedied within three business days of receipt of the notice, a Spicers Breach of Undertakings Event is deemed to occur, and as a result, SPS Units must be exchanged for Spicers Preference Shares. Refer to Section 3.5.3.1 for further details.

3.4 Key features of the SPS Ordinary Unit

SPS Trust has one SPS Ordinary Unit on issue, which is held by Spicers. The SPS Ordinary Unit carries a voting right, limited rights to distributions and rights on a winding up of the SPS Trust that rank behind the SPS Units. The SPS Ordinary Unit confers no right of exchange or redemption while the SPS Units are on issue.

3.5 Key features of the SPS Units

The SPS Units are a unit in the SPS Trust conferring an undivided share in the beneficial interest in the assets of the SPS Trust. Each SPS Unit ranks equally with all other SPS Units and are ranked senior to the SPS Ordinary Unit in respect of distributions and payments in a winding up of the SPS Trust. An SPS Unit has a Face Value of \$100.

3.5.1 Distributions

The SPS Units carry a right to receive unfranked, semi-annual, floating rate, discretionary, non-cumulative distributions from the SPS Trust. Distributions are scheduled to be paid on 30 June and 31 December each year, commencing on 30 June 2007 (**Distribution Payment Dates**). Distributions are calculated based on the following formula:

$$\frac{\text{Distribution Rate} \times \$100 \times \text{number of relevant days in the Distribution Period}}{365}$$

where:

- **Distribution Rate** (expressed as a percentage per annum) is the sum of:
 - the market rate (expressed as a percentage per annum), which is the 180 day bank bill swap rate (**BBSW**), and
 - the margin (expressed as a percentage per annum), which was initially set at 2.40% per annum but increased to 4.65% as at 30 June 2012 (**Step-up Margin**) subject to a Remarketing (as defined below)
- **Distribution Period** is the number of days from (but excluding) the preceding Distribution Payment Date to (and including) that Distribution Payment Date.

However, if a distribution is not paid in full, the distribution does not accumulate and may never be paid on the SPS Units. Under this circumstance, SPS Unitholders do not have the right to require SPS Trust to make the distribution or to realise the SPS Unit. No interest accrues on any unpaid distribution and SPS Unitholders have no claim or entitlement in respect of interest on any unpaid distribution.

If a distribution is not paid in full, Spicers will be prohibited from paying dividends or making any other distribution on any class of its share capital or reducing or buying back any share capital of Spicers. This restriction does not apply in certain circumstances, in particular, if the SPS Trust, in its absolute discretion, elects at any time to pay SPS Unitholders an optional distribution in an amount equal to the unpaid amount of the scheduled distribution for a period of 12 months immediately preceding (**Optional Distribution**).

During the period the SPS Units have been in existence, half yearly distributions were paid between June 2007 and December 2008. The distributions for June 2009 and December 2009 were not paid. Distributions recommenced between June 2010 and June 2011 but there have been no distributions declared or paid since then.

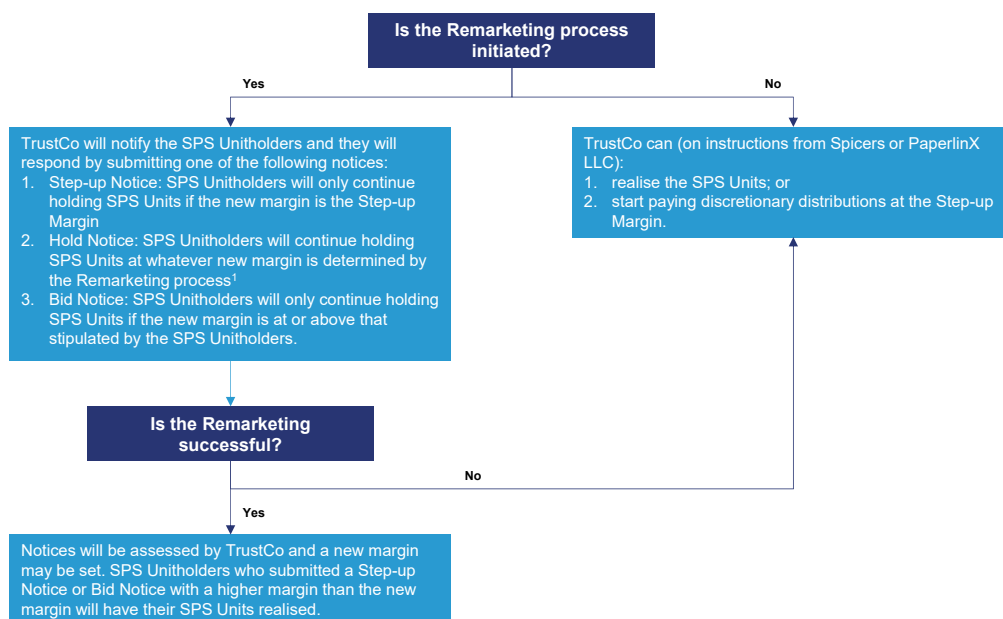
3.5.2 Remarketing provisions

Generally speaking, SPS Unitholders have limited rights and, specifically, in respect of distributions or capital repayments. These limited rights exist through the remarketing provisions, as described below.

TrustCo (on instructions from Spicers or PaperlinX LLC) can initiate a process to adjust the margin and other terms of the SPS Units on a remarketing date (**Remarketing**). The first remarketing date was 30 June 2012 and subsequent remarketing dates may be set as part of the Remarketing process.

The Remarketing process is summarised in the diagram below.

Figure 5



Source: PDS

Notes:

1. if a SPS Unitholder does not respond within the required time, it is deemed to have given a Hold Notice.

Once initiated, the Remarketing will either be successful or unsuccessful:

- the remarketing is successful when TrustCo receives Bid Notices or Hold Notices (as defined in the diagram above) equal to at least 25% of the SPS Units on issue. Under this circumstance, the notices will be assessed by TrustCo and a new margin may be set. Any SPS Unitholders that submitted a Step-up Notice (as defined in the diagram above) or a Bid Notice with a margin higher than the new margin will have their SPS Units realised by such method or combination of methods as Spicers may elect
- if the remarketing is not successful (i.e. it receives Bid or Hold Notices for less than 25% of the SPS Units on issue), TrustCo will not set a new margin and it may realise the SPS Units. If it does not realise the SPS Units, it must apply the Step-up Margin to distributions.

If Remarketing is not initiated, Spicers or PaperlinX LLC may direct TrustCo to realise the SPS Units. If TrustCo does not receive a realisation direction, the Step-up Margin applies to distributions (until there is a successful remarketing).

The first Remarketing occurred on 30 June 2012 and the initial margin was adjusted to the Step-up Margin. On every subsequent Remarketing date, being every June and December of each year, the Step-up Margin has continued to apply.

3.5.3 SPS Unit realisation

The SPS Units are perpetual unless:

- realised in one or more of the following manners:
 - redemption for cash payment to the SPS Unitholders and cancellation of the SPS Units (**Redemption**)



- exchange of the SPS Units for Spicers Shares (**Exchange**)
- arrangement of the resale of the SPS Units to the third party by TrustCo such that the net proceeds of the sale are no less than the amount which would have been payable had the SPS Units been redeemed for cash (**Resale**); or
- exchanged for Spicers Preference Shares.

The Constitution prohibits TrustCo from realising the SPS Units other than in accordance with instructions from Spicers or PaperlinX LLC. SPS Unitholders have limited rights to require a realisation of SPS Units. If the SPS Units were to be realised, Spicers or PaperlinX LLC dictates which of the realisation methods (as described above) will be implemented.

Below is a summary of the three events (collectively '**Realisation Events**') which can cause the SPS Units to be realised or exchanged for Spicers Preference Shares.

3.5.3.1 SPS Unitholders' realisation rights

Change of Control Event

SPS Unitholders may request that their SPS Units be realised following a Change of Control Event (as defined below).

A **Change of Control Event** is where:

- a takeover bid is made to acquire all or some of the Spicers Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and:
 - the bidder's voting power in Spicers increases to more than 50% of the Spicers Shares on issue; and
 - Spicers issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or
- a court orders the holding of a meeting to approve a scheme of arrangement which scheme has been recommended by at least a majority of the directors of Spicers eligible to do so and which, when implemented, would result in a person having a relevant interest in more than 50% of the Spicers Shares that would be on issue if the scheme were implemented and:
 - all classes of members in Spicers pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
 - all conditions to the implementation of the scheme (other than approval of the scheme by the court) have been satisfied or waived.

Spicers Breach of Undertakings Event

Spicers must exchange the SPS Units for Spicers Preference Shares if a Spicers Breach of Undertakings Event (as defined below) occurs. If Spicers fails to issue Spicers Preference Shares following such an event, the SPS Units will remain on issue until such time as Spicers Preference Shares are issued or the SPS Units are Redeemed, and Spicers will be restricted from paying dividends or returning capital to Spicers Shareholders. If Spicers fails to issue a Spicers Preference Share, SPS Unitholders' claim is limited to specific performance or such monetary claim as it would have had if the Spicers Preference Shares were issued.

A **Spicers Breach of Undertakings Event** occurs if TrustCo gives Spicers a notice that Spicers is in breach of one of the undertakings, as described in Section 3.3, and that breach has not been remedied (provided the breach is remediable) within three business days of receipt of the notice.

A Spicers Preference Share issued as a result of a Spicers Breach of Undertakings Event is redeemable immediately at the option of the unitholder, subject to compliance with the Corporations Act. Under the Corporations Act, a Spicers Preference Share may only be redeemed out of profits of Spicers or the proceeds of a new issue of shares made for the purpose of the redemption. The amount payable upon redemption of a Spicers Preference Share is \$100 plus an amount equal to the unpaid amount (if any) of the scheduled distributions for a period of 12 months preceding (but including) the issue date.

TrustCo will redeem all of the SPS Units following the issue of the Spicers Preference Shares so that the SPS Unitholders cease to be members of the SPS Trust.

The rights attached to the Spicers Preference Shares have been detailed at Section 3.6.

Spicers Winding Up Event

Spicers must exchange the SPS Units for Spicers Preference Shares if a Spicers Winding Up Event (as defined below) occurs. If Spicers fails to issue Spicers Preference Shares following such an event, the SPS Units will remain on issue until such time as the Spicers Preference Shares are issued or the SPS Units are Redeemed, and Spicers will be restricted from paying dividends or returning capital to Spicers Shareholders. If Spicers fails to issue a Spicers Preference Share, SPS Unitholders' claim is limited to specific performance or such monetary claim as it would have had if the Spicers Preference Shares were issued.

A Spicers Preference Share issued as a result of a Spicers Winding up Event is not redeemable at the option of the SPS Unitholder.

A **Spicers Winding Up Event** occurs if:

- an order is made by a court of competent jurisdiction for the winding up of Spicers or PaperlinX LLC (as the case may be) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or
- a resolution is duly passed by the members of Spicers or PaperlinX LLC for the winding up of Spicers or PaperlinX LLC (as the case may be); or
- in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a special resolution of SPS Unitholders).

An insolvency event may occur with respect to Spicers other than in the above circumstances. In particular, the appointment of a receiver to the assets of Spicers, the appointment of a voluntary administrator to Spicers, or the appointment of a liquidator following a meeting of creditors during the period of administration of Spicers does not constitute a Spicers Winding Up Event. If any such insolvency event were to occur, unless a Realisation Event caused by Spicers (as discussed below) occurred, SPS Unitholders will continue to hold SPS Units and may not participate in the surplus assets (if any) of Spicers following the winding up of Spicers.

TrustCo will redeem all of the SPS Units following the issue of the Spicers Preference Shares so that the SPS Unitholders cease to be members of the SPS Trust.

The rights attached to the Spicers Preference Shares have been detailed at Section 3.6.

3.5.3.2 Spicers' realisation rights

Spicers may cause TrustCo to realise the SPS Units on a periodic remarketing date (irrespective of whether Remarketing has taken place) or on any distribution payment date (if an increased Step-up margin applies). In addition, Spicers may cause TrustCo to realise the SPS Units if any of the following events occur:

- an Acquisition Event, which is where:
 - a takeover bid is made to acquire all or some Spicers shares, the offer is free from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and either the offer is supported by a majority of Spicers directors or the bidder's voting power in Spicers increases to more than 50%; or
 - a court orders the holding of a meeting to approve a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50% of the shares in Spicers that would be on issue if the scheme were implemented and all classes of members of Spicers pass all resolutions required to approve the scheme by majorities required under the Corporations Act to approve the scheme
- an RE Removal Event, which occurs where SPS Unitholders pass a resolution to remove TrustCo as responsible entity of the SPS Trust and the replacement responsible entity is not a member of Spicers or a person approved by Spicers
- a Trust Winding Up Event, which occurs if a meeting is called to consider a resolution to direct TrustCo as responsible entity of the SPS Trust to wind up that trust
- a Tax Event, which is where the directors of Spicers determine that a change in law or administrative action after the date the SPS Units were issued has resulted, or may result, in a more than negligible increase in taxes or costs or denial of a deduction or other tax benefit from any member of Spicers, TrustCo or the SPS Trust
- a Regulatory Event, which is where the directors of Spicers determine that as a result of a change in law or regulation, interpretation relating to securities or the ASX Listing Rules, any member of Spicers or



SPS Trust has been, or will be, exposed to the imposition of additional requirements which the directors of Spicers determine to be unacceptable

- an Accounting Event, which is where the directors of Spicers determine that a change in the Australian Accounting Standards or their interpretation or implementation has had, or may have, the effect that:
 - the SPS Units would be treated in Spicers' consolidated financial statements or in the standalone accounts of PaperlinX LLC, other than as equity; or
 - the preference shares in PaperlinX LLC would be treated in the standalone accounts of PaperlinX LLC (if such accounts were prepared), other than as equity
- if the aggregate Face Value of SPS Units on issue is less than \$50 million.

3.6 Preference shares in Spicers

If a Spicers Breach of Undertakings Event or a Spicers Winding Up Event occurs, Spicers must exchange the SPS Units for Spicers Preference Shares.

According to the PDS issued in 2007:

- Spicers Preference Shares are redeemable preference shares in the capital of Spicers, and entitle the holders to a discretionary, non-cumulative dividend at the same rate as that which applies to the distributions on SPS Units (refer to Section 3.5.1 regarding the calculation of the distribution rate on the SPS Units) at the date the Spicers Preference Shares are issued. This dividend is payable in priority to the payment of a dividend on Spicers Shares
- in a winding up of Spicers, the holder of a Spicers Preference Share will be entitled to be paid out of any surplus remaining after payment of all amounts due to creditors of an amount equal to the amount payable on redemption of the SPS Units
- each Spicers Preference Share entitles the holder to one vote. Spicers may only issue a preference share which ranks senior to the Spicers Preference Shares with the approval of holders of the Spicers Preference Shares, but may issue equal ranking or junior ranking preference shares without that approval.

Spicers Preference Shares entitle the holders to attend all meetings of Spicers, but only allow them to vote in the following circumstances:

- during a period during which a dividend (or part of a dividend) in respect of the Spicers Preference Share is in arrears
- on a proposal to reduce Spicers' share capital (other than in respect of the Spicers Preference Shares)
- on a resolution to approve the terms of a buyback agreement (other than a resolution to approve a buyback of the Spicers Preference Shares)
- on a proposal that affects the rights attached to the Spicers Preference Shares
- on a proposal to wind up Spicers
- on a proposal for the disposal of the whole of Spicers' property, business and undertaking
- during the winding up of Spicers.

3.7 Preference shares in PaperlinX LLC

The SPS Trust owns 2.85 million LLC Preference Shares, and this is the SPS Trust's only material asset. These preferred shares in PaperlinX LLC, a subsidiary of Spicers, were issued with the Face Value of \$100 and entitle the SPS Trust to semi-annual, floating rate, discretionary, non-cumulative distributions. The distribution rate is calculated on the Face Value at the 180-day BBSW plus a margin. The margin is greater than the margin applicable to the SPS Unit. The difference between the distributions rates was intended to be applied towards meeting the operating fees and other costs of TrustCo.

The terms of the LLC Preference Shares require TrustCo, as the holder, to realise the SPS Units upon the occurrence of the following events:

- if the event corresponds with TrustCo's realisation rights, as described in Section 3.5.3.1 above, including where SPS Unitholders have requested a realisation of the SPS Units on the occurrence of a Change of Control Event
- if the event is a Spicers Winding Up Event or a Spicers Breach of Undertakings Event, the SPS Units are exchanged for Spicers Preference Shares. We have discussed these events in Section 3.5.3.1 above.

The LLC Preference Shares confer no right to wind up PaperlinX LLC, nor do they confer any right to the assets of PaperlinX LLC. LLC Preference Shares can only be transferred in very limited circumstances.

3.8 PaperlinX LLC Loan Notes

PaperlinX LLC used the proceeds received from the SPS Trust to issue Loan Notes to Spicers. We have summarised the key terms of the Loan Notes below:

- the Loan Notes are subordinated, unsecured obligations of Spicers and are redeemable for cash
- the Loan Notes will rank for payment in a winding up of Spicers senior to the claims of each class of securities in Spicers and junior to the claims of all other creditors of Spicers, other than creditors expressed to rank equally with, or junior to, the Loan Notes
- Spicers will pay interest on the Loan Notes, which is calculated as follows:

$$\frac{\text{Interest Rate} \times \$100 \times \text{number of relevant days in the Distribution Period}}{365}$$

where:

Interest Rate (expressed as a percentage per annum) is the sum of:

- the market rate (expressed as a percentage per annum), which is the 180 day BBSW
- the margin (expressed as a percentage per annum), which was initially set at 2.40% per annum but increased to 4.65% (as a result of the Remarketing which adjusted the margin to the Step-up Margin) as at 30 June 2012
- the additional margin, which is 0.10% per annum.

Interest will be payable in arrears on each subsequent 31 December and 30 June until the date on which the Loan Notes are redeemed (**Interest Payment Date**)

- Spicers, in its absolute discretion, on any Interest Payment Date, may defer the payment of any amount of interest which would otherwise be payable on such date until the next Interest Payment Date (interest is therefore cumulative)
- an event of default occurs if:
 - Spicers does not pay any principal due in respect of the Loan Notes in full within seven days of the Loan Notes maturing or being redeemed
 - Spicers does not pay any interest or other amount due in respect of the Loan Notes in full within 30 days of its due date, unless it has elected to defer any payment of interest
 - an order is made by a state or federal court in the Commonwealth of Australia or a resolution is passed by the shareholders of Spicers for the winding up of Spicers.

If an event of default occurs and is continuing, PaperlinX LLC may declare at any time by notice to Spicers that the Loan Notes must be redeemed immediately at their redemption price, which is the face value of \$100 together with all interest which is accrued but unpaid

- all cumulative interest is automatically due and payable upon the earliest of the following date:
 - five business days after the occurrence of an event of default
 - the day the Loan Notes are redeemed
 - the maturity date of the Loan Notes, which is 30 June 2019 (which was extended from 30 June 2017 at the request of Spicers)



- subject to complying with all applicable laws, Spicers may, by notice to PaperlinX LLC in writing, amend the terms of the Loan Notes:
 - if Spicers is of the opinion that the amendment is:
 - of a formal, minor or technical nature
 - made to cure any ambiguity or correct any manifest error
 - expedient for the purpose of enabling the Loan Notes to be listed for quotation or to retain listing on any stock exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not considered by Spicers to be materially prejudicial to the interests of PaperlinX LLC as a whole, or
 - necessary to comply with the revisions of any statute or the requirements of any statutory authority
 - generally in any case where such amendment is considered by Spicers not to be materially prejudicial to the interests of PaperlinX LLC as a whole
- The Loan Notes do not entitle PaperlinX LLC to participate in any offers of securities by any member of the Spicers Group
- The Loan Notes do not entitle PaperlinX LLC to voting rights in respect of Spicers or any other member of the Spicers group.

3.9 Unit price performance

Set out below is the summary of the performance of the SPS Units on the ASX since 1 January 2013. We have not considered the unit price before 1 January 2013 given the amount of time that has elapsed.

Figure 6



Source: Company website, ASX

SPS Units are thinly traded and the average daily volume traded over the period observed in the figure above (five years) represents less than 0.1% of the total SPS Units on issue. Movements in the historical trading price of the SPS Units have therefore been volatile and since 1 January 2013, the trading price of the SPS Units has fluctuated between \$6.30 and \$16.50.

3.10 Financial performance

The SPS Trust's audited income statement for the financial years ended 30 June 2015, 30 June 2016 and the reviewed income statement for the six months ended 31 December 2016 are summarised in the table below.

Table 13

(\$'000)	Audited 30 Jun 2015 12 months	Audited 30 Jun 2016 12 months	Reviewed 31 Dec 2016 6 months
Other income	369	493	172
Total revenue	369	493	172
Operating expenses	(369)	(493)	(172)
Gross profit / (loss) to unitholders	-	-	-
Movement in fair value of investments	(6,697)	6,270	10,916
Net profit / (loss) to unitholders	(6,697)	6,270	10,916
Other comprehensive income	-	-	-
Total comprehensive income	(6,697)	6,270	10,916

Source: audited financial statements for the financial years ended 30 June 2015 and 30 June 2016 and reviewed financial statements for the six months ended 31 December 2016

Other income is received from Spicers to cover the expenses incurred by the SPS Trust. Ordinarily, payments made to third parties associated with the operations of the SPS Trust are to be funded through dividend income received from its investment in PaperlinX LLC. As PaperlinX LLC has not declared any dividends since 2011, the expense of maintaining the structure of the SPS Trust have been funded on an ongoing basis by Spicers under contractual obligations.

Operating expenses consists of management fees and custody fees payable to TrustCo in its capacity as the responsible entity of the SPS Trust, remuneration paid to the auditors, unit registry fees, legal fees and other operating costs.

Movement in fair value of investments relates to the SPS Trust's investment in PaperlinX LLC (via the preference shares), which is carried at fair value. As the LLC Preference Shares are not listed, the directors of TrustCo have determined that the movement in the market price of the SPS Units is an appropriate proxy in determining the fair market value of the LLC Preference Shares (discussed further in Section 3.11).



3.11 Financial position

The SPS Trust's audited balance sheet as at 30 June 2015 and 30 June 2016 and the reviewed balance sheet as at 31 December 2016 are summarised in the table below.

Table 14

(\$'000)	Audited 30 June 2015	Audited 30 June 2016	Reviewed 31 Dec 2016
Cash	8	8	4
Other receivables	144	99	88
Total current assets	152	107	92
Investments	19,665	25,935	36,851
Total non-current assets	19,665	25,935	36,851
Trade and other payables	152	107	92
Total current liabilities	152	107	92
Net assets	19,665	25,935	36,851
SPS Units	285,000	285,000	285,000
Accumulated losses	(265,335)	(259,065)	(248,149)
Total equity	19,665	25,935	36,851

Source: audited financial statements for the financial years ended 30 June 2015 and 30 June 2016, reviewed financial statements for the six months ended 31 December 2016

In relation to the above, we make the following observations:

- SPS Trust has limited cash on hand as the majority of cash is used to pay its operating expenses, which are funded by Spicers
- other receivables relate to amounts owing by Spicers
- investments relate to the SPS Trust's investment in PaperlinX LLC, via the LLC Preference Share, which is held at fair value.

The investment in PaperlinX LLC was recorded at face value, being \$285 million, up until 30 June 2011, when the directors revalued the investment in PaperlinX LLC down to \$97 million. The downwards revaluation was to reflect the uncertainties around the SPS Units as the first remarketing date, 30 June 2012, approached.

For the financial year ended 30 June 2012, the directors of TrustCo referenced multiple valuation methodologies (including the discounted cash flow model, market based assessments, orderly realisation, net assets approach and realisation via change of control transaction) in order to arrive at an assessed fair value of the investment in PaperlinX LLC. For the financial year ended 30 June 2013, the directors of TrustCo determined that such valuation methodologies were inherently subjective in nature and given the difficulty in valuing the LLC Preference Shares, the valuation methodology was changed.

The directors of TrustCo have adopted the observable market prices of the SPS Units as a proxy for the fair value of the investment in PaperlinX LLC since the financial year ended 30 June 2013. The movement in the fair value of the investment is in line with the movement in the price of an SPS Unit

- trade and other payables relate to operating expenses incurred by the SPS Trust.

4 Valuation of the Share Consideration

4.1 Introduction

In this section, we have estimated the fair market value of the Share Consideration offered to SPS Unitholders. The valuation of the Share Consideration to be received by an SPS Unitholder for an SPS Unit has been assessed on a control basis, as the Proposed Trust Scheme would result in the SPS Unitholders as a collective group holding a controlling interest in Spicers.

We have utilised the following valuation methodologies to estimate the value of a share in Spicers:

- the net assets on a going concern method estimates the market values of the net assets of a company but does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable but a significant proportion of the company's assets are liquid
- the orderly realisation of assets method determines the net realisable value of the assets of a company which would be distributed to securityholders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. As with the net assets on a going concern basis, the methodology is appropriate for businesses with relatively high asset values compared to earnings and cash flows.

Both methodologies result in a "control" value for Spicers (i.e. assuming 100% ownership of the Company). However we note that some may take the view that the Proposed Trust Scheme does not result in individual SPS Unitholders gaining control over Spicers and the Share Consideration should therefore be evaluated on a minority basis. We have discussed the impact of applying a minority discount to our valuation outcome in Section 4.2.

In selecting the aforementioned methods to value Spicers, we have considered the following factors:

- Spicers underwent significant restructuring between FY2009 and FY2015 (through a number of divestments discussed in Section 2.1) and was loss making during that period. Historical earnings are therefore not a reflection of the likely future performance.
- Spicers Management have not prepared long term cash flow forecasts for the business and there is significant uncertainty with respect to the prospects for the business such that any attempt at forecasting future cash flows or profitability would be fraught with issues
- Spicers is currently generating relatively low levels of returns (earnings and cash flow) in comparison to its assets and our experience is that such businesses trade at net asset values or discounts to net asset values. This conclusion is also supported by recent sale transactions involving businesses operated by Spicers
- cash, trade and other receivables and inventories comprise the majority of the Company's assets – trade and other receivables and inventories can generally be liquidated with relative ease
- there are a limited number of listed companies and publicly available transactions involving companies that are directly comparable to Spicers. The majority of the identified companies are significantly larger and have more diversified operations, including operations in different segments of the paper and paper products market (i.e. manufacturing or distribution of non-paper products), compared to Spicers (i.e. paper and paper products distributors) or with limited footprints in the Australian market. These companies are therefore exposed to different risks and market dynamics, including different market sizes, regulations and competitive environments.

Given the aforementioned matters, we are of the opinion that asset based methodologies are more appropriate for valuation purposes as compared to income based or market based approaches, such as the capitalisation of maintainable earnings (CME) method and discounted cash flow (DCF) method.

As a high level cross-check, however, we have compared the EBIT multiple implied by our valuation range to the EBIT multiples observed for comparable companies and implied by comparable transactions. We have also cross-checked our assessed value of the Share Consideration to recent trading prices of the SPS Units. The cross-check broadly supports our valuation conclusions, particularly at the lower end of our assessed value range, as set out in Section 4.3.



4.2 Market value of shares in the enlarged Spicers

We have estimated the equity value of Spicers, on a control basis, to be in the range of \$49.1 million to \$147.6 million. The high end of our adopted valuation range values the ordinary shares in Spicers with reference to the net assets on a going concern basis, while the low end of our adopted valuation range values the ordinary shares in Spicers using the orderly realisation of assets approach on a post-transaction basis.

Table 15

	Section	Units	Low	High
Equity value of Spicers (on a control basis)	4.2.1 and 4.2.2	\$'000s	49,071	147,574
Number of shares in Spicers:				
- ordinary shares	2.2	No.	665,181,261	665,181,261
- new shares issued to SPS Unitholders under the Proposed Trust Scheme	4.2.3	No.	1,431,386,910	1,431,386,910
Total shares in Spicers as a result of the Proposed Trust Scheme		No.	2,096,568,171	2,096,568,171
Proportion of SPS Unitholders in Spicers under the Proposed Trust Scheme		%	68.3%	68.3%
Assessed equity value held by SPS Unitholders		\$'000s	33,502	100,753
# of SPS Units held by SPS Unitholders	4.2.3	No.	2,626,398	2,626,398
Assessed value of the Share Consideration per SPS Unit to SPS Unitholders		\$	12.80	38.40

Source: Deloitte Corporate Finance analysis

The valuation range could be viewed as being unusually wide. However, we consider this reasonable noting the uncertainty regarding the value of the business.

Some may take the view that the Proposed Trust Scheme does not result in individual SPS Unitholders gaining control over Spicers and the Share Consideration should therefore be evaluated on a minority basis. If this were the case, we note that:

- the valuation methodology used in arriving at the low end of our valuation range assumes that capital will be returned to investors, and therefore no minority discount is warranted
- under the high end of our valuation, the value of the Share Consideration would range from \$23.04 to \$30.72 if we were to apply a minority discount of between 20% and 40% (the range of minority discount typically observed through our experience with control transactions). Even if we adopt these values, our overall conclusions would remain unchanged as the value of the Share Consideration would still exceed our assessed value of an SPS Unit, as explained in Section 5.

4.2.1 Net assets on a going concern basis

Our estimated equity value of Spicers on a going concern basis is presented in the table below. This valuation outcome represents the high end of our valuation range

Table 16

(\$'000)	Section	Reviewed 31 Dec 2016	Adjustments	Assessed fair market value
Cash and cash equivalents		32,978	-	32,978
Trade and other receivables	4.2.1.1	78,507	(1,200)	77,307
Inventories		74,791	-	74,791
Total current assets		186,276	(1,200)	185,076
Receivables		504	-	504
Plant and equipment		5,790	-	5,790
Land and buildings	4.2.1.2	3,285	9,465	12,750
Intangible assets		28,679	-	28,679
Deferred tax asset		715	-	715
Total non-current assets		38,972	9,465	48,437

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(\$'000)	Section	Reviewed 31 Dec 2016	Adjustments	Assessed fair market value
Trade and other payables	4.2.1.3	(68,027)	(3,000)	(71,027)
Loans and borrowings		(3,474)	-	(3,474)
Income tax payable		(2,618)	-	(2,618)
Provisions		(7,908)	-	(7,908)
Total current liabilities		(82,027)	(3,000)	(85,027)
Deferred tax liability		(310)	-	(310)
Provisions		(602)	-	(602)
Total non-current liabilities		(912)	-	(912)
Total net assets on a going concern basis		142,309	5,265	147,574

Source: reviewed financial statements for the half year ended 31 December 2016, Deloitte Corporate Finance analysis

Except as noted below, we have adopted the carrying amount of the assets and liabilities as at 31 December 2016 as a proxy for fair market value. Management have confirmed that there is unlikely to be any substantial movement between 31 December 2016 and anticipated Scheme Implementation Date. Given the nature of the assets and liabilities, we consider this assumption reasonable. Furthermore we note that the Company undertakes periodic impairment testing for financial reporting purposes to ensure that it can support the carrying amount of its assets, including intangible assets.

The intangible asset balance largely relates to goodwill arising from the acquisition of the New Zealand business. We have reviewed the financial performance of the business for the periods ended 30 June 2015, 30 June 2016 and 31 December 2016, which indicates that the New Zealand operations are profitable. The goodwill would therefore appear recoverable, assuming the business continues as a going concern, which is consistent with the view taken in the audited and reviewed financial statements.

4.2.1.1 Trade and other receivables

An adjustment has been made to decrease trade and other receivables by \$1.2 million to reflect transaction costs relating to the Proposed Trust Scheme that have been incurred and carried forward as a prepaid expenditure, pending completion of the transaction.

4.2.1.2 Land and buildings

Spicers owns two freehold properties in Tasmania and also has a long term lease hold interest over a property in Singapore. The Tasmanian properties are located in Burnie and Wesley Vale.

As land and buildings are reflected in the statements of financial position at cost less accumulated depreciation, we have adjusted the carrying amounts to reflect the fair market value of the properties as assessed by the Directors' Valuations. In forming their views, the Directors of Spicers have considered the advice of independent property consultants, rates assessments, recent offers (where received) and the prices achieved for similar properties. We have reviewed the memorandum that sets out the Directors' Valuations and are of the opinion that the Directors' Valuations are conservative in light of the data points available in respect of the properties. Therefore, there is potential that the properties will realise a greater value than that assessed by the Directors of Spicers.

As the Company has significant capital losses available for use in Australia, we have not allowed for any capital gains tax in respect of the Tasmanian properties. There will be no capital gains tax applicable on the Singaporean property.

4.2.1.3 Trade payables

An adjustment has been made to increase trade and other payables by \$3.0 million, to reflect the transaction costs relating to the Proposed Trust Scheme (e.g. legal fees, success fees payable to advisers, expert fees, printing costs etc.) that have not yet been incurred.

4.2.1.4 Tax Losses

Spicers' has carry forward tax losses of \$301 million as at 31 December 2016, comprising \$150 million of revenue losses and \$151 million of capital losses.



We have not attributed any value to Spicers' existing tax losses for the following reasons:

- the business in Australia is generating little taxable income, making the use of the tax losses in the short to medium term somewhat uncertain, which is why they have not been recognised for financial reporting purposes
- the ability of a prospective purchaser to utilise the tax losses would be limited by tax legislation governing the transferability and rate of use of such losses.

However, we note that if Spicers begins generating taxable income, the tax losses would be of value to SPS Unitholders.

4.2.2 Orderly realisation of net assets

Our estimate of the market value of Spicers based on an orderly realisation of net assets approach is presented in the table below. Our analysis is undertaken using a two-step approach

- Step 1: we firstly adjust the land and buildings balance to reflect the Directors' Valuations and the trade and other payables balance to allow for the estimated costs associated with the closure of the business
- Step 2: we then estimate the amount that each asset class would realise in an orderly realisation process. The quantum of the discount is impacted by the nature of the asset and the time frame required for its disposal.

This valuation outcome under the orderly realisation of net assets method represents the low end of our valuation range.

Table 17

(\$'000s)	Book value of net assets	Step 1: Adjustments	Market value of net assets	Step 2: Discount applied	Realisable value of net assets
Cash and cash equivalents	32,978	-	32,978	0%	32,978
Trade and other debtors	78,507	(1,200)	77,307	10%	69,576
Inventory	74,791	-	74,791	40%	44,874
Total current assets	186,276	(1,200)	185,076		147,429
Trade and other debtors	504	-	504	100%	-
Plant and equipment	5,790	-	5,790	80%	1,158
Land and buildings	3,285	9,465	12,750	5%	12,113
Intangibles	28,679	-	28,879	100%	-
Deferred tax assets	715	-	715	100%	-
Total non-current assets	38,972	9,465	48,437		13,270
Total assets	225,248	8,265	233,513		160,699
Trade and other payables	(68,027)	(29,000)	(97,027)	0%	(97,027)
Borrowings	(3,474)	-	(3,474)	0%	(3,474)
Income tax payable	(2,618)	-	(2,618)	0%	(2,618)
Provisions	(7,908)	-	(7,908)	0%	(7,908)
Total current liabilities	(82,027)	(29,000)	(111,027)		(111,027)
Deferred tax liability	(310)	-	(310)	100%	-
Provisions	(602)	-	(602)	0%	(602)
Total non-current liabilities	(912)	-	(912)		(602)
Total liabilities	(82,939)	(29,000)	(111,939)		(111,629)
Net assets	142,309	(20,735)	121,574		49,071

Source: reviewed financial statements for the half year ended 31 December 2016, Deloitte Corporate Finance analysis

We have discussed relevant adjustments in further detail below. In forming a view on these adjustments, we have consulted with insolvency and administration specialists and also Spicers Management, who have provided input based on their own experience with winding down the European business.

4.2.2.1 Step 1: Adjusting the carrying amount of the assets and liabilities

We have made the following adjustments to the carrying amounts of the assets and liabilities:

- trade and other debtors have been adjusted to remove \$1.2 million of transaction related costs that have been carried forward pending completion of the transaction, as discussed in Section 4.2.1.1
- land and buildings have been adjusted to reflect Directors' Valuations, as discussed in Section 4.2.1.2
- trade and other payables have been adjusted to include \$29.0 million of additional liabilities, which accounts for the following:
 - transaction costs relating to the Proposed Trust Scheme (e.g. legal fees, success fees payable to advisers, expert fees, printing costs etc.) that have not yet been incurred of \$3.0 million (refer Section 4.2.1.3 above)
 - costs associated with the closure of the Spicers business – in the event that Spicers is wound up, it is likely that it would incur costs in breaking existing leases and paying staff their entitlements upon being made redundant, as well as general overhead costs through the closure period. Based on our discussions with insolvency and administration specialists we have allowed for closure related costs of \$26.0 million which accounts for the following:
 - \$10.0 million of break lease and make good costs which allow for a period to sublet existing premises, the possibility that the new lease terms may be on terms that are less advantageous to the landlord, make good obligations and advertising costs and commissions payable to agencies in relation to subletting the premises
 - \$7.5 million of redundancy costs to be paid to existing employees. We have arrived at this figure taking into account that the majority of employees have been with the Company for in excess of 10 years
 - \$8.5 million of overhead costs (including wages and salaries and retention costs to be paid to a small staff complement) that will be incurred during the wind down process.
 - in relation to the other assets and liabilities, we have adopted the book values as a starting point for our analysis. Accordingly, we have made no adjustments to these balances.

4.2.2.2 Step 2: Determining the amount that each asset class would realise

We have determined the amount each asset class would realise as follows:

- current trade and other debtors – we have applied a 10% discount to reflect the difficulties that are associated with the collection of balances in a wind down scenario. Spicers Management has advised that on winding down its European businesses in FY2016, it was able to recover more than 90% of the outstanding balances
- inventories – we have considered the following factors in assessing the discount to apply to the carrying amount of stock:
 - the possibility of realising some stock in the ordinary course
 - the difficulty and time that would be required to move large volumes of stock to the existing customer base
 - the possibility of suppliers seeking to repurchase their stock to prevent the market being flooded by stock at highly discounted prices
 - Management's recent experience in the wind up of the European businesses.

Having regard to the above, we are of the opinion that the stock would realise approximately 60% of its cost and accordingly, we have applied a 40% discount

- non-current trade and other debtors – we have assumed that these would not be collected
- plant and equipment – the plant and equipment comprises of leasehold improvements, machinery, furniture and fittings, computer software and office equipment. In our experience, fixtures, fittings and computer equipment are unlikely to realise much value, even assuming an orderly wind down process. For the purposes of our valuation, we have therefore assumed that the plant and equipment would realise no more than 20% of the carrying amount
- land and buildings – we have allowed for realisation costs of 5% to facilitate the sale of the properties



- intangible assets – the goodwill associated with the New Zealand business would not be recoverable if the New Zealand business ceased trading
- net deferred tax assets – the deferred tax asset would also not be recoverable if the business was wound up.

For the purposes of our analysis, we assumed that all outstanding balance sheet liabilities would be settled in full.

4.2.3 Spicers shares to be issued under the Proposed Trust Scheme

If the Proposed Trust Scheme is implemented, Spicers will issue 1,431,386,910 Spicers Shares as consideration in exchange for the 2,626,398 SPS Units held by SPS Unitholders (excluding the SPS Units held by Spicers).

We note that Spicers will not be issued shares for the SPS Units it already owns. The SPS Units owned by Spicers will be cancelled if the Proposed Trust Scheme proceeds.

4.3 Cross-check

We have cross-checked our valuation of Spicers by assessing the EBIT multiples implied by our valuation of the Spicers' business (enterprise value) in Section 4.3.1.

We have also cross-checked our assessed value of the Share Consideration to market trading prices for the SPS Units in Section 4.3.2.

4.3.1 Cross-check – valuation of Spicers (implied EBIT multiple)

We have cross-checked our valuation by assessing the EBIT multiples implied by the enterprise value of Spicers, as presented in the table below.

The use of earnings multiples may be problematic as a cross-check where asset based methodologies are used. In particular, it is difficult to arrive at the value of the business (as opposed to the equity) under an orderly realisation of assets basis as there is an assumption that all assets are realised and costs are incurred in winding up the entity. The value of the business in these circumstances is therefore somewhat moot. We nonetheless are of the opinion that earnings multiples provide some support for our valuation outcome.

Table 18

	Section	Unit	Low ⁴	High
Equity value of Spicers	4.2	\$'000s	49,071	147,574
Less: surplus assets				
- cash and cash equivalents	4.3.1.1	\$'000s	-	(17,978)
- land and buildings	4.3.1.1	\$'000s	-	(12,750)
Add: surplus liabilities				
- borrowings	4.3.1.1	\$'000s	-	3,474
Enterprise value		\$'000s	49,071	120,320
Normalised EBIT from continuing operations before significant items				
FY2017 (annualised) ¹	4.3.1.2	\$'000s	4,822	4,822
FY2016 ²	4.3.1.2	\$'000s	5,544	5,544
FY2015 ^{2, 3}	4.3.1.2	\$'000s	3,343	3,343
Implied EBIT multiple				
FY2017		times	10.18x	24.95x
FY2016		times	8.85x	21.70x
FY2015		times	14.68x	36.00x

Source: Deloitte Corporate Finance analysis

Notes:

1. FY2017 EBIT is based on the EBIT from continuing operations before significant items for the six months to 31 December 2016, which has been normalised as described in Section 4.3.1.2 and then annualised based on the proportion of earnings in the first half of FY2016 compared to the second half of FY2016

2. FY2016 and FY2015 EBIT is based on the EBIT from continuing operations before significant items extracted from the financial report for year ended 30 June 2016, which has been normalised as described in Section 4.3.1.2

3. FY2015 EBIT reflects divestments in FY2016

4. for illustrative purposes, we assume that the equity value equates to the enterprise value and that there are no surplus assets or liabilities.

4.3.1.1 Surplus assets and liabilities

Surplus assets are assets which form part of an entity but do not contribute to the business earnings or cash flow generation capacity of that entity. These are assets that, if sold, would not impact on the revenue or profit generating capacity of the active business undertaking.

In arriving at our assessed enterprise value under the high end of our valuation range, we have deducted surplus assets and added back surplus liabilities, as follows:

- Spicers currently has approximately \$33 million of cash and cash equivalents. We have been advised by Spicers Management that \$4 million of the cash is restricted to support bank guarantees (for self-insured workers compensation licenses and banking facilities) and approximately \$10 million is required for maintaining working capital. For the purposes of our valuation, we have considered approximately \$18 million of the cash and cash equivalents balance as being surplus to requirements
- the properties located in Tasmania are not used in the business. Although Spicers' operations currently occupy the Singapore property, we understand that the property is under-utilised and that the Company is seeking to sell the asset and locate more suitable premises. We have therefore treated the asset as surplus but adjusted the EBIT results above to allow for a rental charge for alternative premises, based on advice provided by Spicers Management, in the section below
- Spicers had \$3.5 million of bank borrowings as at 31 December 2016.

In determining an implied multiple under the low end of our valuation range, we have for illustrative purposes assumed that the equity value equates to the enterprise value and that there are no surplus assets or liabilities. It is difficult to arrive at the value of the business (as opposed to the equity) under an orderly realisation of assets basis as there is an assumption that all assets are realised, liabilities are settled and costs are incurred in winding up the entity. The value of the business in these circumstances is therefore somewhat moot and we acknowledge that some may take the view that the implied multiples cross-check is of limited use in these circumstances.

4.3.1.2 Normalised EBIT

In arriving at our normalised EBIT from continuing operations before significant items (which include gain/loss on disposal of controlled entities, impairment charges to the statement of profit or loss and group restructuring costs), we have made the following adjustments:

- we have added back one-off legal costs that were incurred in response to allegations by SPS Unitholders, as described in the Scheme Booklet, on the basis that if the Proposed Trust Scheme was implemented, these legal costs would no longer be incurred given that they are non-business costs
- we have added back the costs in relation to maintaining the SPS Trust structure as these will no longer be incurred if the Proposed Trust Scheme is implemented
- we have added back "other borrowings costs" which relate to the amortisation of capitalised borrowing costs which are considered to be a finance related expense
- as we have treated the property in Singapore as a surplus asset in arriving at our enterprise value of Spicers, we have therefore allowed for a rental charge for alternative premises. Spicers Management have advised that current rent for an appropriate premises would be approximately \$523,000 per annum; however, this would be offset by the rental cost of approximately \$209,000 per annum that is paid by Spicers to the Singaporean government for the use of the land, given that you cannot own the land in Singapore. We have assumed that the net rental charge would have been relatively consistent from FY2015 through to FY2017, given the low to negative inflation rates experienced in Singapore
- we have deducted additional listing fees to account for the increased number of Spicers Shareholders if the Proposed Trust Scheme is implemented.



We have set out the calculation of our adjusted EBIT in the table below.

Table 19

\$'000s	FY2015 ¹	FY2016	HY2017
Reported EBIT from continuing operations before significant items²	3,179	4,515	3,260
Add back:			
- legal fees	-	976	91
- costs in relation to the SPS Trust	369	269 ³	172
- other borrowing costs	133	122	74
Deduct:			
- notional rent cost in Singapore	(314)	(314)	(157)
- additional listing fees if the Proposed Trust Scheme is implemented	(25)	(25)	(13)
Total adjustments	(46)	1,029	168
Normalised EBIT from continuing operations before significant items	3,343	5,544	3,428
Annualised EBIT from continuing operations before significant items for FY2017			4,822⁴

Source: Deloitte Corporate Finance analysis

Notes:

1. adjusted to reflect FY2016 divestments

2. EBIT from continuing operations before significant items for FY2015 and FY2016 is extracted from the audited financial statements for the year ended 30 June 2016. EBIT from continuing operations before significant items for HY2017 is extracted from the reviewed financial statements for the half year ended 31 December 2016

3. this does not include the \$224k of legal costs incurred by the SPS Trust as that it included in 'legal costs' in the line above

4. we have annualised the HY2017 'normalised EBIT from continuing operations before significant items' based on the ratio of 'reported EBIT from continuing operations before significant items' for the first half of FY2016 (71%) and the second half of FY2016 (29%).

4.3.1.3 Assessment of implied EBIT multiple

The earnings multiples implied by our valuation of Spicers have been assessed against both trading and transaction multiples for broadly comparable companies.

As there are no companies that are directly comparable to Spicers in the Australian market, we sought to identify broadly comparable companies having regard to:

Trading multiples

- companies whose primary operations are in the wholesale of paper, paper products and packaging industry. There are not many listed companies that are purely involved in paper wholesaling, and therefore we have included companies that either have a paper wholesale distribution arm or whose wholesaling activities include office supplies
- companies operating in the Asia Pacific region. However, given the limited number of listed companies that are considered relevant in the Asia Pacific region, we have extended our analysis to include companies in Europe, US and the UK

Transaction multiples

- transactions where a paper, paper product or packaging wholesaler was acquired. However, given the limited number of publicly available transactions, we have extended our search to include transactions involving distribution of office supplies and companies involved in paper and paper products manufacturing.

Trading multiples

Multiples derived from share market trading do not reflect the market value for control of a company as they are for portfolio holdings. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding equity values. In determining the enterprise value for each of the comparable companies, we have applied a notional control premium of 20% to the equity values.

Details of selected comparable companies are presented in Appendix D.

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We note the following with respect to the trading multiples:

- the average and median current EBIT multiples for the paper and paper products wholesaling industry are 13.7x and 14.1x, respectively
- the average and median current EBIT multiples for the packaging wholesaling industry are 14.7x and 15.6x, respectively
- the majority of the comparable companies with publicly available information are not directly comparable to Spicers as they are all either larger than Spicers, more geographically diverse, have limited footprints in the Australian market or are vertically integrated from manufacturing through to distribution. In general, larger companies have higher earnings multiples than smaller and less diversified companies. Specifically, we highlight the following:
 - Sequana derives 80% of its revenue through the distribution of paper, packaging and products used for visual communication. However, we note that Sequana is larger than Spicers and also manufactures its own paper, packaging and posters
 - Veritiv Corporation is broadly comparable to Spicers, generating 52% of its sales through distribution of paper and 32% through the provision of packaging services. However, we note that Veritiv Corporation is significantly larger than Spicers and also provides facility solutions, which is not a service offered by Spicers
 - Japan Pulp and Paper Company generates 94% of its sales through wholesaling. However, we understand that the business is vertically integrated (through its manufacturing arm), is geographically more diverse with operations in Japan, USA, Asia and Europe and is significantly larger in terms of revenue. Therefore, while it is not directly comparable to Spicers, we have had regard to it when assessing the reasonableness of the implied EBIT multiples
 - the comparable companies involved in wholesaling of packaging are also generally involved in the manufacture and distribution of paper and non-paper packaging. Given that Spicers does not generate a significant proportion of its revenue from the wholesale of packaging and Spicers' packaging is primarily limited to paper packaging, we have placed limited reliance on the EBIT multiples observed for these companies
- whilst Kushal Tradelink Limited, Heiwa Paper Co Ltd, and Samson Paper Holdings Limited are comparable in the sense that they operate purely in the paper and paper products distribution industry, they trade in different jurisdictions (Japan and India). Furthermore we note that there are limited public forecast earnings information available for these entities.

Transaction multiples

The acquisition price achieved in mergers or acquisitions of companies represents the market value of a controlling interest in that company. Details of selected comparable transactions are presented in Appendix E.

We note the following with respect to the comparable transactions:

- there are a limited number of comparable transactions for which there is publicly available data
- the average and median EBIT multiple implied by the comparable transactions is 10.5x and 12.2x, respectively
- WestRock is a manufacturer and wholesaler of paperboard, paper packaging, plastic packaging, partitions and other paper products. We understand that the business is significantly larger than Spicers and operates in North and South America, Europe, Asia and Australia. Therefore, while it is not directly comparable to Spicers, we have had regard to it when assessing the reasonableness of the implied EBIT multiple
- GPA Specialty Substrate Solutions is a distributor of coated and uncoated papers, specialty fine papers, pressure sensitive paper, synthetic substrates, specialty print media and films and laminates. The business also provides inventory management and marketing solutions. Having regard to this, we are of the opinion that GPA Specialty Substrate Solutions is comparable to Spicers
- the sale of Spicers Canada and the five European businesses of PaperlinX Limited were all overseas operations of Spicers. On this basis, we consider these transactions to be highly comparable for the



purposes of our valuation of Spicers. For these two transactions, we note that the average implied transaction EBITDA multiple is 6.9x

- CPI Group is involved in the sale and distribution of paper products, digital finishing and wide format equipment, and ink products to the commercial offset printing industry in Australia and New Zealand and therefore we consider this transaction to be relevant for our purposes.

The implied forecast EBIT multiple of Spicers on a control basis ranges from 10.18x to 24.95x. The implied EBIT multiple at the low end of our valuation range does not appear unreasonable in light of the trading and transaction multiples. The observed trading and transaction multiples also provide some support for the implied EBIT multiple at the high end of our valuation range.

4.3.2 Cross-check – valuation of Share Consideration (market trading price)

We have also considered the reasonableness of our assessed Share Consideration by using recent share price trading of the SPS Units. Set out below is a summary of the prices at which the SPS Units have recently traded on the ASX.

Table 20

	VWAP (\$)
10 day VWAP prior to First Announcement Date	9.40
1 month VWAP prior to First Announcement Date	10.09
3 months VWAP prior to First Announcement Date	9.75
10 day VWAP post First Announcement Date	13.12
1 month VWAP post First Announcement Date	13.00
3 months VWAP post First Announcement Date	12.92

Source: CapitalIQ, Deloitte Corporate Finance analysis

Albeit liquidity of the SPS Units is low, trading prices post the First Announcement Date give an indication of the market's view of the Proposed Trust Scheme, its likelihood of success and the resulting outcome for the SPS Unitholders.

4.3.3 Conclusion

Based on our cross-checks above, we are of the opinion that the fair market value of Spicers is likely to lie above the low end of our valuation range.

5 Assessment of the value of an SPS Unit

5.1 Introduction

The only material asset of TrustCo is its investment in the LLC Preference Shares and the value of the SPS Trust is therefore directly related to the fair market value of the investment in PaperlinX LLC.

As noted in Section 3.11 above, the valuation of the LLC Preference Shares presents numerous difficulties. The Directors of the SPS Trust concluded that it was difficult to apply many of the traditional valuation methodologies to value PaperlinX LLC.

They therefore adopted the observable market prices of the SPS Units as a proxy for the fair value of the investment in PaperlinX LLC as from 30 June 2013. The fair market value of the Preference Shares, in turn, is dependent upon the likelihood of PaperlinX LLC receiving interest payments from Spicers and/or a return of the funds advanced under the Loan Note.

In forming a view on the SPS Units, we therefore have had regard to the following:

- the terms of the Loan Note and the likelihood of PaperlinX receiving interest and/or a return of the capital advanced under the Loan Note
- the likelihood of PaperlinX LLC making distributions and/or returning capital to SPS Unitholders
- the prices at which the SPS Units have traded since 30 June 2013.

5.2 The Loan Note and the LLC Preference Shares

A summary of the key terms of the Loan Note are set out in Section 3.8 above. PaperlinX LLC has limited enforcement rights to recover the Loan Note, which is subordinated and an unsecured debt instrument and accordingly ranks behind all other liabilities of Spicers.

As discussed in Section 3.8 above, the maturity of the Loan Note was extended by PaperlinX LLC at the request of Spicers. We were advised that this extension was made without seeking input from or reference to the SPS Trust as the LLC Preference Shareholder.

Since 2011, Spicers has accrued but has not paid any interest on the Loan Note. It is our opinion that there is little prospect of Spicers paying any arrears interest or interest that accrues in the future as it is not generating sufficient cash for this purpose. Furthermore, ordinary shareholders of Spicers will in no way benefit if any payment were to be made to PaperlinX LLC, as these funds would, in all likelihood, be used to pay a dividend to the Preference Shareholders.

In the absence of the Proposed Trust Scheme and on expiration of the Loan Note on 30 June 2019, Spicers would be required to repay the Loan Note together with accrued interest. It is highly unlikely that Spicers could repay the full amount owing, which by that time would have accrued to approximately \$420 million. If we treat the Loan Note as a liability of the Consolidated Group, the liabilities of Spicers would exceed its assets by more than \$200 million, inclusive of accrued interest. It is uncertain whether the Director of PaperlinX LLC could again allow the term of the Loan Note to be extended⁵.

The ordinary shareholders and the SPS Unitholders would again be at an impasse and it is difficult to predict the ultimate outcome, given the complexity of the structure and whether the courts in Australia or Delaware might be requested to intervene to resolve the situation (assuming an agreement was not possible between the parties).

The value of the LLC Preference Shares is directly related to the fair market value of the Loan Note and would only have value if there was some prospect of PaperlinX LLC resuming the payment of distributions and/or returning capital to TrustCo.

⁵ Should the Loan Note be repaid, TrustCo has no ability to ensure that the proceeds received by PaperlinX LLC will be returned to SPS Unitholders. We understand that PaperlinX LLC is entitled to use such funds to invest in other debt instruments or securities issued by any member of the Consolidated Group. Spicers and PaperlinX LLC are not required to redeem the LLC Preference Shares held by TrustCo or the SPS Unit by a fixed date.

5.3 Assessment of the value of an SPS Unit

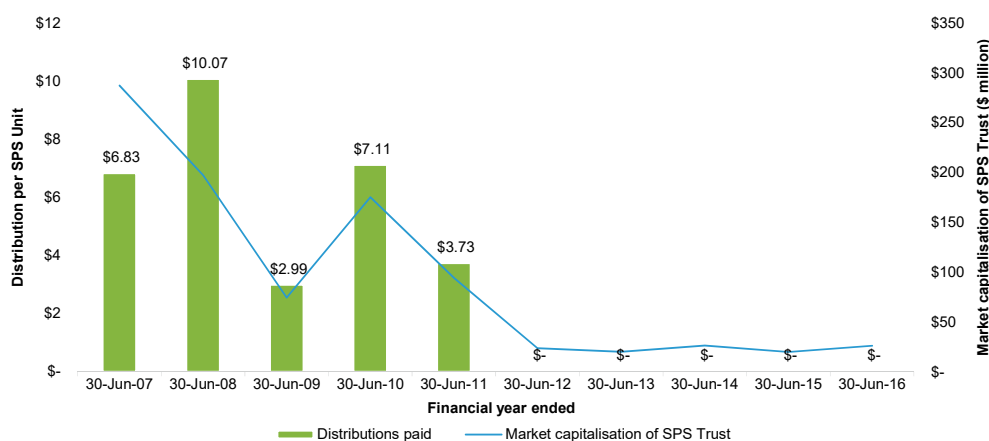
The fair market value of an SPS Unit is dependent upon the following:

- the likelihood of receiving distributions and/or a return of capital (including the potential for the triggering of a Realisation Event)
- the prospects for a capital restructure of Spicers, including the possible conversion of the SPS Units into Spicers Shares (such as would occur under the Proposed Trust Scheme), or the possibility of recovering value by pursuing legal action against the Company, its related entities or TrustCo in respect of all actions, conduct and decisions made in relation to SPS Trust Matters and Spicers Matters, as defined in the SIA.

5.3.1 The prospect of SPS Unitholders receiving distributions

The historical distributions paid by SPS Trust to the SPS Unitholders is presented in the diagram below.

Figure 7



Source: annual financial statements of SPS Trust

Notes:

1. the distributions made for the financial years ended 30 June 2007 and 30 June 2010 consist of one distribution only.

The SPS Trust has not made any distributions since 30 June 2011. As set out in Section 5.2 above, the ability of the SPS Trust to make distributions is dependent upon:

- Spicers paying the arrears and accruing interest on the Loan Note (Spicers is able to defer payment of interest until 30 June 2019, when the Loan Note term expires)
- PaperlinX LLC making dividend payments to the SPS Trust.

In the absence of the Proposed Trust Scheme, there is little prospect of distributions being made to the SPS Unitholders on an ongoing basis, as Spicers operates in a challenging environment and is not generating sufficient cash for this purpose. The inability to make full distributions to the SPS Unitholders in turn precludes the payment of dividends to ordinary shareholders.

In forming our view as to the prospect of future distributions being made to the SPS Unitholders on an ongoing basis, we have considered the following:

- the current financial performance of Spicers
- the uncertainty over the future financial performance of Spicers
- Spicers' ability to raise equity or debt facilities
- the terms of the Loan Note
- the short and medium interest rate forward curves (as distributions are referenced to the BBSW)

- the current cash balance and the cash required for working capital purposes. As discussed in Section 4.3.1.1, we have been advised by Spicers Management that approximately \$4 million cash is restricted and a further \$10 million is required for working capital purposes.

Whilst Spicers currently has a surplus cash balance of approximately \$18 million, there would only be limited cash available for payment of a dividend to ordinary shareholders and/or to make strategic acquisitions if a preferential distribution were made to the SPS Unitholders. Given this dynamic, the ordinary shareholders are unlikely to support the payment of distributions to the SPS Unitholders in the short to medium term.

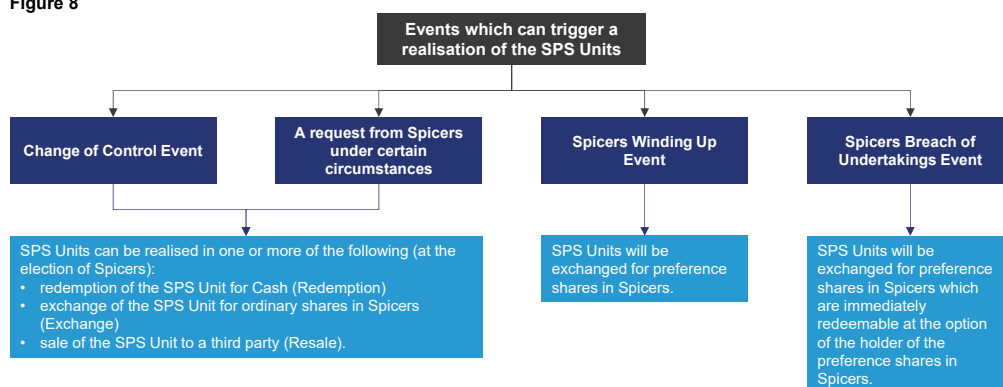
There is also only a remote prospect of the SPS Unitholders receiving either a partial or full return of capital, as Spicers would be required to undertake either a substantial equity raising or secure additional debt facilities. We are of the opinion that both are unlikely possibilities, given the current capital structure and the resulting blockages that the structure causes to dividend payments and capital raisings. The most practical avenue for SPS Unitholders to pursue in order to realise value for their SPS Units is the simplification of the capital structure of the Company, as envisaged by the Proposed Trust Scheme, which would allow for the resumption of dividend payments to ordinary shareholders of Spicers (including SPS Unitholders).

5.3.2 The triggering of a Realisation Event

The SPS Units are perpetual, unless redeemed for cash, exchanged into Spicers Shares or exchanged into Spicers Preference Shares, as stipulated by the Trust Constitution.

In assessing the fair market value of the SPS Units, we have considered the circumstances in which SPS Unitholders could potentially crystallise value for their SPS Units (as provided for in the Trust Constitution), as summarised in the diagram below.

Figure 8



Source: PDS, Deloitte Corporate Finance analysis

We make the following observations with respect to the four alternate realisation possibilities:

- a Change of Control Event** (as defined in Section 3.5.3.1): SPS Unitholders may request that their SPS Units be realised if a Change of Control Event occurs, but in no other circumstances. Under such circumstance, the SPS Units could be either be redeemed for cash, exchanged for Spicers Shares or resold to a third party at effectively Face Value (being \$100, as defined in the PDS) plus any declared or undeclared distributions for a period of 12 months immediately preceding the Change of Control Event.

It is highly unlikely that a Change of Control Event will occur, unless there is a simplification of the capital structure and the SPS Units are redeemed or converted to Spicers Shares. Redemption as noted above, is improbable because it is unlikely that Spicers could raise capital for this purpose. Conversion of the SPS Units into Spicers Shares under a Change of Control Event would be highly dilutive and would deter an acquirer from making an offer.

- a request from Spicers under certain circumstances:** Spicers may request SPS Unitholders to realise their SPS Units under the circumstances discussed in Section 3.5.3.2.

The SPS Units could either be redeemed for cash, exchanged for Spicers Shares or resold to a third party at effectively their Face Value (being \$100, as defined in the PDS) plus any declared or undeclared distributions for a period of 12 months immediately preceding the Acquisition Event. It is



highly unlikely that this would occur for the same reasons as noted in connection with a Change of Control Event.

- **a Spicers Winding Up Event** (as defined in Section 3.5.3.1): in the event that Spicers is wound up (voluntarily or involuntarily), the SPS Units will be exchanged for Spicers Preference Shares, which will rank ahead of Spicers Shares but behind all creditors of Spicers. We note that in the event of a Spicers Winding Up Event and in the absence of the Proposed Trust Scheme, SPS Unitholders would receive a proportionately different return for each SPS Unit to what has been assessed in Section 4.

As the members of Spicers are in control of both Spicers and PaperlinX LLC, it is unlikely that they would pass a resolution to this effect. TrustCo has received advice that it could not petition a court to wind up either Spicers or PaperlinX LLC. Given the advice, the prospect of a Spicers Winding Up Event appears remote.

- **a Spicers Breach of Undertakings Event** (as defined in Section 3.5.3.1): under a PaperlinX Breach of Undertakings Event, the SPS Units will be exchanged for redeemable Spicers Preference Shares. If Spicers fails to issue Spicers Preference Shares following such an event (due to the circumstances mentioned below), the SPS Units will remain on issue and Spicers will be restricted from paying dividends or returning capital to the Spicers Shareholders until such time as the Spicers Preference Shares are issued or the SPS Units are redeemed.

We assume a Spicers Breach of Undertakings Event will not occur as this would require the Directors of Spicers to act improperly or have acted improperly. We have not been made aware of any improper actions to date on the part of the Directors of Spicers.

Notwithstanding the above, if any of the events mentioned above occurs, Spicers may be constrained from issuing Spicers Shares or Spicers Preference Shares in exchange for SPS Units without first obtaining the approval of Spicers Shareholders under ASX Listing Rule 7.1. There can be no certainty that Spicers Shareholders approval, if required by the ASX under Listing Rule 7.1, would be obtained. If Spicers elects to exchange Spicers Shares or Spicers Preference Shares for SPS Units and does not issue those securities (including as a result of failure to obtain any necessary Spicers Shareholder approval) a Spicers Breach of Undertaking Event will have occurred. In these circumstances, the exchange for Spicers Preference Shares will be required.

If that exchange also does not proceed, any claim will be limited to an order for specific performance or such monetary claim as SPS Unitholders would have had if the Spicers Preference Shares were issued (refer to Section 3.5.3.1 for further details).

It is open to Spicers to seek to achieve the same commercial outcome as a Realisation Event by other means.

Based on the above, it is evident that there are no realistic alternatives available for SPS Unitholders to crystallise any higher value than the assessed value of the Share Consideration. The SPS Units have a VWAP ranging from approximately \$11.00 to \$12.00 over the last two calendar years (refer to Section 5.4 for further details on our analysis), which is below the low end of our assessed value range for the Share Consideration of \$12.80.

5.3.3 Other possibilities that may be available to SPS Unitholders

The SPS Unitholders may form the view that they have a claim in respect of the SPS Units, and that the quantum of the claim is material. These possibilities may include legal action against the Company, its related entities or TrustCo in respect of all actions, conduct and decisions made in relation to SPS Trust Matters and Spicers Matters, as defined in the SIA. The possibility of successfully pursuing any such actions is highly uncertain because:

- there must be a legal basis on which to proceed
- there must have been a breach of some legal obligation or duty
- there must have been loss suffered as a result.

For example, SPS Unitholders might consider that Spicers has breached an Undertaking by cancelling certain Canadian performance rights in 2015, and believe that TrustCo has caused SPS Unitholders to suffer loss because it has not triggered a Breach of Undertakings Event. Alternatively, SPS Unitholders may be of the opinion that Spicers caused loss to them through the extension of the LLC Loan Note or through the management of its businesses generally.

If the Proposed Trust Scheme proceeds, SPS Unitholders will forgo the opportunity to seek legal redress against the Company, Directors and other parties.

We have not ascribed any value to these possible claims, given the uncertainty involved. Further details of these potential claims are provided in the Scheme Booklet.

5.4 Analysis of trading in SPS Units

We have considered whether recent trading prices for SPS Units provide a basis for estimating the fair market value of the SPS Units.

Security prices ordinarily reflect the prices at which investors are willing to exchange their securities for cash and provide an estimate of the fair market value for a portfolio holding. However, in the current case, we are of the opinion that trading in SPS Units provides only very limited guidance as to value for the following reasons:

- despite having a free float of 92%, the market for the SPS Units is not liquid. This can be observed in the table below:

Table 21

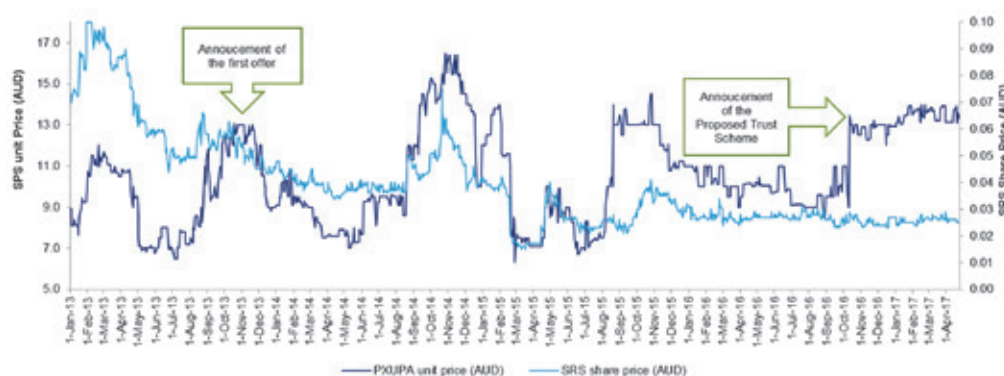
Period	Average Daily Volumes	Average Volume Traded as a % of Average Securities outstanding
1 year prior to First Announcement Date	835	0.029%
1 January 2016 to 11 October 2016	819	0.029%
4 weeks prior to First Announcement Date	893	0.031%
3 months post the First Announcement Date	3,630	0.127%

Source: Deloitte Corporate Finance analysis

- the current capital structure is complex and there has been limited prospect in recent years of SPS Unitholders receiving a distribution of capital return
- the trading price has been volatile
- the SPS Units are not currently followed by any brokers.

Nonetheless, set out below is the historical trading price of the SPS Units (together with the trading prices of Spicers Shares).

Figure 9



Source: Capital IQ



The SPS Units closed at \$9.00 on 10 October 2016 (being the day prior to First Announcement Date). Since then, the SPS Units have traded in the range of \$12.00 to \$14.00. As can be seen in the table below, the VWAP of the SPS Units has been improving over the periods analysed.

Table 22

Period (\$)	VWAP	Highest price	Lowest price
Since First Announcement Date ¹	13.19	14.00	12.00
Over 1 year to 31 December 2016	11.86	13.45	8.50
Over 2 years to 31 December 2016	11.02	14.50	6.30
Over 3 years to 31 December 2016	10.79	16.50 ²	6.30
Over 4 years to 31 December 2016	10.54	16.50	6.30

Source: Capital IQ

Notes

1. period from First Announcement Date to 21 April 2017

2. on 3 November 2014, the daily VWAP reached a high of \$16.50.

Whilst acknowledging that the SPS Units are thinly traded, the SPS Unit price post the First Announcement Date is likely to partly encompass the market's view on the following:

- the underlying fair market value of Spicers on a control basis (SPS Unitholders as a collective will be handed control of Spicers)
- the likelihood of the Proposed Trust Scheme being approved and some form of dilution occurring.

5.5 Conclusions

In our opinion:

- there is little prospect of a distribution and/or a return of capital to SPS Unitholders given the current financial position of Spicers and the restriction resulting by the current capital structure
- in the absence of the SPS Unitholders being able to seek legal redress against the Company, its related entities or TrustCo, the SPS Units have little, if any, value
- there are currently no realistic alternatives available for SPS Unitholders to crystallise any higher value than the assessed value of the Share Consideration
- in the absence of the Proposed Trust Scheme, the SPS Units would not have a value in excess of the Share Consideration.

The VWAP for the SPS Unit post the First Announcement Date is slightly above the low end of our assessed value range of \$12.80 and therefore provides support for our conclusion that the Proposed Trust Scheme is fair.

Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Trust Scheme for SPS Unitholders as a whole and have not considered the effect of the Proposed Trust Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Trust Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Trust Scheme is fair and reasonable and therefore in the best interests of SPS Unitholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of TrustCo and is to be included in the Scheme Booklet to be given to SPS Unitholders for approval of the Proposed Trust Scheme. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Trust Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the SPS Unitholders and TrustCo, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Trust Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by TrustCo and Spicers and their respective officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to the Directors of TrustCo and Spicers Management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by TrustCo and Spicers and their respective officers, employees, agents or advisors, TrustCo has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which TrustCo may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by TrustCo and Spicers and their respective officers, employees, agents or advisors or the failure by TrustCo and Spicers and their respective officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Trust Scheme.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of TrustCo and Spicers personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Spicers and the SPS Trust included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Spicers and the SPS Trust referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.



Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Ferris, B.Ec, F.Fin, CA and Tapan Parekh, B. Bus, M.Comm, CA, F.Fin. Each has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- the TrustCo proposes to issue a disclosure document in respect of the Proposed Trust Scheme between the SPS Unitholders and Spicers (the Scheme Booklet)
- the Scheme Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet (draft Scheme Booklet) for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in Annexure A of the Scheme Booklet.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure A of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included in Annexure A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Scheme Implementation Agreement dated 19 December 2016
- the product disclosure statement dated 7 March 2007 for the issue of the SPS Units
- the New Subordinated Note Deed Poll, which stipulates the terms of the Loan Note, dated 26 June 2012
- the Amending Deed to the Constitution of the SPS Trust issued on 30 March 2007
- the Constitution of Spicers (previously known as PaperlinX) dated 6 February 2004
- the amended Constitution of Spicers dated 6 November 2015
- the LLC Agreement (annexing the LLC Preference Share Terms) dated March 2007
- audited financial statements for Spicers and the SPS Trust for the years ending 30 June 2015 and 30 June 2016
- reviewed half year financial reports for Spicers and the SPS Trust for the six months ended 31 December 2015 and 31 December 2016
- segmented balance sheet as at 31 December 2016
- Directors' Valuation
- Spicers' strategy plans
- annual reports for comparable companies
- company websites for Spicers, the SPS Trust and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ and Mergermarket

- IBIS company and industry reports
- other publicly available information, media releases and brokers' reports on the SPS Trust, Spicers, comparable companies and the paper and paper product wholesaling industry.

In addition, we have had discussions and correspondence with certain directors, executives, and advisers including Andrew Cannane, General Manager, Managed Funds Services (TrustCo); Ruth Gonzalez, Manager, Managed Funders Services (TrustCo); David Martin, Chief Executive Officer (Spicers); Wayne Johnston, Finance Director and Chief Financial Officer (Spicers); in relation to the above information and to current operations and prospects. We have also had discussions and correspondence with the advisers to TrustCo and Spicers (Shaw and Partners, Kardos-Scanlan and SLM Corporate).



Appendix B: Valuation methodologies

To estimate the fair market value of the securities in the SPS Trust and Spicers we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

Appendix C: Paper product wholesale industry

Background

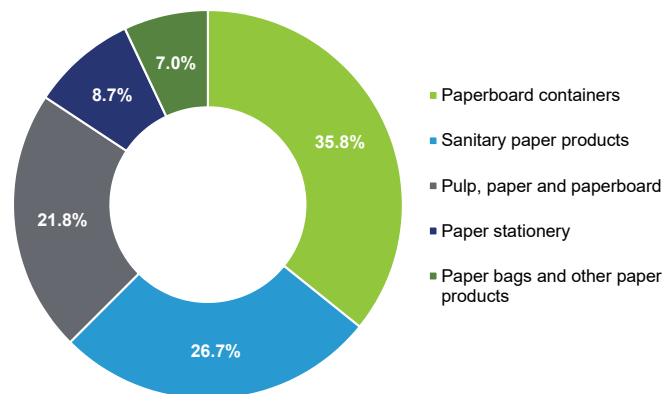
Spicers is a wholesaler of products to the commercial print, packaging, pressure sensitive labelling, sign and display and industrial packaging industries. In this section, we have provided an overview of the paper product wholesale industry, with particular focus on the offerings Spicers provide.

Overview of the paper product wholesale industry

The paper product wholesaling industry is comprised of wholesalers that purchase a range of paper and paper products from domestic and foreign manufacturers and subsequently distribute them to retailers, downstream manufacturers, businesses, government departments and other industries.

Products within this industry include paper rolls, paperboard containers and packaging, paper stationery, specialty paper and other paper products. The product segmentation for this industry is presented in the figure below:

Figure 10

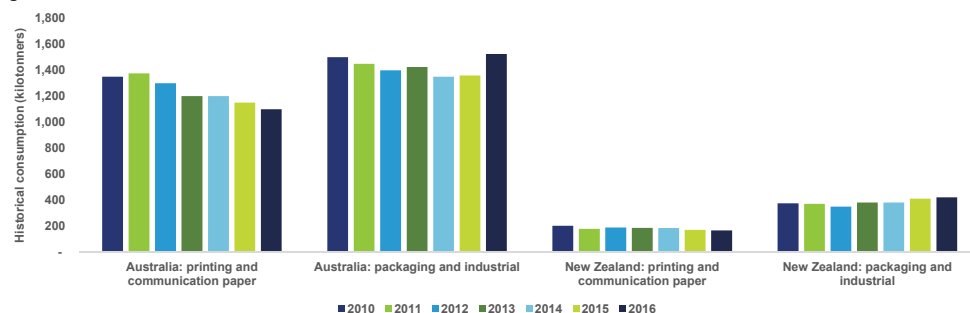


Source: IBISWorld September 2016

We note that Spicers operates within the product segments above, except for sanitary paper products.

We have also presented the historical volumes of consumption for paper products from 2010 to 2016 for Australia and New Zealand, the two largest operating segments of Spicers, in the diagram below.

Figure 11



Source: IndustryEdge – Pulp & Paper Strategic Review 2016



We note that consumption of printing and communication paper products in Australia and New Zealand have declined between 2010 and 2016, primarily due to an increased use of digital globally, which has reduced the demand for paper.

On the other hand, demand for packaging and industrial paper products has improved from 2010 to 2016 in Australia and New Zealand. This is a result of the growth in e-commerce and the packaged foods and beverage industry.

We have further discussed the key industry drivers in the section below.

Key industry drivers

Demand for paper wholesaling depends on the demand for paper products by consumers and retailers.

Demand for paper products has been primarily influenced by the rising popularity of the internet as a means of communication and going paperless, which has been touted as an environmentally friendly option for consumers and businesses. The overall paper industry is expected to continue to face current challenges, as consumers are anticipated to continue to substitute paper products with electronic communications, which will in effect dampen demand for paper product wholesalers.

Notwithstanding this, the demand for paperboard containers and packaging is anticipated to sustain and improve over the short to medium term. The key drivers of demand for the industrial paper packaging market are:

- **demand from the e-commerce industry:** the growing e-commerce market, which is primarily made up of online shopping, has witnessed an increase in demand for corrugated boxes for shipment of the products sold through them. The Asia Pacific region is one of the largest e-commerce markets and the anticipated growth in this market will therefore continue to fuel the overall growth of the industrial paper packaging market
- **demand from the packaged foods and beverage industry:** as disposal income in countries across the Asia-Pacific region continue to increase, the demand for high-quality packaged foods will also increase. Moreover, the rise in population in many countries will lead to the increased consumption of foods and beverages, which, as a result, will lead to an increase in the demand for packaging solutions and products, including paperboard packaging
- **demand from the healthcare sector:** the healthcare sector is dependent on the paper and paperboard packaging industry for the safe packaging of products such as tranquilisers, analgesics, contraceptives, dietary supplements, pharmaceutical products, vitamin tablets and many other drugs. The increased health awareness among people, and the growing aging population, will increase the demand for healthcare products and therefore the demand for packaging solutions.

Competition

The paper product wholesaling industry has a low level of market share concentration, with no single company holding a dominant market share. As a result, the industry is highly competitive, leaving buyers with superior bargaining power in contract negotiations. In addition, large wholesalers that have the distribution power to supply multiple locations nationwide will be in favour over businesses that cannot. Other distinguishers against competitors include the ability to provide a reliable service and speedy delivery. Since retailers demand accurate and timely orders, it is necessary for wholesalers to meet strict delivery dates and times in order to secure repeat sales.

Wholesalers act as the intermediary between manufacturers and retailers. However, in recent years, wholesale bypass is becoming increasingly popular due to the ease of ordering and order tracking online, making it more economical for many companies to buy directly from manufacturers. In addition, retailers are benefiting from the increased levels of involvement with manufacturers, in order to ensure they are purchasing high quality paper products that are both practical and have the visual appeal that consumers desire. In order to compete with internal wholesale functions, wholesalers will need to lower prices and increase the value of services by offering easy order processes and quick delivery times. In periods where the cost of paper products and paperboards is forecast to increase, this may make it increasingly difficult for wholesalers to compete with internal wholesale functions.

In order to remain competitive, the key success factors for businesses in the paper product wholesaling industry are:

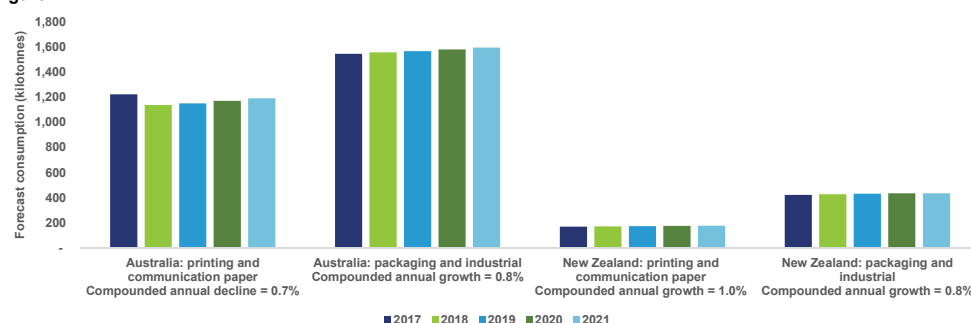
- establishing strong supplier relationships and ensuring supply contracts in place for key inputs which are necessary to meet demand from customers
- establishing good relationships with customers to ensure ongoing demand for paper and paper products
- the ability to pass on some, if not all, price increases charged by manufacturers to customers in order to protect profit margins
- adoption of modern computerised technologies to improve efficiency and reduce costs.

Outlook

Based on IBISWorld's reports, we note that the Australian paper product wholesale industry will continue to decline at 2.1% per annum, through to 2022. This is further supported by research conducted by IndustryEdge, which indicates that consumption of printing and communication papers in Australia will overall decline by 2.7% from 2017 to 2021. However, consumption of printing and communication papers in New Zealand is expected to remain at close to current levels and consumption of packaging and industrial products in both Australia and New Zealand is anticipated to increase on the back of increased demand. Beyond the forecast period, there is a possibility that consumption levels in New Zealand will moderate and follow a similar consumption profile as in Australia.

We have presented forecast volumes in the diagram below:

Figure 12



Source: IndustryEdge – Pulp & Paper Strategic Review 2016

Overall, the paper product wholesaling industry will continue to struggle against wholesale bypass and a general stagnation in demand for paper and paper products over the next five years. Wholesalers will struggle to maintain profit margins, especially as the risk of wholesale bypass limits their ability to pass on any increase in purchase costs. Smaller unprofitable wholesalers will likely suffer the most in these trading conditions, with many enterprises expected to exit the industry.

Appendix D: Comparable entities

Table 23

Table 20											
Name	Country	Enterprise Value ¹ (AUD million)	EBIT multiple			EBIT margin %			Revenue growth %		
			Historical	Current	Forecast	Historical	Current	Forecast	Historical	Current	Forecast
Paper and paper products wholesaling											
Asia developed and developing regions											
Kushal Tradelink Limited	India	903	n/m	n/a	n/a	7.3%	n/a	n/a	n/m	n/a	n/a
Japan Pulp and Paper Company Limited	Japan	1,970	26.7x	19.3x	18.7x	1.3%	1.8%	1.8%	-4.4%	-2.3%	1.3%
Heiwa Paper Co., Ltd.	Japan	57	15.5x	n/a	n/a	1.6%	n/a	n/a	-1.1%	n/a	n/a
Samson Paper Holdings Limited	Hong Kong	414	26.4x	n/a	n/a	1.9%	n/a	n/a	-5.2%	n/a	n/a
Other developed regions											
UPM-Kymmene Oyj	Finland	24,462	16.5x	14.1x	14.6x	10.4%	12.0%	11.7%	-3.2%	1.1%	-0.7%
Domtar Corporation	United States	5,642	14.1x	15.5x	14.1x	5.7%	5.3%	5.7%	-3.2%	-2.0%	1.5%
Veritiv Corporation	United States	2,478	14.7x	13.4x	13.5x	1.5%	1.7%	1.7%	-4.5%	-5.4%	-1.0%
Sequana SA	France	629	6.8x	6.4x	6.3x	2.1%	2.3%	2.3%	-9.8%	-0.4%	2.0%
Inapa - Investimentos, Participações e Gestão, SA	Portugal	456	21.2x	n/a	n/a	1.7%	n/a	n/a	-0.9%	n/a	n/a
Average		4,112	17.7x	13.7x	13.4x	3.7%	4.6%	4.6%	-4.1%	-1.8%	0.6%
Median		903	16.0x	14.1x	14.1x	1.9%	2.3%	2.3%	-3.8%	-2.0%	1.3%

Name	Country	Enterprise Value ¹ (AUD million)	EBIT multiple		EBIT margin %		Revenue growth %	
			Historical	Current	Forecast	Historical	Current	Forecast
General packaging (non-paper) wholesaling								
Asia developed and developing regions								
Orora Limited	Australia	4,876	17.9x	16.3x	14.5x	7.1%	7.4%	7.7%
Pro-Pac Packaging Limited	Australia	128	10.7x	n/a	n/a	5.0%	n/a	n/a
Other developed regions								
Graphic Packaging Holding Company	United States	9,695	16.0x	17.2x	14.6x	10.2%	9.7%	11.3%
Intertape Polymer Group Inc.	Canada	1,907	20.0x	14.9x	13.6x	8.5%	10.9%	11.2%
MacFarlane Group plc	United Kingdom	206	14.5x	10.6x	10.2x	4.6%	5.8%	5.9%
Average		3,362	15.8x	14.7x	13.2x	7.1%	8.5%	9.0%
Median		1,907	16.0x	15.6x	14.1x	7.1%	8.6%	9.4%
Overall average		3,844	17.0x	14.2x	13.3x	4.9%	6.3%	6.6%
Overall median		1,405	16.0x	14.9x	14.1x	4.8%	5.8%	5.9%
						-0.6%	-1.2%	-0.4%
						0.8%	0.8%	1.6%

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

1. calculated as at 26 April 2017 and includes a control premium of 20%

2. n/m = not meaningful

3. n/a = not available.

Appendix E: Comparable transactions

Table 24

Date	Target	Acquirer	% acquired	Enterprise Value (AUD million)	Transaction EBIT multiple	Transaction EBITDA multiple
Jan-2016	Colorpak	Graphic Packaging International	100%	60	12.2x	7.4x
Jul-2015	WestRock MWV, LLC	Rock-Tenn Company (now known as WestRock Company)	100%	13,499	16.4x	10.5x
Apr-2015	GPA, Specialty Substrate Solutions Inc.	Fedrigoni S.p.A.	100%	65	n/a	6.3x
Mar-2015	Spicers Canada Limited	Central National-Gottesman Inc.	100%	65	4.1x	3.7x
Jun-2013	Cadotit AB	PaperlinX CC&CO	100%	1	5.0x	n/a
Nov-2012	PaperlinX Limited (European businesses in Slovakia, Hungary, Slovenia, Croatia and Serbia)	Heinzel Group	100%	24	n/a	10.0x
Jul-2012	Polyedra Spa	Lecta SA	100%	56	n/a	11.3x
Dec-2011	Spicers Limited (UK) ¹	Unipapel S.A. (now known as Adveo Group International, S.A.)	100%	239	n/a	5.4x
May-2011	CPI Group Ltd.	PagePack (AU) Pty Limited	100%	62	14.7x	11.5x
				1	4.1x	3.7x
Low				13,449	16.4x	11.5x
High				1,558	10.5x	8.3x
Average				62	12.2x	8.7x
Median						

Source: Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Notes:

1. n/a = not available

2. Spicers Limited (UK) has no prior or current affiliation to the Australian listed entity Spicers Limited.

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ANNEXURE

B

IMPLEMENTATION AGREEMENT

Scheme Implementation Agreement

Date: 19 December 2016

Spicers Limited ACN 005 146 350

The Trust Company (RE Services) Limited ACN 003 278 831 In its personal capacity and
as responsible entity for the Paperlinx SPS Trust

Arnold Bloch Leibler
Lawyers and Advisers

Level 21 333 Collins Street | **Melbourne** | Victoria 3000 Australia
Level 24 Chifley Tower 2 Chifley Square | **Sydney** | NSW 2000 Australia

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Ref: JDL:JAV 011902308



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SCHEDULE 1 - TIMETABLE

SCHEDULE 2 - TRUST SCHEME DEED POLL

SCHEDULE 3 - SUPPLEMENTAL DEED

SCHEDULE 4 – DEED OF RETIREMENT AND APPOINTMENT OF TRUSTEE

THIS AGREEMENT is made on 19 December 2017

PARTIES

SPICERS LIMITED (ACN 005 146 350)
of 155 Logis Boulevard, Dandenong South, Victoria, 3175
("Spicers")

and

THE TRUST COMPANY (RE SERVICES) LIMITED (ACN 003 278 831)
of 123 Pitt St, Sydney, NSW, 2000
in its personal capacity and as responsible entity for the Paperlinx SPS Trust ARSN 123
839 814
("TrustCo")

BACKGROUND

- A Spicers and TrustCo have agreed to implement the Trust Scheme on and subject to the terms and conditions of this Agreement.
- B The Trust Scheme will involve the transfer to Spicers of all SPS Units in the SPS Trust held by Eligible Unitholders in consideration for the provision of 545 fully paid ordinary shares in the capital of Spicers every one SPS Unit.
- C Spicers will seek Shareholder approval for the issuance of 1,431,386,910 Shares on the terms of the Trust Scheme.
- D Spicers and TrustCo have agreed certain other matters in connection with the Trust Scheme as set out in this Agreement.

AGREED TERMS

1 Definitions and interpretation

1.1 Definitions

In this Agreement, unless the context requires otherwise:

"**ACCC**" means the Australian Competition and Consumer Commission.

"**Adviser**" means, in relation to an entity, a person who in the ordinary course of its business provides services as a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant and who has been engaged in that capacity in connection with the transactions contemplated by the Trust Scheme.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

"**ATO Ruling**" means a ruling from the Australian Tax Office regarding the taxation impact of the Trust Scheme on Spicers and/or any of its Related Entities.

“Bank” means a corporation authorised by law to carry on the general business of banking in Australia.

“Business Day” means a day on which Banks are open for general banking business in Melbourne, excluding Saturdays, Sundays and public holidays.

“Claim” means any allegation, debt, cause of action, Liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

“Competing Proposal” means any bona fide proposed transaction or arrangement that is similar to the Trust Scheme or any other proposal or arrangement (including any takeover bid, scheme of arrangement, share or asset sale, capital reduction or buy back, equity or equity-linked raising or recapitalisation, joint venture or dual listed company structure) under which a third party will or may (either individually or collectively with other persons), if the proposal or arrangement is entered into or completed, subject to satisfaction of conditions:

- (a) acquire a relevant interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest, directly or indirectly, in 20% or more of the Shares or Units;
- (b) acquire control (as defined in section 50AA of the Corporations Act) of any Group member;
- (c) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the assets or business of any Group member; or
- (d) otherwise acquire or merge with any Group member.

“Conditions Precedent” means the conditions precedent set out in clause 6.1.

“Controller” means, in relation to a person's property:

- (a) a receiver or receiver and manager of that property; or
- (b) anyone else who (whether or not as agent for the person) is in possession, or has control of that property to enforce an Encumbrance.

“Corporations Act” means the Corporations Act 2001 (Cth).

“Court” means the Supreme Court of New South Wales or such other court of competent jurisdiction as Spicers and TrustCo may agree in writing.

“Deed of Retirement and Appointment of Trustee” means a deed pursuant to which TrustCo retires as trustee of the SPS Trust and appoints a Spicers' Subsidiary nominated by Spicers as the new trustee of the SPS Trust between TrustCo and Spicer's nominee, substantially in the form contained in Schedule 4.

“Effective” means, when used in relation to the Trust Scheme, the Supplemental Deed taking effect pursuant to section 601GC of the Corporations Act.

“Effective Date” means the date on which the Trust Scheme becomes Effective.

“Eligible Unitholder” means a registered holder of SPS Units immediately following the close of registers on the Record Date, but does not include Spicers or any of its Related Entities in respect of any Units held by such parties.

“Encumbrance” means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement. Claim,

covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect.

"End Date" means 30 June 2017 or such other date agreed in writing between the parties.

"Exclusivity Period" means the period commencing on the date of this Agreement and ending on the earlier of:

- (a) the date this Agreement is terminated in accordance with its terms; and
- (b) the Effective Date.

"First Court Date" means the first day of hearing of an application made to the Court by TrustCo for the First Judicial Advice or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

"First Judicial Advice" means confirmation from the Supreme Court of New South Wales pursuant to section 63 of the *Trustee Act 1925* (NSW), that TrustCo would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the constitution of the SPS Trust to facilitate implementation of the Trust Scheme would be within the powers of alteration conferred by the constitution of the SPS Trust and section 601GC of the Corporations Act.

"Governmental Agency" means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister (including the Commonwealth Treasurer), ASIC, the ACCC, the Australian Taxation Office, ASX and any regulatory organisation established under statute or any stock exchange.

"Group" means each of Spicers, the SPS Trust, TrustCo (acting in its capacity as responsible entity of the SPS Trust), and each of their respective Subsidiaries.

"Guidance Note 15" means the document titled *"Guidance Note 15: Trust Scheme Mergers"* issued by the Takeovers Panel.

"Implementation Date" means the third Business Day following the Record Date or such later Business Day as the parties may agree.

"Independent Expert" means:

- (a) in the case of Spicers' Shareholder Meeting, the independent expert to be appointed by Spicers to prepare the relevant Independent Expert's Report; and
- (b) in the case of the Trust Scheme, the independent expert to be appointed by TrustCo to prepare the relevant Independent Expert's Report.

"Independent Expert's Report" means:

- (a) in the case of the Shareholder Meeting, the report prepared by the relevant Independent Expert to be provided to Shareholders on whether, in the opinion of the relevant Independent Expert, the Shareholder Resolutions are in the best interests of Shareholders; and
- (b) in the case of the Trust Scheme, the report prepared by the relevant Independent Expert to be provided to Unitholders on whether, in the opinion of the relevant Independent Expert, the Trust Scheme is fair and reasonable and in the best interests of Unitholders (other than Spicers and any of its Related Entities).

"Ineligible Overseas Holder" means a holder of SPS Units who following the close of registers on the Record Date has a registered address which is outside Australia and its

external territories or New Zealand unless TrustCo and Spicers are satisfied that Spicers is not prevented from lawfully issuing Shares to such Unitholder, either unconditionally or after compliance with such conditions as TrustCo and Spicers regard as acceptable.

“Insolvency Event” means the occurrence of any of the following events in relation to any person:

- (a) the person becomes insolvent as defined in the Corporations Act, states that it is insolvent or is presumed to be insolvent under an applicable law;
- (b) the person is wound up, dissolved or declared bankrupt;
- (c) the person becomes an insolvent under administration as defined in the Corporations Act;
- (d) a liquidator, provisional liquidator, Controller, administrator, trustee for creditors, trustee in bankruptcy or other similar person is appointed to, or takes possession or control of, any or all of the person’s assets or undertaking;
- (e) the person enters into or becomes subject to:
 - (i) any arrangement or composition with one or more of its creditors or any assignment for the benefit of one or more of its creditors; or
 - (ii) any re-organisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;
- (f) an application or order is made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken which is preparatory to or could result in any of (b), (c), (d) or (e) above;
- (g) the person is taken, under section 459F(1) of the Corporations Act, to have failed to comply with a statutory demand;
- (h) the person suspends payment of its debts, ceases or threatens to cease to carry on all or a material part of its business or becomes unable to pay its debts when they fall due; or
- (i) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the other paragraphs of this definition,

unless the event occurs as part of a solvent reconstruction, amalgamation, merger or consolidation that has been approved in writing by the other party.

“IOH Sale Period” means the period of time agreed between the parties during which the IOH Transferee must sell the IOH Shares issued to it in accordance with the IOH Transferee Deed.

“IOH Transferee” means the party that holds an Australian financial services licence issued by ASIC, as further described in clause 3.2.

“IOH Transferee Deed” means a deed or letter agreement to be entered into between the IOH Transferee and Spicers, which includes provisions substantially in accordance with those referred to in clause 3.2(b) and the Supplemental Deed.

“IOH Shares” means the Trust Scheme Consideration issued by Spicers to the IOH Transferee in respect of the Units held by Ineligible Overseas Holders on the Record Date.

“Judicial Advice” means the:

- (a) First Judicial Advice; and
- (b) Second Judicial Advice.

“Liability” means all costs (including any Tax), charges, losses, damages, expenses, liabilities of any kind, legal costs incurred in defending any proceeding or appearing before any court, tribunal, Governmental Agency or other body.

“Listing Rules” means the official listing rules of ASX as amended from time to time.

“Meeting Materials” means the:

- (a) Shareholder Meeting Materials; and
- (b) Trust Scheme Booklet.

“Meeting Resolutions” means the:

- (a) Shareholder Resolutions; and
- (b) Trust Scheme Resolutions.

“Meetings” means the:

- (a) Shareholder Meeting; and
- (b) Trust Scheme Meeting.

“Notices of Meeting” means the:

- (a) notice convening the Shareholder Meeting; and
 - (b) notice convening the Trust Scheme Meeting,
- together with the proxy forms for those meetings.

“Record Date” means:

- (a) the 2nd Business Day following the Effective Date; or
- (b) such later date as Spicers and TrustCo may agree in writing.

“Regulatory Approval” means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Governmental Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“Related Body Corporate” has the meaning given to that term by section 9 of the Corporations Act.

“Related Entity” has the meaning given to that term in section 9 of the Corporations Act.

“Sale Proceeds” means, in respect of each Ineligible Overseas Holder, an amount equal to the average price at which the IOH Shares are sold by the IOH Transferee in accordance with the IOH Transfer Deed (after deducting any applicable brokerage, stamp duty and other taxes), multiplied by the number of the number of IOH Shares that the Ineligible Overseas Holder would otherwise have been entitled to receive had they not been an Ineligible Overseas Holder (subject to rounding to the nearest whole sent or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent).

“Second Court Date” means the first day on which an application to the Court by TrustCo for the Second Judicial Advice or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

“Second Judicial Advice” means confirmation from the Supreme Court of New South Wales that, subject to the Trust Scheme Resolutions being approved at the Trust Scheme Meeting, TrustCo would be justified in doing all things and taking all necessary steps to effect the Trust Scheme.

“Share Registry” means the registry engaged by Spicers, being Computershare Investor Services Pty Limited.

“Shareholder Meeting” means the extraordinary general meeting of the Shareholders convened by Spicers to consider the Shareholder Resolutions and includes any adjournment of that meeting.

“Shareholder Meeting Materials” means the meeting materials despatched by Spicers to Shareholders in relation to the Shareholder Meeting and which must include a copy of this Agreement or a summary of it, the Independent Expert’s Report, and the Notice of Meeting.

“Shareholder Resolutions” means the resolutions to be put to the Shareholders of Spicers at the Shareholder Meeting by Spicers, including:

- (a) a resolution for the purposes of Listing Rule 7.1 to permit the issuance of the Trust Scheme Consideration; and
- (b) any other resolution required under the Listing Rules or the Corporations Act.

“Shareholders” means the registered holders of Shares in the capital of Spicers.

“Shares” means full paid ordinary shares in the capital of Spicers.

“Specified Matters” means:

- (a) the SPS Trust Matters; and
- (b) the Spicers Matters.

“Spicers Indemnified Parties” means Spicers each of its officers, Advisors, employees and representatives.

“Spicers Information” means information about Spicers, the Group and the Trust Scheme provided by or on behalf of Spicers to TrustCo or Unitholders in relation to the Trust Scheme Resolutions.

“Spicers Matters” means the management and operation of the Spicers business in the period from the date of the SPS Trust to the completion date of the Trust Scheme.

“Spicers Offer Document” means a prospectus issued by Spicers in accordance with Chapter 6D of the Corporations Act in relation to the offer to issue the Trust Scheme Consideration as consideration for the acquisition of all SPS Units in accordance with the Trust Scheme and that contains the Spicers’ Information.

“Spicers Prescribed Occurrence” means the occurrence of any of the following on or after the date of this Agreement:

- (a) Spicers or any of its Subsidiaries converting all or any securities into a larger or smaller number of securities;

- (b) Spicers or any of its Subsidiaries resolving to reduce its issued capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of the securities of a member of the Group (other than the SPS Trust);
- (c) Spicer or any of its Subsidiaries:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Spicer declaring, paying or distributing any dividend, bonus or other security of its profits or assets or returning or agreeing to return any capital to its shareholders (whether by way of dividend, capital reduction, distribution or otherwise and whether in cash or in specie);
- (e) Spicer or any of its Subsidiaries issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option;
- (f) Spicer or any of its Subsidiaries issuing or agreeing to issue, securities or other instruments convertible into securities or debt securities;
- (g) Spicer or any of its Subsidiaries making any change or amendment to its constitution;
- (h) Spicer or any of its Subsidiaries creating, or agreeing to create, any Encumbrance over the whole, or a substantial part, of its business or property;
- (i) an Insolvency Event occurring in relation to any member of the Group;
- (j) Spicer or any of its Subsidiaries changing any significant accounting policy applied by them to report their financial position;
- (k) Spicer or any of its Subsidiaries making any loans, advances or capital contributions to or investments in any person other than a wholly-owned Subsidiary;
- (l) Spicer or any of its Subsidiaries cancelling, materially amending or failing to renew on its expiry any existing material insurance policy;
- (m) Spicer or any of its Subsidiaries:
 - (i) entering into or announcing an intention or proposal to enter into;
 - (ii) disclosing the existence of; or
 - (iii) incurring, becoming subject to or advancing the time for performance of, an obligation to acquire or dispose of any entity, asset, undertaking or business (or any interest in any assets or business) or to perform or acquire the benefit of any services in relation to any asset or business or interest therein having an individual value greater than \$250,000;
- (n) Spicer ceases to be admitted on the official list of ASX;
- (o) Spicer or any of its Subsidiaries enters into a new loan, advance or financing arrangement, or guarantees or indemnifies the obligations of any other person, or materially amends (or waives any material rights under) any existing financing arrangements except extension, refinancing or replacement of any existing facilities provided that any such extension, refinancing or replacement does not result in an increase in any existing facility;

- (p) a new director, employee, consultant or agent is employed or engaged by Spicers or any of its Subsidiaries, who cannot be terminated on payment of not more than 6 months remuneration;
- (q) Spicers changing the remuneration or compensation payable to a director or key executive, including any bonus payments, except pursuant to any contractual rights or arrangements entered into prior to the date of this Agreement;
- (r) Spicers entering into or varying any agreement or arrangement with a director and/or Shareholder (or Related Entity of a director and/or Shareholder);
- (s) Spicers or any of its Subsidiaries enters into, varies or terminates any contract, joint venture, partnership or commitment involving revenue or expenditure individually of more than \$250,000 per annum;
- (t) Spicers or any of its Subsidiaries taking any action that triggers a Realisation, Redemption or Exchange of the Units (as those terms are defined in the Trust Constitution);
- (u) a Claim is brought against Spicers or any of its Subsidiaries (other than a frivolous or vexatious Claim) which will or is reasonably likely to have a material adverse effect on the Group;
- (v) Spicers or any of its Subsidiaries agrees or resolves to do any of the foregoing, provided that a Spicers Prescribed Occurrence will not include a matter:
 - (w) required to be done or procured by Spicers or any of its Subsidiaries pursuant to, or which is otherwise contemplated by, this Agreement, the Shareholder Resolutions or the Trust Scheme;
 - (x) the implementation of any redundancy program involving expenditure individually or in aggregate up to \$1 million;
 - (y) Spicers or a Subsidiary entering into, or agreeing to enter into, any obligation to acquire any entity, asset, undertaking or business located in Australia or New Zealand, for an amount less than \$1 million;
 - (z) in the ordinary course of business;
 - (aa) necessary to implement the reduction of capital of Spicers Paper (Hong Kong) Limited; or
 - (bb) the undertaking of which TrustCo has approved in writing, which approval may be given or withheld in its absolute discretion.

“Spicers Representation and Warranty” means the representations and warranties provided by Spicers in clause 12.

“SPS Trust” means the PaperlinX SPS Trust, ARSN 123 839 814.

“SPS Trust Matters” means:

- (a) the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 issued by TrustCo in respect of SPS Units and the issue of SPS Units pursuant to that replacement product disclosure statement;
- (b) TrustCo’s compliance with the Trust Constitution, the terms of issue of the SPS Unit and all agreements between TrustCo and Spicers; and
- (c) the management and operation of the SPS Trust in the period from the date of the SPS Trust to the completion date of the Trust Scheme.

"SPS Unit" means PaperlinX SPS, being a class of Units in the SPS Trust that is not the ordinary Unit.

"Stamp Duty" means any stamp, transaction or registration duty or similar charge imposed by any Governmental Agency and includes any interest, fine, penalty, charge or other amount in respect of the above.

"Subsidiary" has the meaning given to that term by section 9 of the Corporations Act.

"Superior Proposal" means a bona fide Competing Proposal that was not solicited, invited or initiated by TrustCo, any Group member or any of their Advisers during the Exclusivity Period, which TrustCo or the relevant Group member's board determines, acting in good faith and acting reasonably, after consultation with its financial Adviser and after receiving written advice from its external legal Adviser:

- (a) is reasonably capable of being valued and implemented on a timely basis, taking into account all aspects of the Competing Proposal, including its conditions precedent; and
- (b) would, if completed substantially in accordance with its terms, be more favourable than the Trust Scheme to the Unitholders not associated with Spicers and Shareholders, taking into account all terms and conditions of the Competing Proposal,

after taking into account a qualitative assessment of the identity, reputation and financial standing of the person making the Competing Proposal, such that TrustCo's or the relevant Group member's board would be in breach of their fiduciary and/or statutory duties were they to continue to recommend the Trust Scheme (in the case of TrustCo) or the Shareholder Resolutions (in the case of Spicers) instead of the Competing Proposal.

"Supplemental Deed" means the deed poll under which TrustCo will amend the Trust Constitution, the form of which is contained in Schedule 3, with any alterations or conditions approved in writing by TrustCo and Spicers.

"Tax" includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Governmental Agency, and any related interest, penalty, charge, fee or other amount.

"Timetable" means the indicative timetable set out in Schedule 1.

"Trust Constitution" means the constitution establishing the SPS Trust dated 7 February 2007 (as amended from time to time).

"Trust Scheme" means an arrangement under which Spicers acquires all of the SPS Units in the SPS Trust from Eligible Unitholders by way of amending the constitution of the SPS Trust, subject to the requisite approval of Unitholders, and pursuant to which TrustCo will be removed or responsible entity of the TrustCo and be released in respect of the Specified Disputes.

"Trust Scheme Booklet" means the information approved by the Court and to be despatched by TrustCo to the Unitholders and which must include the Supplemental Deed, the Trust Scheme Explanatory Statements, the Independent Expert's Report, the Trust Scheme Deed Poll a copy of this Agreement (without the schedules and annexures unless required by the Corporations Act) or a summary of it, and the Notice of Meeting.

"Trust Scheme Consideration" means 545 Shares in respect of each SPS Unit held by an Eligible Unitholder that:

- (a) are issued on the Implementation Date to each Eligible Unitholder; or

- (b) in the case of Ineligible Foreign Holders, the IOH Shares issued to the IOH Transferee on the Implementation Date and which must be sold on behalf of Ineligible Foreign Holders in accordance with the IOH Transferee Deed.

“Trust Scheme Deed Poll” means the deed poll to be executed by Spicers prior to the date the Trust Scheme Booklet is despatched to Unitholders, in the form set out in Schedule 2 or in such other form as is acceptable to Spicers and TrustCo, each acting reasonably.

“Trust Scheme Explanatory Statements” means each explanatory statement to be sent to Unitholders by TrustCo in relation to the Trust Scheme explaining the effect of the Trust Scheme and setting out information that is not the Spicers Information and that is material to the making of a decision by Unitholders whether or not to vote in favour of the Trust Scheme Resolutions, copies of which will be included in the Trust Scheme Booklet.

“Trust Scheme Meeting” means the meeting of the Unitholders convened by TrustCo pursuant to clause 16 of the Trust Constitution to consider the Trust Scheme Resolutions and includes any adjournment of that meeting.

“Trust Scheme Resolutions” means the resolutions to be put to the Unitholders of the SPS Trust to agree to the Trust Scheme (such resolutions to be put at the Trust Scheme Meeting and that, to be passed, must be approved by the requisite majorities pursuant to the Trust Constitution), including:

- (a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the SPS Units held by Eligible Unitholders by Spicers;
- (b) a resolution for the purposes of section 601GC(2) of the Corporations Act to approve amendments to the Trust Constitution as set out in the Supplemental Deed;
- (c) a resolution for the purposes of section 601FL(1) of the Corporations Act to approve the retirement of TrustCo as responsible entity for the SPS Trust.

“TrustCo Indemnified Party” means TrustCo (in its personal capacity and as responsible entity of the SPS Trust), each of its officers, Advisors, employees and representatives.

“TrustCo Prescribed Occurrence” means the occurrence of any of the following on or after the date of this agreement:

- (a) TrustCo converting all or any Unit or other securities of the SPS Trust into a larger or smaller number of Units or other securities (as applicable);
- (b) TrustCo resolving to reduce the SPS Trust’s issued capital in any way or reclassifying, combining, splitting or redeeming directly or indirectly any of the securities of the SPS Trust;
- (c) TrustCo (in respect of the SPS Trust) declaring, paying or distributing any distribution, bonus or other security of its profits or assets or returning or agreeing to return any capital to Unitholders (whether by way of capital reduction, distribution or otherwise and whether in cash or in specie);
- (d) TrustCo (in respect of the SPS Trust) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option;
- (e) TrustCo (in respect of the SPS Trust) issuing or agreeing to issue, securities or other instruments convertible into securities or debt securities;

- (f) TrustCo making any change or amendment to the constitution of the SPS Trust, other than the Supplemental Deed;
- (g) TrustCo (in respect of the SPS Trust) creating, or agreeing to create, any Encumbrance over the whole, or a substantial part, of the business or property of the SPS Trust;
- (h) TrustCo (in respect of the SPS Trust) using the assets of the SPS Trust for the purposes of making any loans, advances or capital contributions to or investments in any person other than a wholly-owned Subsidiary;
- (i) TrustCo (in respect of the SPS Trust) cancelling, materially amending or failing to renew on its expiry any existing material insurance policy;
- (j) TrustCo (in respect of the SPS Trust):
 - (i) entering into or announcing an intention or proposal to enter into;
 - (ii) publicly disclosing the existence of; or
 - (iii) incurring, becoming subject to or advancing the time for performance of, an obligation to acquire or dispose of any entity, asset, undertaking or business (or any interest in any assets or business) or to perform or acquire the benefit of any services in relation to any asset or business or interest therein but excluding any services provided in relation to the Trust Scheme, having a value greater than \$250,000, whether individually or in the aggregate;
- (k) TrustCo effects or facilitates the retirement, removal or replacement of TrustCo as trustee or responsible entity of the SPS Trust;
- (l) TrustCo does or omits to do something that could restrict TrustCo's right of indemnity from the property of the SPS Trust in respect of obligations incurred by TrustCo under the documents to which it is a party;
- (m) the SPS Trust is terminated or there is a resettlement of the SPS Trust;
- (n) the SPS Trust ceases to be admitted to the official list of ASX;
- (o) TrustCo (in respect of the SPS Trust) enters into a new loan, advance or financing arrangement, or guarantees or indemnifies the obligations of any other person, or materially amends (or waives any material rights under) any existing financing arrangements except extension, refinancing or replacement of any existing facilities provided that any such extension, refinancing or replacement does not result in an increase in any existing facility;
- (p) a new consultant or agent is engaged by TrustCo (in respect of the SPS Trust) and whose fees will be paid for by Spicers and, who cannot be terminated on payment of not more than 3 months remuneration;
- (q) TrustCo in respect of the SPS Trust enters into, varies or terminates any contract, joint venture, partnership or commitment involving revenue or expenditure individually of more than \$250,000; or
- (r) TrustCo agrees or resolves to do any of the foregoing,
provided that a TrustCo Prescribed Occurrence will not include a matter:
- (s) required to be done or procured by TrustCo pursuant to, or which is otherwise contemplated by, this Agreement or the Trust Scheme or in the ordinary course of business; or

- (t) the undertaking of which Spicers has approved in writing, which approval may be given or withheld in its absolute discretion.

“TrustCo Representation and Warranty” means the representations and warranties provided by TrustCo in clause 12.

“Unit” means a fully paid unit in the SPS Trust, being an SPS Unit and the ordinary unit held by Spicers.

“Unitholders” means a registered holder of Units.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this Agreement.
- (f) A reference to an agreement or document (including a reference to this Agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Agreement or that other agreement or document.
- (g) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (h) A reference to \$ is to the lawful currency of Australia.
- (i) A reference to time is a reference to time in Sydney, Australia.
- (j) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (k) The meaning of general words is not limited by specific examples introduced by including, or for example, or similar expressions.
- (l) Nothing in this Agreement is to be interpreted against a party solely on the ground that the party put forward this Agreement or a relevant part of it.
- (m) A reference to a party is to a party to this Agreement.

1.3 Best and reasonable endeavours

Any provision of this Agreement that requires a party to use best endeavours, or reasonable endeavours, or to take all steps reasonably necessary, to procure that something is performed or occurs, requires that party to do so as soon as is reasonably practicable, but does not include any obligation to:

- (a) pay any significant sum of money or to provide any significant financial compensation, valuable consideration or any other incentive to or for the benefit of any person, or to assume or incur a material Liability, actual or contingent, except for payment of any applicable fee for the lodgement or filing of any relevant application with any Court or Governmental Agency, the printing and

circulation of the Meeting Materials, or (with respect to each of the parties) fees to any professional Advisers;

- (b) commence any legal action or proceeding against any person, to procure that that thing is done or happens, except where that provision expressly specifies otherwise; or
- (c) do anything that would be contrary to the best commercial, economic or operational interests of their business.

1.4 Further assurances

Subject to this Agreement, Spicers and TrustCo must do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Agreement and the transactions contemplated by it.

2 Proposal

2.1 Proposal of Trust Scheme

- (a) TrustCo will propose the Trust Scheme on and subject to the terms and conditions of this Agreement.
- (b) Spicers agrees to assist TrustCo to propose and implement the Trust Scheme, on and subject to the terms and conditions of this Agreement.

2.2 Proposal of Shareholder Meeting

Spicers will convene the Shareholder Meeting on and subject to the terms and conditions of this Agreement.

2.3 Compliance with obligations

The parties' obligations under this Agreement are subject to their compliance with their respective obligations, functions, powers and duties at law and under:

- (a) this Agreement;
- (b) the constitution of Spicers;
- (c) the Trust Constitution; and
- (d) the Corporations Act and the Listing Rules.

3 Transaction steps

3.1 Shareholder Meeting and Trust Scheme

- (a) Spicers must, substantially in compliance with the Timetable, hold the Shareholder Meeting.
- (b) TrustCo must, substantially in compliance with the Timetable, propose the Trust Scheme to Unitholders.
- (c) If the Trust Scheme becomes Effective, then on the Implementation Date the following events must occur:
 - (i) Spicers must, and Spicers must procure the IOH Transferee to, enter into the IOH Transferee Deed;
 - (ii) Spicers will pay the Trust Scheme Consideration by issuing a total of 1,431,386,910 Shares and allotting them to each Eligible Unitholder (other than Ineligible Overseas Holders), and in the case of Ineligible Overseas Holders, allotting them to the IOH Transferee, on a 545 for 1 basis; and

- (iii) TrustCo must, as agent and attorney for each Eligible Unitholder transfer all the right, title and interest of and in the SPS Units held by Eligible Unitholders to Spicers by executing a transfer of such SPS Units in favour of Spicers.
- (d) The Trust Scheme (including the acquisition by Spicers of SPS Units held by Eligible Unitholders and the issuance of the Trust Scheme Consideration by Spicers) is conditional on the requisite approvals being obtained for the Shareholder Resolutions and the Trust Scheme Resolutions.

3.2 Treatment of Ineligible Overseas Holders

- (a) Spicers will be under no obligation under the Trust Scheme to issue, and will not issue, any Trust Scheme Consideration to any Ineligible Overseas Holder, and instead Spicers will issue on the Implementation Date the Trust Scheme Consideration to which that Ineligible Overseas Holder would otherwise have been entitled (if they were an Eligible Unitholder who was not an Ineligible Overseas Holder) to the IOH Transferee.
- (b) Spicers will procure that, as soon as reasonably practicable after the Implementation Date and in any event in accordance with the IOH Transfer Deed the IOH Transferee:
 - (i) sells on the ASX all of the Trust Scheme Consideration issued to the nominee in accordance with clause 3.2(a) and in such manner, at such price and on such other terms as the IOH Transferee determines in good faith, and at the risk of the Ineligible Overseas Holders; and
 - (ii) remits to Spicers the proceeds of sale (after deducting any applicable brokerage, stamp duty and other taxes).
- (c) Promptly after the last remittance in accordance with clause 3.2(b)(ii), Spicers will pay to each Ineligible Overseas Holder the Sale Proceeds to which that Ineligible Overseas Holder is entitled.

3.3 Deferral of litigation

TrustCo must use its best endeavours to procure that the NSW Supreme Court proceedings number 2015/147870 are adjourned until after the Second Court Date. The obligation to use its best endeavours includes, without limitation, TrustCo negotiating with the interested parties in relation to the proposed adjournment and preparing and filing evidence in support of its application for an adjournment.

3.4 Releases

To the fullest extent permitted by law:

- (a) without limiting any other indemnity between them, Spicers will release and indemnify TrustCo in its personal capacity in respect of all actions, conduct and decisions made in its capacity as the responsible entity of the SPS Trust in relation to the Specified Matters, except to the extent of any fraud or wilful misconduct; and
- (b) under the terms of the Trust Scheme:
 - (i) the Unitholders will fully release TrustCo, in its personal capacity and in its capacity as responsible entity of the SPS Trust, in respect of all actions, conduct and decisions made in relation to the Specified Matters; and
 - (ii) the Unitholders will fully release Spicers in respect of all actions, conduct and decisions made in relation to the Specified Matters.

3.5 Saving of indemnities

Nothing in clause 3.4 and the releases contemplated by clause 3.4 operate to release any party from its obligations under this Agreement including the indemnities set out in clause 12.3.

3.6 Timetable

The parties acknowledge the Timetable is an indicative timetable.

4 Post-Completion Steps

4.1 Issue of Holding Statements

Upon the issue and allotment of the Trust Scheme Consideration in accordance with clause 3.1(c):

- (a) TrustCo must register Spicers as holder of the SPS Units transferred to Spicers under clause 3.1(c)(ii); and
- (b) Spicers must promptly notify the Share Registry and request it to dispatch holding statements in relation to the issue of the Trust Scheme Consideration not later than 4 Business Days after the date of issue of the Trust Scheme Consideration.

4.2 Deregistration of SPS Trust and Change of Trustee

Promptly following the Implementation Date:

- (a) TrustCo must apply to ASIC to deregister the SPS Trust as a registered managed investment scheme, in accordance with section 601PA of the Corporations Act and use reasonable endeavours and do all other things reasonably required to procure such deregistration.
- (b) Spicers must:
 - (i) nominate a Subsidiary to replace TrustCo as trustee of the SPS Trust with effect from the Business Day immediately following the date on which the SPS Trust ceases to be a registered managed investment scheme or such earlier date permitted by ASIC modification; and
 - (ii) following the nomination referred to in paragraph (i), procure its nominee to complete and deliver to TrustCo two copies of the Deed of Retirement and Appointment of Trustee duly executed by it,

and TrustCo must duly execute and deliver to Spicers one counterpart of the Deed of Retirement and Appointment of Trustee delivered to it in accordance with this clause.

5 Obligations in relation to the Shareholder Meeting and Trust Scheme

5.1 Obligations of all parties

Each party must:

- (a) **(Advisers)** use reasonable endeavours to procure that its Advisers work in good faith and in a timely and co-operative manner with each other party and that its Advisers assist with the implementation of the Trust Scheme in accordance with this Agreement;
- (b) **(consultation)** consult with each other party to assist with finalising the content and presentation of the Meeting Materials;

- (c) **(co-operation)** co-operate with each other party, any Government Agency and any third parties, and use reasonable endeavours to assist with the implementation of the Trust Scheme as soon as is reasonably practicable after the date of this Agreement;
- (d) **(compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this Agreement are effected in accordance with all applicable laws and regulations; and
- (e) **(information)** provide the other party, any Government Agency and any third parties with all information reasonably required for the implementation of the Trust Scheme.

5.2 Additional obligations of TrustCo

TrustCo must take all steps reasonably necessary to implement the Trust Scheme as soon as reasonably practicable after the date of this Agreement and in any event prior to the End Date and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) **(preparation of Trust Scheme Booklet)** as soon as reasonably practicable after the date of this Agreement prepare and verify the Trust Scheme Booklet so that, subject to any waivers, exemptions or modifications that TrustCo may obtain or receive from ASIC, it complies with all applicable laws, including the Corporations Act and all applicable ASIC regulatory guides and policies (including ASIC Regulatory Guides 60 and 74), the Listing Rules and Guidance Note 15;
- (b) **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Trust Scheme Booklet;
- (c) **(provide a copy of the report)** promptly provide Spicers with a copy of the final Independent Expert's Report to be included in the Trust Scheme Booklet received from the Independent Expert;
- (d) **(approval of Trust Scheme Booklet)** convene a meeting of its board to approve the final draft of the Trust Scheme Booklet for provision to the Court and Unitholders;
- (e) **(liaison with ASIC)** to the extent TrustCo liaises with ASIC in relation to the Trust Scheme, keep Spicers reasonably informed of any matters raised by ASIC in relation to those matters (and of any resolution of those matters), and use reasonable endeavours, in consultation with Spicers, to resolve any such matters (which will include participating or allowing other parties to participate in meetings and discussions with ASIC);
- (f) **(Board's recommendation)** include in the Trust Scheme Booklet and the Announcement each of the statements with respect to a TrustCo director's recommendation as contemplated under clause 8.2, subject only to the qualifications specifically contemplated under that clause;
- (g) **(Governmental Agency)**
 - (i) keep Spicers fully informed of any matters raised by any Government Agency in relation to the Trust Scheme and use all reasonable endeavours to co-operate with Spicers to resolve any such matters; and
 - (ii) generally use its reasonable endeavours to obtain any Regulatory Approvals required by a Governmental Agency to effect the Trust Scheme (including ASIC relief or waivers), and keep Spicers informed of progress in obtaining any such Regulatory Approvals;
- (h) **(Court documents)** prepare all documents necessary for the Court proceedings (including any appeals) relating to the Trust Scheme (including originating

process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, and provide Spicers with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of finalising those documents, any comments from Spicers or its Advisers on those drafts;

- (i) **(update Trust Scheme Booklet)** inform Spicers if, after the despatch of the Trust Scheme Booklet, it becomes aware of information (including information not contained in the Trust Scheme Booklet) that is material for disclosure to Unitholders in deciding whether to approve the Trust Scheme or that is required to be disclosed to Unitholders under any applicable law;
- (j) **(TrustCo representation)** engage experienced counsel satisfactory to Spicers to represent TrustCo in all Court proceedings related to the Trust Scheme;
- (k) **(Court direction and advice)** apply to the Court for the First Judicial Advice;
- (l) **(Trust Scheme Meeting)** convene the Trust Scheme Meeting to be held on the same day but after the time for the Shareholder Meeting in accordance with the First Judicial Advice, the Trust Constitution and the Corporations Act;
- (m) **(Second Judicial Advice)** if Unitholders approve the Trust Scheme Resolutions at the Trust Scheme Meeting and Shareholders approve the Shareholder Resolutions at the Shareholder Meeting, apply to the Court for the Second Judicial Advice as soon as practicable;
- (n) **(Supplemental Deed)**
 - (i) prior to the lodgement of the Trust Scheme Booklet with the Court for the First Judicial Advice, make any changes or amendments to the Supplemental Deed (and provide its written consent to such changes or amendments) as are reasonably required by Spicers in order to implement a restructure of the Spicers Group following the Implementation Date; and
 - (ii) conditional on the passing of the Trust Scheme Resolutions, execute the Supplemental Deed;
- (o) **(lodge copy of Supplemental Deed)** if the Court gives the Second Judicial Advice, lodge with ASIC a copy of the executed Supplemental Deed;
- (p) **(registration)**
 - (i) close the register of SPS Units as at 5pm on the Record Date to determine the identity of the Eligible Unitholders and entitlements to the Trust Scheme Consideration;
 - (ii) execute proper instruments of transfer of and effect and register the transfer of SPS Units held by the Eligible Unitholders to Spicers, in accordance with the Trust Scheme; and
 - (iii) do all other things contemplated by or necessary to give effect to the Trust Scheme and the terms of the Supplemental Deed; and
- (q) **(timetable)** use best endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult regularly with, and must respond to requests from, Spicers about its progress in that regard).

5.3 Additional obligations of Spicers

Spicers must take all steps reasonably necessary to obtain Shareholder approval of the Shareholder Resolutions by the requisite majorities as soon as reasonably practicable after the date of this Agreement and in any event prior to the End Date and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) **(preparation of Shareholder Meeting Materials)** as soon as reasonably practicable after the date of this Agreement prepare and verify the Shareholder Meeting Materials so that, subject to any waivers, exemptions or modifications that Spicers may obtain or receive from ASIC or ASX, it complies with all applicable laws, including the Corporations Act and all applicable ASIC regulatory guides and policies and the Listing Rules;
- (b) **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Shareholder Meeting Materials;
- (c) **(provide a copy of the report)** promptly provide TrustCo with a copy of the final Independent Expert's Report to be included in the Shareholder Meeting Materials received from the Independent Expert;
- (d) **(TrustCo Independent Expert's Report)** provide any assistance or information reasonably requested by the Independent Expert appointed by TrustCo in connection with the preparation of the Independent Expert's Report to be included in the Trust Scheme Booklet;
- (e) **(Board approval of Shareholder Meeting Materials)** procure that a meeting of the Board is held to consider approving the Shareholder Meeting Materials for despatch to the Spicers Shareholders;
- (f) **(Board approval of Spicers Information)** procure that a meeting of the Board is held to consider approving the Spicers Information (whether contained in the Trust Scheme Booklet or the Spicers Offer Document) and, if applicable, authorise the lodgement of the Spicers Offer Document with ASIC;
- (g) **(Board's recommendation)** include in the Shareholder Meeting Materials and the Announcement each of the statements with respect to a Spicers director's recommendation as contemplated under clause 8.1, subject only to the qualifications specifically contemplated under that clause;
- (h) **(Governmental Agency)**
 - (i) keep TrustCo informed of any matters raised by any Government Agency in relation to the Shareholder Meeting or the Trust Scheme and use all reasonable endeavours to co-operate with TrustCo to resolve any such matters; and
 - (ii) generally use its reasonable endeavours to obtain any Regulatory Approvals required by a Governmental Agency to effect the Trust Scheme (including ASIC relief or waivers), and keep TrustCo informed of progress in obtaining any such Regulatory Approvals;
- (i) **(Court documents)** assist in the preparation of all documents necessary for the Court proceedings (including any appeals) relating to the Trust Scheme in accordance with all applicable laws, and provide TrustCo with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of finalising those documents, any comments from the other parties or TrustCo or its Advisers on those drafts;
- (j) **(update Shareholder Meeting Materials)** inform TrustCo if, after the despatch of the Shareholder Meeting Materials, it becomes aware of information (including information not contained in the Shareholder Meeting Materials) that is material for disclosure to Shareholders in deciding whether to approve the Shareholder Resolutions or that is required to be disclosed to Shareholders under any applicable law;
- (k) **(update Spicers Information)** if, after the despatch of the Trust Scheme Booklet, and if applicable, the Spicers Offer Document, Spicers becomes aware of information (including information not contained in those documents) that is material for disclosure to Unitholders in deciding whether to approve the Trust

Scheme or that is required to be disclosed to Unitholders under any applicable law it must:

- (i) inform TrustCo immediately in writing; and
 - (ii) if required by law or TrustCo (acting reasonably) issue a supplementary disclosure document to Unitholders;
- (l) **(Spicers representation)** engage experienced counsel satisfactory to TrustCo to represent Spicers in all Court proceedings related to the Trust Scheme;
- (m) **(consultation with TrustCo)** consult with TrustCo as to the content and presentation of the Spicers Information and, if applicable, the Spicers Offer Document including:
 - (i) providing to TrustCo drafts of the Spicers Information and, if relevant, the Spicers Offer Document for the purpose of enabling TrustCo to review and comment on those draft documents;
 - (ii) taking all comments made by TrustCo into account in good faith when producing a revised draft of the Spicers Information and, if relevant, the Spicers Offer Document;
 - (iii) implement such changes to those parts of the Spicers Information and, if relevant, the Spicers Offer Document as reasonably requested by TrustCo and prior to finalising the document; and
 - (iv) obtaining written approval from TrustCo for the form and content of the Spicers Information and, if relevant, the Spicers Offer Document and Spicers not lodging the Spicers Offer Document with ASIC until such approval is obtained from TrustCo;
- (n) **(due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Spicers Information and the Spicers Offer Document, provided:
 - (i) the form and scope of such processes, and all reports issued in relation to them, are acceptable to TrustCo; and
 - (ii) TrustCo receives and is entitled to rely, on all reports issued in relation to such processes (in its personal capacity and as responsible entity of the SPS Trust);
- (o) **(Trust Scheme Deed Poll)** prior to the despatch of the Trust Scheme Booklet, enter into the Trust Scheme Deed Poll and deliver the executed Trust Scheme Deed Poll to TrustCo;
- (p) **(Shareholder Meeting)** arrange the despatch of the Shareholder Meeting Materials, convening and holding, or causing to be convened and held, the Shareholder Meeting, and putting the Shareholder Resolutions to the Shareholders at the Shareholder Meeting, provided that if this Agreement is terminated under clause 14 it will take all steps reasonably required to ensure the Shareholder Meeting is not held;
- (q) **(registration)** if the Trust Scheme becomes Effective (and Shareholder Resolutions passed by the requisite majorities):
 - (i) register all issues of Shares to Eligible Unitholders and the IOH Transferee (as applicable) as soon as practicable after the Implementation Date;
 - (ii) execute proper instruments of issuance of and effect and register the issuance of the Shares in accordance with the Trust Scheme; and
 - (iii) do all other things contemplated by or necessary to give effect to the Trust Scheme; and

- (r) **(timetable)** use best endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult regularly with, and must respond to requests from, TrustCo about its progress in that regard).

6 Conditions Precedent and Pre-Implementation Steps

6.1 Conditions Precedent

Subject to this clause 6.1, the obligations of Spicers and TrustCo under this Agreement in relation to the proposal and implementation of the Trust Scheme are subject to the satisfaction or waiver (as applicable) of each of the following Conditions Precedent:

- (a) **(ATO Ruling)** Spicers obtaining a favourable ruling from the Australian Taxation Office confirming that:
- (i) the implementation of the Trust Scheme should not impact the Australian tax losses of the Group; and
 - (ii) there should not be any assessable gain as a result of Spicers acquiring all SPS Units in the SPS Trust from Eligible Unitholders;
- (b) **(Due diligence)** TrustCo confirming on or before the First Court Date that Spicers has complied with its obligations in clauses 5.3(m) and 5.3(n);
- (c) **(Regulatory Approvals):**
- (i) **(ASIC Modification)** before 8:00am on the First Court Date, ASIC issues or provides such modifications, consents or approvals that TrustCo or Spicers considers necessary or desirable to implement the Trust Scheme (which will include, for the avoidance of doubt, a modification of items 7 of section 611 to permit all Unitholders (other than Spicers) to vote on the Trust Scheme Resolutions and a modification exempting TrustCo from the requirements of Chapter 6D in respect of the Trust Scheme Booklet on the condition the Trust Scheme Booklet is accompanied by the Spicers Offer Document issued by Spicers) and such consent, approval or other act has not been withdrawn or revoked;
 - (ii) **(other Regulatory Approvals)** all other Regulatory Approvals required to implement the Trust Scheme are granted or obtained at or before 8.00 am on the Second Court Date and those Regulatory Approvals are not withdrawn, cancelled or revoked, and each is granted or obtained subject to conditions that each of Spicers and TrustCo reasonably consider to be acceptable;
 - (iii) **(Court orders)** at or before 8.00 am on the Second Court Date no court or Governmental Agency has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Trust Scheme and no such order, decree, ruling, other action or refusal is in effect that prohibits, materially restricts, makes illegal or restrains the implementation of the Trust Scheme;
- (d) **(No Spicers Prescribed Occurrence)** a Spicers Prescribed Occurrence has not occurred between the date of this Agreement and 5:00pm on the Business Day immediately prior to the Second Court Date;
- (e) **(No TrustCo Prescribed Occurrence)** a TrustCo Prescribed Occurrence has not occurred between the date of this Agreement and 5:00pm on the Business Day immediately prior to the Second Court Date;
- (f) **(No change of Spicers' board recommendation)** between the date of this Agreement and the date of the Meetings, the Spicers board has not changed, qualified or withdrawn its unanimous recommendation for Shareholders to vote in

favour of the Shareholder Resolutions, which recommendation may be expressed to be given:

- (i) in the absence of a Superior Proposal; and
 - (ii) subject to an Independent Expert concluding that the Shareholder Resolutions are in the best interests of Shareholders;
- (g) **(No change of TrustCo's board recommendation)** between the date of this Agreement and the date of the Meetings, TrustCo's Board has not changed, qualified or withdrawn its unanimous recommendation of the Trust Scheme to Unitholders not associated with Spicers, which recommendation may be expressed to be given:
- (i) in the absence of a Superior Proposal; and
 - (ii) subject to an Independent Expert concluding that the Trust Scheme is in the best interests of Unitholders (not associated with Spicers);
- (h) **(Shareholder approval of Shareholder Resolutions)** before 8.00am on the Second Court Date the Shareholder Resolutions are approved by Shareholders at the Shareholder Meeting by the requisite majorities under the Corporations Act or the Listing Rules;
- (i) **(Unitholder approval of Trust Scheme)** before 8.00am on the Second Court Date, Unitholders approve the Trust Scheme Resolutions at the Trust Scheme Meeting by the requisite majorities under the Corporations Act (subject to any exemption or modification granted by ASIC);
- (j) **(Court approval of Trust Scheme)** the Trust Scheme is approved by the Court by granting the Judicial Advice;
- (k) **(No termination)** this Agreement has not been terminated including in accordance with clause 14;
- (l) **(Change in law)** after the date of this agreement and before the Second Court Date, there is no change in law which:
- (i) restrains or prohibits, or otherwise materially adversely impacts on, the implementation of the Trust Scheme or the completion of any transaction contemplated by the Trust Scheme (whether subject to conditions or not); or
 - (ii) requires the divestiture by Spicers of any Units, or the divestiture of any assets of the Group;
- (m) **(Restraining orders)** as at 8.00am on the Second Court Date, no temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition restraining or prohibiting the Trust Scheme is in effect;
- (n) **(Superior Proposal)** no Superior Proposal is announced or proposed to TrustCo or a Group member before 8.00 am on the Second Court Date.

6.2 Benefit and waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 6.1(a), 6.1(k), 6.1(l) and 6.1(n) are for the benefit of each party, and (except in the cases of the Conditions Precedent in clauses 6.1(c), 6.1(h), 6.1(i), 6.1(j) and 6.1(m) which cannot be waived) any non-fulfilment of, or any failure to satisfy, any of those Conditions Precedent may only be waived with the written consent of both of the parties.
- (b) The Conditions Precedent in clauses 6.1(e) and 6.1(g) are for the sole benefit of Spicers and any breach or non-fulfilment of them may only be waived by Spicers giving its written consent.

- (c) The Conditions Precedent in clauses 6.1(d) and 6.1(f) are for the sole benefit of TrustCo and any breach or non-fulfilment of them may only be waived by TrustCo giving its written consent.
- (d) A party entitled to waive the non-fulfilment of, or any failure to satisfy, a Condition Precedent pursuant to this clause 6.2 may do so in its absolute discretion.
- (e) Notwithstanding anything herein, the Conditions Precedent in clauses 6.1(c), 6.1(h), 6.1(i), 6.1(j) and 6.1(m) cannot be waived.
- (f) If a waiver by a party of a Condition Precedent is itself expressed to be conditional and the other party accepts the conditions, the terms of the conditions apply accordingly. If the other party does not accept the conditions, the relevant Condition Precedent has not been waived.
- (g) If a party waives the non-fulfilment of, or failure to satisfy, a Condition Precedent, that waiver will not preclude it from suing any other party for any breach of this Agreement constituted by the same event that gave rise to the non-fulfilment of, or failure to satisfy, the Condition Precedent.
- (h) Waiver of a non-fulfilment or failure to satisfy in respect of one Condition Precedent does not constitute:
 - (i) a waiver of non-fulfilment of or failure to satisfy any other Condition Precedent resulting from the same events or circumstances; or
 - (ii) a waiver of non-fulfilment of or failure to satisfy that Condition Precedent resulting from any other event or circumstance.

6.3 Best endeavours and co-operation

Without prejudice to any other obligations of the parties under this Agreement:

- (a) the parties must use their respective best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clause 6.1 to the extent that it is within their respective control or ability; and
- (b) no party will take any action that will or is likely to hinder or prevent the satisfaction of the Conditions Precedent in clause 6.1,

except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, this Agreement or is required by law.

6.4 Notifications

Each party must:

- (a) keep the other parties promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (b) promptly notify the other parties in writing if it believes or becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other parties in writing if it believes or becomes aware of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under clause 6.3).

6.5 Failure of Conditions Precedent

- (a) If:
 - (i) a Condition Precedent is not satisfied or waived in accordance with clause 6.2 on or before the End Date; or

- (ii) a Condition Precedent becomes incapable of satisfaction, having regard to the obligations of the parties under clause 6.3,
each party, other than a party that has caused the non-fulfilment, may serve notice on the other parties, and the parties must then consult in good faith with a view to determining whether:
 - (iii) the Trust Scheme may proceed by way of alternative means or methods;
 - (iv) to extend the relevant time or date for satisfaction of the Condition Precedent;
 - (v) to change the date of the application to be made to the Court approving the Trust Scheme or to adjourn that application (as applicable) to another date agreed by the parties; or
 - (vi) to extend the End Date.
- (b) If the parties are unable to reach agreement under clauses 6.5(a)(iii), 6.5(a)(iv), 6.5(a)(v) or 6.5(a)(vi) within 5 Business Days after the delivery of the notice under that clause, any party may terminate this Agreement by notice in writing to the other parties, provided that there has been no failure by that party to comply with its obligations under this Agreement, where that failure directly and materially contributed to the Condition Precedent to which the notice relates becoming incapable of satisfaction, in which case clause 14.2 will have effect.

6.6 Certificate in relation to Conditions Precedent

On the Second Court Date, TrustCo must provide to the Court a certificate (or such other evidence as the Court may request) confirming whether or not as at 8.00 am on the Second Court Date the Conditions Precedent (other than the Conditions Precedent set out in clause 6.1(j)) have been satisfied in accordance with this Agreement.

7 Conduct of business

- (a) From the date of this Agreement up until and including the Implementation Date, Spicers must ensure that all Group members (other than SPS Trust):
 - (i) conduct their businesses in the ordinary course;
 - (ii) comply with all relevant laws;
 - (iii) make all reasonable efforts to:
 - (A) keep available the services of their officers and employees; and
 - (B) maintain their relationships with Government Agencies, customers, suppliers, landlords, trade unions, licensors, licensees and others with whom they have business dealings;
 - (iv) not enter into any activities which are unrelated to an existing business of the Group members at the date of this Agreement; and
 - (v) not engage in other activities which are unrelated to an existing business.
- (b) From the date of this Agreement up until and including the Implementation Date, TrustCo in relation to the SPS Trust must ensure that:
 - (i) the business of the SPS Trust is conducted in the ordinary course;
 - (ii) it complies with all relevant laws; and
 - (iii) operates the SPS Trust so that the SPS Trust complies with all relevant laws.

8 Board matters

8.1 Spicers Board recommendation

Spicers shall use its reasonable endeavours to procure that the Spicers board:

- (a) unanimously recommends that Shareholders vote in favour of the Shareholder Resolutions;
- (b) not make any public statement to the effect, or take any other action that suggests, that the Shareholder Resolutions are no longer unanimously recommended by the Spicers board; and
- (c) not change, modify or withdraw its unanimous recommendation,

unless:

- (d) the Independent Expert appointed by Spicers concludes either prior to the despatch of the Shareholder Meeting Materials or prior to the Shareholder Meeting that the Shareholder Resolutions are not in the best interests of Shareholders; or
- (e) a Superior Proposal is received by Spicers.

8.2 TrustCo Board recommendations

TrustCo shall use its reasonable endeavours to procure that the TrustCo board:

- (a) unanimously recommends that Unitholders support the Trust Scheme and vote in favour of the Trust Scheme and any other resolution submitted to Unitholders for their approval in connection with the Trust Scheme;
- (b) not make any public statement to the effect, or take any other action that suggests, that the Trust Scheme is no longer recommended unanimously by the TrustCo board; and
- (c) not change, modify or withdraw its unanimous recommendation,

unless:

- (d) the Independent Expert appointed by TrustCo concludes either prior to the despatch of the Trust Scheme Booklet or prior to the Trust Scheme Meeting that the Trust Scheme is not in the best interests of Unitholders; or
- (e) a Superior Proposal is received by TrustCo.

8.3 Changes to Spicers board composition

- (a) Spicers will as soon as practicable:

- (i) after the date of this Agreement, appoint a recruitment consultant which specialises in director and chairperson appointments for ASX-listed entities ("**Recruitment Consultant**") to undertake a recruitment process for Spicers to appoint up to 3 suitably qualified and experienced, independent, non-executive directors (including a potential chairperson) to the Board ("**Director Recruitment Process**");
- (ii) undertake the Director Recruitment Process (in consultation with the Recruitment Consultant);
- (iii) after the Implementation Date, make an announcement to ASX that Spicers will accept nominations for the election of directors from Shareholders, subject to those nominations being made in compliance with the ASX Listing Rules and Spicers' constitution; and
- (iv) as soon as reasonably practicable following the Implementation Date and in any event within 4 months from the Implementation Date, call and hold an extraordinary general meeting to seek Shareholder approval for:

- (A) the election of any person nominated by the Spicers board to be a director of Spicers, or any person appointed as director of Spicers by the Board prior to the extraordinary general meeting; and
 - (B) the election of any person validly nominated by a Shareholder to be a director of Spicers.
- (b) Spicers acknowledges that Mr Robert Kaye and Mr Michael Barker will each resign as directors of Spicers with effect from the close of the extraordinary general meeting referred to in clause 8.3(a)(iv), subject to:
 - (i) the persons being nominated as directors to the Spicers board being of good fame and character; and
 - (ii) the Spicers board comprising such number of directors as is required under the Corporations Act and Spicers' constitution.

9 Court proceedings

9.1 Conduct

- (a) The Parties are entitled to separate representation at all Court proceedings relating to the Trust Scheme.
- (b) Nothing in this Agreement shall be taken to give a party any right or power to give undertakings to the Court for or on behalf of another party without that party's consent.
- (c) Subject to the overriding obligation of directors and officers of Spicers and TrustCo to each exercise their respective powers and discharge their duties in the best interests of the relevant company, Spicers and TrustCo must each give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Trust Scheme.

9.2 Appeals

If the Court refuses to make orders to grant the Judicial Advice, Spicers and TrustCo must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) senior counsel representing each of Spicers and TrustCo indicate that, in their opinions, an appeal would likely have less than a 50% chance (or similarly expressed) prospect of success,

in which case this Agreement is terminated.

9.3 Defence of proceedings

- (a) Each party must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Related Bodies Corporate) challenging this Agreement or the implementation of the Trust Scheme. Neither Spicers or TrustCo will settle or compromise or permit any of its Related Bodies Corporate to settle or compromise any claim brought in connection with this agreement or the implementation of the Trust Scheme without the prior written consent of the other, such consent not to be unreasonably withheld.
- (b) For the avoidance of doubt Spicers must indemnify TrustCo in respect of any liability, cost, expense or payment that TrustCo suffers, incurs or is liable for, arising out of or that relates to clause 9.3(a).

10 Consideration

Each party acknowledges that any obligations it incurs or rights it provides under this Agreement is for valuable consideration received from the other parties.

11 Confidentiality

- (a) The parties acknowledge that the terms of this Agreement may be disclosed to their Advisers, counsel appointed by them, ASIC and the Court and otherwise in accordance with clause 11(b).
- (b) Subject to clause 11(a), each party agrees not to disclose or authorise the disclosure of this Agreement to any other person except as required by law (including any disclosure requirements in connection with the Trust Scheme and the Meetings, but subject to the prior written consent of the other parties, such consent not to be unreasonably withheld or delayed), the listing rules of the ASX or any Government Agency, or to the extent that the other parties to this Agreement consent in writing.

12 Representations and Warranties

12.1 Representations and warranties

- (a) Each party (a Representor) represents and warrants that:
 - (i) except as consented to in writing by the parties, on the date of this Agreement and on each subsequent day until midnight on the date before the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date), this Agreement is its valid and binding obligation enforceable in accordance with its terms;
 - (ii) it is not aware of, nor has it been approached about, any Competing Proposal; and
 - (iii) it is doing everything reasonably practicable within the resources available to it, including without limitation the use of its Advisers, to:
 - (A) obtain all necessary approvals to allow the Trust Scheme to be implemented consistently with the Timetable; and
 - (B) ensure that each step in the Timetable occurs on the date specified in relation to that step in the Timetable.
 - (iv) the execution and delivery of this Agreement by it has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement;
 - (v) this Agreement constitutes legal, valid and binding obligations on it and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound;
 - (vi) the relevant Meeting Materials for which it is responsible will be prepared in good faith (acknowledging that the Meeting Materials will include information prepared by the other party);
 - (vii) as at the date the relevant Meeting Materials for which it is responsible is despatched, to the best of its knowledge, information and belief, after due enquiry, the Meeting Materials are not misleading or deceptive in any material respect (whether by omission or otherwise);

- (viii) subject to the announcement of the Trust Scheme in accordance with clause 13.1, it is not in breach of its continuous disclosure obligations under the Listing Rules;
 - (ix) as at the date of this agreement, neither ASIC or ASX has made a determination against any member of the Group (including TrustCo but only in respect of the SPS Trust) for any contravention of the requirements of the Corporations Act or Listing Rules or any rules, regulations or regulatory guides under the Corporations Act or Listing Rules; and
 - (x) as at the date of this agreement, no Insolvency Event has occurred in relation to any member of the Group.
- (b) Spicers further represents and warrants that:
- (i) the Spicers Information (whether included in the Spicers' Offer Document or included in the Meeting Materials) will be prepared in good faith and on the understanding that each of the TrustCo Indemnified Parties will rely on that information to prepare the Trust Scheme Booklet and to propose and implement the Trust Scheme in accordance with applicable laws;
 - (ii) the Spicers Information as at the date the Meeting Materials and, if applicable, the Spicers Offer Document are dispatched, will (to the best of Spicers' knowledge, information and belief, after due enquiry) not contain any statement which is materially misleading or deceptive, including by way of omission;
 - (iii) Spicers will, as a continuing obligation, provide to TrustCo all further or new information which it becomes aware of after the Meeting Materials and, if applicable, the Spicers Offer Document have been dispatched until the date of the Trust Scheme Meeting which is necessary to ensure that there would be no breach of clause 12.1(b)(ii) if it applied as at the date on which that information arose.
- (c) TrustCo further represents and warrants that:
- (i) the SPS Trust is validly established and registered under Part 5C of the Corporations Act;
 - (ii) it is the sole responsible entity of the SPS Trust and no action has been taken or proposed to remove it as responsible entity of the SPS Trust or to appoint an additional responsible entity to it;
 - (iii) it has not taken any step to terminate the SPS Trust or wind up the SPS Trust (whether under Part 5C of the Corporations Act or otherwise);
 - (iv) the Trust Scheme Booklet (other than the Spicers Information), as at the date the Trust Scheme Booklet is dispatched to Unitholders, will not contain (to the best of TrustCo's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of omission.

12.2 Reliance by parties

Each Representor acknowledges that:

- (a) in entering into this Agreement each other party has relied on the representations and warranties provided by the Representor under this clause 12;
- (b) any breach of a representation and warranty provided by the Representor under this clause 12 after the Trust Scheme becomes Effective cannot result in a termination of this Agreement; and

- (c) it has not entered into this Agreement in reliance on any warranty or representation made by or on behalf of any other party except the representations and warranties set out in this Agreement.

12.3 Indemnities

- (a) Spicers agrees with TrustCo (in its own right and separately as trustee or nominee for each TrustCo Indemnified Party) to indemnify TrustCo and each of the other TrustCo Indemnified Parties from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which TrustCo or any of the other TrustCo Indemnified Parties suffers, incurs or is liable for arising out of any TrustCo Representation and Warranty being untrue or incorrect.
- (b) TrustCo agrees with Spicers (in its own right and separately as trustee or nominee for each Spicers Indemnified Party) to indemnify Spicers and each of the other Spicers Indemnified Parties from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which Spicers or any of the other Spicers Indemnified Parties suffers, incurs or is liable for arising out of any Spicers Representation and Warranty being untrue or incorrect.

12.4 Notifications

Each party will promptly advise the other parties in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of a representation and warranty given by it under this clause 12.

12.5 Repetition of Warranties

- (a) TrustCo must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the TrustCo Representations and Warranties is accurate.
- (b) Spicers must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the Spicers Representations and Warranties is accurate.

12.6 Status of representations and warranties

Each representation and warranty in this clause 12:

- (a) is severable;
- (b) will survive the termination of this Agreement; and
- (c) is given with the intent that Liability under it will not be confined to breaches that are discovered prior to the date of termination of this Agreement.

12.7 Survival of indemnities

Each indemnity in this Agreement (including those in clauses 12.3 and 19.9):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the Party giving the indemnity from any other obligations of that Party under this Agreement; and
- (d) survives the termination of this Agreement.

13 Public announcements

13.1 Announcement of the Scheme

Immediately after the execution of this Agreement, Spicers and TrustCo shall each issue a public announcement in an agreed form.

13.2 Other public announcements

Subject to clause 13.3, no public announcement or disclosure of the Trust Scheme or any other transaction the subject of this Agreement or the Trust Scheme may be made other than in the course of filing documents with the Court and court proceedings and otherwise in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.

13.3 Required announcement

Where a party is required by applicable law (including the listing rules of a stock or securities exchange) to make any announcement or to make any disclosure in connection with the Trust Scheme or any other transaction the subject of this Agreement or the Trust Scheme, the party must use reasonable endeavours, to the extent practicable and lawful, to consult with the other parties prior to making the relevant disclosure.

14 Termination

14.1 Termination

Without limiting clause 6.5, this Agreement may be terminated at any time prior to 8.00 am on the Second Court Date as follows:

- (a) by either party giving the other party written notice in relation to the failure of the other party to satisfy a Condition Precedent, in accordance with clause 6.5;
- (b) by Spicers giving written notice to TrustCo, if TrustCo is in material breach of this Agreement before the Second Court Date and such breach is either incapable of remedy or TrustCo has failed to remedy that breach within 5 Business Days of receipt by TrustCo of a written notice setting out full details of the relevant circumstances and stating an intention to terminate this Agreement, and the relevant circumstances and requesting that TrustCo remedy the breach;
- (c) by TrustCo giving written notices to Spicers, if Spicers is in material breach of this Agreement before the Second Court Date and such breach is either incapable of remedy or Spicers has failed to remedy that breach within 5 Business Days of receipt by Spicers of a written notice setting out full details of the relevant circumstances and stating an intention to terminate this Agreement, and the relevant circumstances and requesting that Spicers remedy the breach;
- (d) by either party giving the other party written notice if any of the Shareholder Resolutions or the Trust Scheme Resolutions are not approved by the required majorities;
- (e) by either party by giving the other party written notice if the Court refuses to make any order directing TrustCo to convene the Trust Scheme Meeting or refuses to make any order approving the Trust Scheme;
- (f) by Spicers if a TrustCo Prescribed Occurrence occurs;
- (g) by TrustCo if a Spicers Prescribed Occurrence occurs; or
- (h) by a party if the Trust Scheme does not become Effective or is not implemented on or before the End Date or has ceased to be capable of becoming Effective or being implemented on or before the End Date other than arising from a breach of this agreement by that party.

14.2 Effect of termination

In the event of termination of this Agreement by a party pursuant to clause 14.1, this Agreement will have no further force or effect and the parties will have no further obligations under this Agreement, provided that:

- (a) this clause 14 and clauses 11 (confidentiality), 13 (announcements), 17 (notices) and 18 (general) will survive termination: and
- (b) each party will retain any accrued rights and remedies, including any rights and remedies it has or may have against the other parties in respect of any past breach of this Agreement.

15 Exclusivity Period

15.1 No-shop

During the Exclusivity Period, each of Spicers and TrustCo must not, and must ensure that each of its Advisers does not, directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, expressions of interest, offers, proposals, negotiations or discussions with any third party in relation to, or which may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

15.2 No-talk and no due diligence

Subject to clause 15.4, during the Exclusivity Period, each of Spicers and TrustCo must not, and must ensure that each of its Advisers does not, directly or indirectly:

- (a) enter into, continue, participate or facilitate in any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any third party in relation to, or that may reasonably be expected to encourage or lead to a Competing Proposal;
- (b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into any agreement, arrangement or understanding regarding any actual, proposed or potential Competing Proposal;
- (c) make available to any third party or permit such third party to receive any non-public information relating to the business or affairs of any Group member in connection with such third party formulating, developing or finalising, or assisting the formulation, development or finalisation of, a Competing Proposal, or which could reasonably be expected to encourage or lead to receipt of a Competing Proposal; or
- (d) communicate to any person an intention to do anything referred to in this clause 15.2,

even if:

- (e) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Spicers or TrustCo (as applicable) or any of its respective Advisers; or
- (f) the Competing Proposal has been publicly announced.

15.3 Notification of approaches

- (a) During the Exclusivity Period, each of Spicers and TrustCo must promptly notify the other if:
 - (i) it is approached by any third party to take any action of a kind that would breach its obligations under clause 15.2, including details of the party making an expression of interest, offer or proposal, their terms and any updates to the expression of interest, offer or proposal;

- (ii) it becomes aware of any approach or discussions in respect of any offer or proposal of a kind referred to in clause 15.2; or
- (iii) proposes to take any action of a kind that would breach its obligations under clause 15.2,

unless (and only to the extent that) the board of Spicers or TrustCo (as applicable), acting in good faith, determines that it would be a breach of its fiduciary or statutory duties to notify the other party.

- (b) If Spicers or TrustCo receive a Superior Proposal and as a result the board of Spicers proposes to publicly withdraw its recommendation for Shareholders to vote in favour of the Shareholder Resolutions Trust or TrustCo proposes to publicly withdraw its recommendation for the Trust Scheme, it must (unless the relevant board determines that it would be a breach of its fiduciary or statutory duties to do so) give the other party 5 clear Business Days' written notice of such proposed change or withdrawal, and provide to that other party all material terms of the applicable Competing Proposal.

15.4 Fiduciary exception to no-talk, no-due diligence and notification provisions

- (a) Clause 15.2 does not prohibit any action or inaction by Spicers or TrustCo or any of their respective Advisers in relation to a Competing Proposal:
 - (i) where the board of Spicers or TrustCo (as applicable) determines that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and
 - (ii) if compliance with the relevant clause would, in the opinion of the board of Spicers or TrustCo (as applicable), formed in good faith after receiving written advice from its external legal Advisers constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties owed by any director of Spicers or TrustCo (as applicable),

provided that the Competing Proposal was not directly or indirectly brought about by, or facilitated by, a breach of clause 15.1 or 15.2.
- (b) If clause 15.4(a) overrides the restrictions in clause 15.2(c), Spicers or TrustCo (as applicable) must not provide any confidential information to a third party, before the third party has entered into a written agreement in favour of Spicers or TrustCo (as applicable) regarding the use and disclosure of the confidential information provided to the third party and that restricts the third party's ability to solicit the employees of any Group member.

16 GST

16.1 Interpretation

In this clause 16, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given in that act.

16.2 Taxable supplies

If anything done under or in connection with this Agreement constitutes a Taxable Supply from one party to another in respect of which GST is payable, the consideration payable for the supply will be increased by an amount equal to the GST exclusive consideration multiplied by the applicable rate of GST.

16.3 Reimbursements

If a party must reimburse or indemnify another party for any cost, loss or expense under or in connection with this Agreement, the amount of the cost, loss or expense will be reduced by the amount of any Input Tax Credit the other party is entitled to claim for the cost, loss or expense.

16.4 Tax invoice

A party is not required to make a payment for a Taxable Supply made under or in connection with this Agreement until it receives a tax invoice in relation to that supply.

16.5 Amounts exclusive of GST

Unless expressly stated otherwise, all amounts payable under this Agreement are exclusive of GST.

17 Notices

17.1 Notices

Any notice, demand, consent, waiver or other communication (a Notice) given or made under this Agreement:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post or by hand or fax to the address or fax number below or the address (being an address in Australia) or fax number last notified by the intended recipient to the sender:
 - (i) Spicers
Attention: Frank Glynn
Address: 155 Logis Boulevard, Dandenong South, Victoria, 3175
Fax: N/A
 - (ii) TrustCo
Attention: Jane O'Leary
Address: 123 Pitt Street, Sydney NSW 2000
Fax: N/A
- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country); or
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or is later than 4:00 pm (local time) it will be taken to have been duly given or made at the commencement of business on the next Business Day in that place; and

17.2 Notices sent by email

Any Notice which may be given or made under this Agreement may instead be sent by email if:

- (a) the Notice is signed by a person clearly authorised by the sender in a manner which complies with the electronic signature guidelines agreed by the sender and the intended recipient;
- (b) the Notice is sent to the email address below or the email address last notified by the intended recipient to the sender:

- (i) Spicers
email address: Frank.Glynn@spicers.com.au
- (ii) TrustCo
email address: jane.oleary@perpetual.com.au
- (c) the sender keeps an electronic copy of the Notice sent.

17.3 Receipt of Notices sent by email

A Notice sent under clause 17.2 will be conclusively taken to be duly given or made on the first to occur of:

- (a) receipt by the sender of an email acknowledgement from the recipient's information system showing that the Notice has been delivered to the email address stated above;
- (b) the time that the Notice enters an information system which is under the control of the recipient; or
- (c) the time that the Notice is first opened or read by an employee or officer of the recipient,

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or is later than 4.00 pm (local time) it will be conclusively taken to have been duly given or made at the start of business on the next Business Day in that place.

18 TrustCo Limitation of Liability

- (a) TrustCo enters into this document in its personal capacity solely in respect of clauses 3.4 (Releases), 12.3 (indemnities) and 19.9 (Costs). With respect to all other clauses, TrustCo enters this document as responsible entity of the SPS Trust and in no other capacity.
- (b) The parties acknowledge that TrustCo incurs TrustCo Liabilities solely in its capacity as trustee of the Trust and agree that (to the maximum extent permitted by law) TrustCo will cease to have any TrustCo Liability if TrustCo ceases for any reason to be trustee of the Trust.
- (c) A TrustCo Liability may be enforced against TrustCo only to the extent to which:
 - (i) TrustCo is actually indemnified in respect of that TrustCo Liability out of the property of the Trust; and
 - (ii) there is sufficient property held by TrustCo as trustee at the time, which is available to meet that indemnity (after all Trust assets have been allocated to meet the indemnity and any other valid claims).
- (d) Subject to subclause 18(e), no person will be entitled to:
 - (i) claim from or commence proceedings against TrustCo in respect of any TrustCo Liability in any capacity other than as trustee of the Trust;
 - (ii) enforce or seek to enforce any judgment in respect of any TrustCo Liability against any property of TrustCo other than property held by TrustCo as trustee of the Trust;
 - (iii) take any steps to procure or support the appointment of a liquidator, administrator or any other similar office holder to TrustCo on the basis of a TrustCo Liability, or prove in any liquidation, administration or arrangement of or affecting TrustCo; or
 - (iv) in respect of a TrustCo Liability, appoint or take any steps to procure or support the appointment of a receiver or receiver and manager to any

property of TrustCo, other than property which is held by it in its capacity as trustee of the Trust.

- (e) The restrictions in subclauses 18(c) and 18(d) do not apply to any TrustCo Liability to the extent to which there is, whether under the constitution of the Trust or by operation of law, a reduction in the extent of TrustCo's indemnification, or in respect of which TrustCo is not entitled to be indemnified, out of the property of the Trust, as a result of TrustCo's fraud, negligence or breach of trust.
- (f) Each other party to this document agrees that no act or omission of TrustCo (including any related failure to satisfy any TrustCo Liabilities) will constitute fraud, negligence or breach of trust of TrustCo for the purposes of clause 18(e) to the extent to which the act or omission was caused or contributed to by any failure of that party to fulfil its obligations relating to the Trust or by any other act or omission of that party.
- (g) No attorney, agent or other person appointed in accordance with this document has authority to act on behalf of TrustCo in a way which exposes TrustCo to any personal liability, and no act or omission of such a person will be considered fraud, negligence or breach of trust of TrustCo for the purposes of clause 18(e).
- (h) This limitation of TrustCo's Liability applies despite any other provisions of this document and extends to all TrustCo Liabilities of TrustCo in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this document or its performance.
- (i) TrustCo is not obliged to do or refrain from doing anything under this document (including incur any liability) unless TrustCo's liability is limited in the same manner as set out in paragraphs 18(a) to 18(h).
- (j) In this clause, "**TrustCo Liability**" means any liability or obligation (of any kind including, without limitation, for negligence, in tort, in equity, or under statute) of TrustCo which arises in any way under or in connection with this document or its performance, or any representation, warranty, conduct, omission, agreement or transaction made under or in connection with this document or its performance.

19 General

19.1 Entire agreement

This Agreement constitutes the entire agreement between the parties in relation to its subject matter. All prior discussions, undertakings, agreements, representations, warranties and indemnities in relation to that subject matter are replaced by this Agreement and have no further effect.

19.2 Paramountcy of document

If this Agreement conflicts with any other document, agreement or arrangement, this Agreement prevails to the extent of the inconsistency.

19.3 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

19.4 Remedies cumulative

The rights, powers and remedies provided to each party in this Agreement are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

19.5 Further assurances

Each party must do or cause to be done all things necessary or reasonably desirable to give full effect to this Agreement and the transactions contemplated by it (including, but not limited to, the execution of documents).

19.6 Amendment

No amendment or variation of this Agreement is valid or binding on a party unless made in writing executed by each of the parties, which may so make an amendment or variation notwithstanding that one or more other parties or persons may be entitled to the benefit of all or any of the provisions of this Agreement.

19.7 Assignment

The rights and obligations of each party under this Agreement are personal. They cannot be assigned, encumbered or otherwise dealt with and no party may attempt, or purport, to do so without the prior consent of the other parties.

19.8 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

19.9 Costs

- (a) Subject to clauses (b) and (d) below, Spicers will indemnify TrustCo for its reasonable costs incurred in relation to the Trust Scheme including taking any actions in accordance with this Agreement that TrustCo considers appropriate.
- (b) Prior to engaging any Advisers or Independent Experts, TrustCo must:
 - (i) provide to Spicers a cost estimate for each Adviser or Independent Expert for any work relating to the Trust Scheme; and
 - (ii) obtain pre-approval of these cost estimates from Spicers (such approval not to be unreasonably withheld).
- (c) Any Advisers or Independent Experts engaged by TrustCo in relation to the Trust Scheme must be required under their terms of engagement to promptly advise TrustCo if their cost estimates are likely to be exceeded and the anticipated amount of additional fees to be incurred.
- (d) Where TrustCo is advised that an Adviser or Independent Expert will exceed their cost estimate in accordance with clause (c) above, TrustCo must promptly obtain approval from Spicers for the additional fees (such approval not to be unreasonably withheld).

19.10 Severability of provisions

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

19.11 Governing law and jurisdiction

This Agreement is governed by the laws of Victoria. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Agreement.

19.12 Attorney

Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

19.13 Counterparts

This Agreement may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

19.14 Electronic delivery of document

If a party delivers an executed counterpart of this Agreement or any other document executed in connection with it ("**Relevant Document**") by facsimile or other electronic means:

- (a) the delivery will be deemed to be an effective delivery of an originally executed counterpart; and
- (b) the party will still be obliged to deliver an originally executed counterpart, but the failure to do so will not affect the validity or effectiveness of the Relevant Document.

SCHEDULE 4 – DEED OF RETIREMENT AND APPOINTMENT OF TRUSTEE

Deed of Retirement and Appointment of Trustee

The Trust Company (RE Services) Limited
(ACN 003 278 831)

[Nominee]
(ACN [ACN])



KARDOS • SCANLAN
CORPORATE LAWYERS

This Deed is made on

[date] 2017

Parties:

1. **The Trust Company (RE Services) Limited** (ACN 003 278 831) of Level 15, 20 Bond Street, Sydney NSW 2000 (**Retiring Trustee**).
2. **[Nominee]** (ACN **[ACN]**) of **[Address]** (**New Trustee**)

Recitals:

- A. The Trust was established by the Trust Deed and is a managed investment scheme that has been registered under Part 5C.1 of the Corporations Act.
- B. The Retiring Trustee is currently the responsible entity of the Trust.
- C. The Retiring Trustee has applied to ASIC to deregister the Trust as a registered managed investment scheme in accordance with Section 601PA of the Corporations Act.
- D. The Retiring Trustee desires to retire as responsible entity of the Trust and the New Trustee desires to be appointed in its place.
- E. The retirement of the Retiring Trustee and the appointment of the New Trustee will be made in accordance with clause 13 of the Trust Deed.
- F. The New Trustee consents to its appointment as Trustee of the Trust.

1. Definitions and Interpretation

1.1. Definitions

In this Deed:

ASIC means the Australian Securities and Investments Commission.

Business Day means a day upon which banks are open for normal business in Sydney.

Corporations Act means the *Corporations Act* 2001 (Cth).

Effective Date means the date of this Deed.

Transaction means the replacement of the Retiring Trustee with the New Trustee.

Trust means the managed investment scheme called PaperlinX Trust (ARSN 123 839 814).

Trust Deed means the Trust Deed constituting the Trust dated 7 February 2007, as amended from time to time.

1.2. Terms defined in the Trust Deed

The terms used in this Deed have the same meaning as in the Trust Deed unless the contrary intention appears.

2. Retirement of Retiring Trustee and Appointment of New Trustee

2.1. Timing

The events in Clauses 2.2 and 2.3 take place simultaneously at the Effective Date.

2.2. Retirement

The Retiring Trustee retires as trustee of the Trust.

2.3. Appointment

The Retiring Trustee appoints the New Trustee as trustee of the Trust in place of the Retiring Trustee and the New Trustee accepts the appointment.

2.4. Effect

Clauses 3 to 8 inclusive only apply from the Effective Date.

3. Covenants

3.1. New Trustee bound by the Trust Deed

In accordance with clause 13 of the Trust Deed, the New Trustee covenants to be bound by the provisions of the Trust Deed and to carry out the obligations of the Trustee under the Trust Deed, as if the New Trustee had originally been a party to the Trust Deed.

3.2. Powers and duties of the New Trustee

The New Trustee may exercise all the powers and enjoy and exercise all the rights and will be subject to all the duties and obligations of the Trustee under the Trust Deed in respect of the Trust in all respects as fully as though the New Trustee had been originally named as a party to the Trust Deed.

3.3. Giving effect to the change of Trustee

Each Party must use their reasonable endeavours and must execute all documents and do or cause to be done all things as may reasonably be required or desirable on their respective parts as will give full force and effect to the retirement of the Retiring Trustee and the appointment of the New Trustee under this Deed.

4. Release of Retiring Trustee and Actions to be Taken

4.1. Release

From the Effective Date, the Retiring Trustee is released from all further duties, obligations and liabilities under or in connection with the Trust arising on and from the Effective Date.

4.2. Fees

The Retiring Trustee is entitled to any fees and other amounts payable to the Trustee under the Trust Deed up to (but excluding) the Effective Date and the New Trustee must pay those fees and other amounts to the Retiring Trustee within 5 Business Days of the Effective Date.

5. Acknowledgment

5.1. Acknowledgment by Parties

The Parties acknowledge that on and from the Effective Date the rights, obligations and liabilities of the Retiring Trustee in relation to the Trust become the rights, obligations and liabilities of the New Trustee in relation to the Trust, except for:

- (a) any right of the Retiring Trustee to be paid fees for the performance of its functions before it ceased to be the Trustee;
- (b) any right of the Retiring Trustee to be indemnified for expenses it incurred before it ceased to be the Trustee;

- (c) any right, obligation or liability that the Retiring Trustee entity had as a beneficiary of the Trust;
- (d) any liability for which the Retiring Trustee could not have been indemnified out of the Trust property if it had remained the Trustee of the Trust;
- (e) any obligation or liability arising from a breach by the Retiring Trustee of its duties and obligations under the Trust Deed that occurred before the Effective Date;
- (f) any liability the Corporations Act continues to impose on the Retiring Trustee;
- (g) any obligation or liability arising from an existing or antecedent fraud, negligence or breach of trust by the Retiring Trustee; or
- (h) any obligation or liability arising from a failure by the Retiring Trustee to transfer assets of the Trust to the New Trustee.

It is acknowledged that these provisions are subject to the rights of any third parties.

5.2. Directions to Retiring Trustee

The Retiring Trustee must deal with any assets of the Trust that remain within its control after its retirement in such manner and at such times as the New Trustee reasonably directs in writing and at the cost of the New Trustee. The New Trustee warrants that any direction given to the Retiring Trustee in accordance with this Clause will be given in compliance with the New Trustee's obligations in respect of the Trust.

5.3. Vesting of property and books and records

The Retiring Trustee must:

- (a) use its reasonable endeavours to procure the novation in favour of the New Trustee of any relevant agreement entered into by the Retiring Trustee in relation to the Trust, unless otherwise agreed with the New Trustee in any case;
- (b) vest the Trust in the New Trustee; and
- (c) deliver all books and records to the New Trustee, including all breach and complaints registers relating to the Trust, books of account of the Trust, documents lodged with any regulator, details of any claims, pending litigation or unsatisfied liabilities of the Trust and other relevant records to reasonably enable the New Trustee to take on the role and perform its duties as Trustee, subject to the Retiring Trustee being permitted to retain documents which are subject to legal professional privilege,

as soon as practical after the Effective Date.

5.4. Parties to give effect to retirement and appointment

The Parties agree, acknowledge and confirm that each Party must do all such things and must execute all such documents as may be reasonably required on their respective parts as will give full force and effect to the retirement of the Retiring Trustee and the appointment of the New Trustee as the trustee of the Trust under the Trust Deed.

6. Indemnification

6.1. Indemnification of Retiring Trustee

Subject to Clause 6.2, with effect from the Effective Date, the New Trustee indemnifies the Retiring Trustee for any liability properly incurred by the Retiring Trustee:

- (a) prior to the Effective Date, to the extent that the Retiring Trustee would have been entitled to be indemnified for that liability out of the assets of the Trust had the Retiring Trustee remained as Trustee of the Trust; and
- (b) after the Effective Date, to the extent that the Retiring Trustee has acted in accordance with the instructions or directions of the New Trustee under Clause 5.2.

6.2. Taxes

The New Trustee indemnifies the Retiring Trustee out of the assets of the Trust against any liability of the Retiring Trustee for capital gains tax or any other tax or duty (including stamp duty and GST) in relation to or arising from the vesting of the assets of the Trust in the New Trustee, to the extent to which the Retiring Trustee is not fully indemnified out of the assets of the Trust. This indemnity does not extend to any liability of the Retiring Trustee for tax on its own income.

6.3. Limitations

- (a) Subject to Clause 6.3(b), the New Trustee is only liable under Clause 6.1 and 6.2 to the extent it is actually indemnified for the liability out of the assets of the Trust.
- (b) Clause 6.3(a) does not apply to the extent that the New Trustee has lost its ability to exercise a right of indemnity out of the assets of the Trust by reason of the New Trustee's acts or omissions.

6.4. Indemnification of New Trustee

The Retiring Trustee indemnifies the New Trustee for any liability arising out of the performance of the Retiring Trustee's duties and obligations in relation to the Trust prior to the Effective Date to the extent that the Retiring Trustee would not have had a right of indemnity out of the assets of the Trust in respect of those liabilities and that the Retiring Trustee would have been liable for had the Retiring Trustee remained as Trustee of the Trust.

6.5. No effect on existing rights

Nothing in this Deed affects any rights of indemnification of the Retiring Trustee out of the assets of the Trust under the Trust Deed or at law, in respect of events occurring prior to the Effective Date.

6.6. Claims

Neither Party need pay any expenses or assume any liability before claiming on an indemnity by the other Party provided under this Deed.

7. Future claims

7.1. Notification of any likely claim

The New Trustee must notify the Retiring trustee as soon as practicable after it becomes aware of any circumstance which in the New Trustee's opinion is likely to give rise to a claim for which it may seek to call on the indemnity given by the Retiring Trustee under Clause 6.

7.2. Co-operation in relation to claims

Each Party must:

- (a) consult and co-operate with the other in respect of the manner in which a claim under an indemnity given under Clause 6 is dealt with; and
- (b) subject to both Parties making appropriate arrangements satisfactory to the New Trustee to ensure that no cost or other disadvantage will be suffered by the New Trustee or the Trust,

- (a) prior to the Effective Date, to the extent that the Retiring Trustee would have been entitled to be indemnified for that liability out of the assets of the Trust had the Retiring Trustee remained as Trustee of the Trust; and
- (b) after the Effective Date, to the extent that the Retiring Trustee has acted in accordance with the instructions or directions of the New Trustee under Clause 5.2.

6.2. Taxes

The New Trustee indemnifies the Retiring Trustee out of the assets of the Trust against any liability of the Retiring Trustee for capital gains tax or any other tax or duty (including stamp duty and GST) in relation to or arising from the vesting of the assets of the Trust in the New Trustee, to the extent to which the Retiring Trustee is not fully indemnified out of the assets of the Trust. This indemnity does not extend to any liability of the Retiring Trustee for tax on its own income.

6.3. Limitations

- (a) Subject to Clause 6.3(b), the New Trustee is only liable under Clause 6.1 and 6.2 to the extent it is actually indemnified for the liability out of the assets of the Trust.
- (b) Clause 6.3(a) does not apply to the extent that the New Trustee has lost its ability to exercise a right of indemnity out of the assets of the Trust by reason of the New Trustee's acts or omissions.

6.4. Indemnification of New Trustee

The Retiring Trustee indemnifies the New Trustee for any liability arising out of the performance of the Retiring Trustee's duties and obligations in relation to the Trust prior to the Effective Date to the extent that the Retiring Trustee would not have had a right of indemnity out of the assets of the Trust in respect of those liabilities and that the Retiring Trustee would have been liable for had the Retiring Trustee remained as Trustee of the Trust.

6.5. No effect on existing rights

Nothing in this Deed affects any rights of indemnification of the Retiring Trustee out of the assets of the Trust under the Trust Deed or at law, in respect of events occurring prior to the Effective Date.

6.6. Claims

Neither Party need pay any expenses or assume any liability before claiming on an indemnity by the other Party provided under this Deed.

7. Future claims

7.1. Notification of any likely claim

The New Trustee must notify the Retiring trustee as soon as practicable after it becomes aware of any circumstance which in the New Trustee's opinion is likely to give rise to a claim for which it may seek to call on the indemnity given by the Retiring Trustee under Clause 6.

7.2. Co-operation in relation to claims

Each Party must:

- (a) consult and co-operate with the other in respect of the manner in which a claim under an indemnity given under Clause 6 is dealt with; and
- (b) subject to both Parties making appropriate arrangements satisfactory to the New Trustee to ensure that no cost or other disadvantage will be suffered by the New Trustee or the Trust,

permit the Retiring Trustee to take any action it sees fit for the purposes of contesting the claim under an indemnity given under Clause 6 as against any third parties involved.

7.3. Limitation on obligations

The obligations of the New Trustee under this Clause 7 are subject to its compliance with its obligations, functions and duties under the Trust Deed, the Corporations Act and the general law.

8. Payment of fees

8.1. Entitlement

- (a) The Retiring Trustee is entitled to fees payable to it under the Trust Deed in respect of the period up to the Effective Date.
- (b) The New Trustee will pay the Retiring Trustee any fees due to the Retiring Trustee from the assets of the Trust.

9. General

9.1. Governing law and jurisdiction

- (a) This Deed is governed by the laws of the State of New South Wales.
- (b) Each party irrevocably submits to the exclusive jurisdiction of the courts of the State of New South Wales.

9.2. Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this Deed or any right, power, authority, discretion or remedy of a party under this Deed which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.
- (b) Any provision of, or the application of any provision of, this Deed which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.
- (c) The application of this Clause 9.2 is not limited by any other provision of this Deed in relation to severability, prohibition or enforceability.

9.3. Variation

A variation of any term of this Deed must be in writing and signed by the Parties.

9.4. Cumulative rights

The rights, powers, authorities, discretions and remedies of a Party under this Deed do not exclude any other right, power, authority, discretion or remedy.

9.5. Entire agreement

This Deed supersedes all previous agreements in respect of its subject matter and embodies the entire agreement between the Parties.

9.6. Counterparts

This Deed may be executed in any number of counterparts each of which, when executed, is deemed to be an original and the counterparts will constitute one and the same instrument.

9.7. Costs

- (a) Each Party will bear its own legal costs and expenses arising out of the preparation of this Deed.
- (b) Any stamp duty payable on or in connection with this Deed will be borne by the New Trustee.

9.8. Binding effect of this Deed

This Deed shall bind the Parties and any executor, administrator, transferee, assignee, liquidator or trustee in bankruptcy appointed in respect thereof.

Executed by the Parties as a Deed:

SIGNED, SEALED AND DELIVERED by)
)
as attorney for **The Trust Company (RE**)
Services) Limited)
(ACN 003 278 831) under power of)
attorney dated **[dated]**)
)
in the presence of:)
)
)
.....)
Signature of witness)
)
.....)
Name of witness (block letters))
)
)
)

.....
By executing this deed the attorney
states that the attorney has received no
notice of revocation of the power of
attorney

SIGNED by)
[Nominee])
(ACN **[ACN]**))
in accordance with section 127 of the)
Corporations Act:)

Director/Secretary

Director

Name (please print)

Name (please print)



TRUST SCHEME DEED POLL

Arnold Bloch Leibler

Lawyers and Advisers

Deed Poll - Trust Scheme

by Spicers Ltd ACN 005 146 350
in favour of each Eligible Unitholder

Arnold Bloch Leibler
Lawyers and Advisers

Level 21 333 Collins Street | **Melbourne** | Victoria 3000 Australia
Level 24 Chifley Tower 2 Chifley Square | **Sydney** | NSW 2000 Australia

www.abl.com.au

Ref: JAV: 011902308
ABL/5319182v4



THIS DEED POLL is made on 14 May 2017.

BY

SPICERS LIMITED
ACN 005 146 350
of 155 Logis Boulevard, Dandenong South VIC 3175
("Spicers")

IN FAVOUR OF

EACH ELIGIBLE UNITHOLDER

BACKGROUND

- A Spicers and TrustCo have entered into the Scheme Implementation Agreement.
- B Under the Scheme Implementation Agreement Spicers has agreed, subject to the satisfaction or waiver of certain conditions, to execute this Deed Poll.
- C Spicers is entering into this Deed Poll to covenant in favour of each Eligible Unitholder to perform its obligations under this deed and the Trust Scheme, including payment of the Trust Scheme Consideration.

AGREED TERMS

1 Definitions and interpretation

1.1 Definitions

In this Deed Poll, unless the context requires otherwise:

"ASIC" means the Australian Securities and Investments Commission.

"Bank" means a corporation authorised by law to carry on the general business of banking in Australia.

"Business Day" means a day on which Banks are open for general banking business in Melbourne, excluding Saturdays, Sundays and public holidays.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Effective" means the Supplemental Deed taking effect pursuant to section 601GC of the Corporations Act.

"Effective Date" means the date on which the Trust Scheme becomes Effective.

"Eligible Unitholder" means a registered holder of SPS Units immediately following the close of registers on the Record Date, but does not include Spicers or any of its Related Entities in respect of any SPS Units.

"End Date" means 30 June 2017 or such other date agreed in writing between the parties.

"First Judicial Advice" means confirmation from the Supreme Court of New South Wales pursuant to section 63 of the Trustee Act 1925 (NSW), that TrustCo would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the constitution of the SPS Trust to facilitate implementation of the Trust Scheme would be within the powers of alteration conferred by the constitution of the SPS Trust and section 601GC of the Corporations Act.

"Implementation Agreement" means the Scheme Implementation Agreement executed by Spicers and TrustCo on 19 December 2016.

"Implementation Date" means the third Business Day following the Record Date or such later Business Day as the parties may agree.

"Ineligible Overseas Holder" means an Eligible Unitholder who has a registered address which is outside Australia and its external territories, New Zealand, the United States of America or the Cayman Islands, unless TrustCo and Spicers are satisfied that Spicers is not prevented from lawfully issuing Shares as the Trust Scheme Consideration to such Unitholder, either unconditionally or after compliance with such conditions as TrustCo and Spicers regard as acceptable.

"IOH Transferee" means the party that holds an Australian financial services licence issued by ASIC, as further described in clause 3.2 of the Implementation Agreement.

"IOH Transferee Deed" means a deed or letter agreement to be entered into between the IOH Transferee and Spicers, which includes provisions substantially in accordance with those referred to in clause 3.2(b) of the Scheme Implementation Agreement and the Supplemental Deed.

"IOH Shares" means the Trust Scheme Consideration issued by Spicers to the IOH Transferee in respect of the SPS Units held by Ineligible Overseas Holders on the Record Date.

"Judicial Advice" means the:

- (a) First Judicial Advice; and
- (b) Second Judicial Advice.

"Record Date" means:

- (a) the second Business Day following the Effective Date; or
- (b) such later date as Spicers and TrustCo may agree in writing.

"Related Body Corporate" has the meaning given to that term by section 9 of the Corporations Act.

"Related Entity" has the meaning given to that term in section 9 of the Corporations Act.

"Second Judicial Advice" means confirmation from the Supreme Court of New South Wales that, subject to the Trust Scheme Resolutions being approved at the Trust Scheme Meeting, TrustCo would be justified in doing all things and taking all necessary steps to effect the Trust Scheme.

"Shareholder Resolutions" has the meaning given to that term in the Implementation Agreement.

"Shareholders" means the registered holders of Shares in the capital of Spicers.

"Shares" means full paid ordinary shares in the capital of Spicers.

"Spicers Prescribed Occurrence" has the meaning given to that term in the Implementation Agreement.

"SPS Trust" means the PaperlinX SPS Trust (ARSN 123 839 814).

"SPS Unit" means PaperlinX SPS, being a class of Units in the SPS Trust that is not the ordinary Unit.

"Stamp Duty" means any stamp, transaction or registration duty or similar charge imposed by any Governmental Agency and includes any interest, fine, penalty, charge or other amount in respect of the above.

"Supplemental Deed" means the deed poll under which TrustCo will amend the Trust Constitution, with any alterations or conditions approved in writing by TrustCo and Spicers.

"Trust Scheme" means an arrangement under which Spicers acquires all of the SPS Units in the SPS Trust from Eligible Unitholders by way of amending the constitution of the SPS Trust, subject to the requisite approval of Unitholders.

"TrustCo" means The Trust Company (RE Services) Limited (ACN 003 278 831) in its personal capacity and as responsible entity for the SPS Trust.

"Trust Scheme Consideration" means 545 Shares in respect of each Unit held by an Eligible Unitholder that:

- (a) are issued on the Implementation Date to each Eligible Unitholder; or
- (b) in the case of Ineligible Foreign Holders, the IOH Shares issued to the IOH Transferee and which must be sold on behalf of Ineligible Foreign Holders in accordance with the IOH Transferee Deed.

"Unit" means a fully paid unit in the SPS Trust, being an SPS Unit and the ordinary unit held by Spicers.

"Unitholders" means a registered holder of Units.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this Deed Poll.
- (f) A reference to an agreement or document (including a reference to this Deed Poll) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Deed Poll or that other agreement or document.

- (g) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (h) A reference to \$ is to the lawful currency of Australia.
- (i) A reference to time is a reference to time in Melbourne, Australia.
- (j) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (k) The meaning of general words is not limited by specific examples introduced by including, or for example, or similar expressions.
- (l) Nothing in this Deed Poll is to be interpreted against a party solely on the ground that the party put forward this Deed Poll or a relevant part of it.
- (m) A reference to a party is to a party to this Deed Poll.

1.3 Nature of deed poll

This deed poll may be relied on and enforced against Spicers in accordance with its terms by each Eligible Unitholder on and from the date of this deed poll even though the Eligible Unitholders are not a party to this deed poll.

2 Conditions Precedent and Termination

2.1 Conditions Precedent

The obligations on Spicers under this Deed Poll are conditional on the Trust Scheme becoming Effective.

2.2 Termination

The obligations on Spicers under this Deed Poll to Eligible Unitholders will automatically terminate, and this Deed Poll will lapse and be of no further force or effect, if:

- (a) the Implementation Agreement is terminated; or
- (b) the Effective Date has not occurred on or before the End Date.

2.3 Consequences of Termination

If the obligations of Spicers under this Deed Poll are terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to Eligible Unitholders, Spicers is released from its obligations to further perform its obligations under this Deed Poll except those obligations contained in clause 12.

3 Compliance with Trust Scheme obligations

Subject to clause 1.3, in consideration for the transfer to Spicers on the Implementation Date of all SPS Units held by Eligible Unitholders, Spicers covenants in favour of each Eligible Unitholder to do all those things that Spicers is required to do under the Trust Scheme or which the Trust Scheme contemplates will be done by Spicers, including payment of the Trust Scheme Consideration in accordance with the terms of the Trust Scheme.

4 Interim conduct of Spicers

For the period commencing on the Implementation Date and ending on the date on which Spicers holds a general meeting of Shareholders to seek Shareholder approval for the

election of directors, Spicers will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement, the Trust Scheme or the Shareholder Resolutions.

5 Representations and Warranties

Spicers represents and warrants that:

- (a) **(status)** it is a body corporate duly incorporated under the laws of the place of its incorporation;
- (b) **(power)** it has full legal capacity and power to:
 - (i) own property and carry on its business; and
 - (ii) enter into and perform its obligations under this Deed Poll;
- (c) **(authorisations)** it has taken all corporate and other action required and obtained or been granted all consents, approvals, permissions and authorisations, whether internal or external, necessary to enable it to enter into and perform its obligations under this Deed Poll;
- (d) **(binding obligations)** this deed poll is valid and binding upon it;
- (e) **(no contravention)** the execution, delivery and performance of this Deed Poll will not contravene:
 - (i) any law, regulation, order, judgment or decree of any court or Government Agency which is binding on it or any of its property;
 - (ii) any provision of its constitution or equivalent documents; or
 - (iii) any agreement, undertaking or instrument which is binding on it or any of its property; and
- (f) **(no regulatory action)** no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this Deed Poll.

6 Continuing Obligations

Subject to clause 2.2, this Deed Poll is irrevocable and remains in full force and effect until Spicers has fully performed all of its obligations under this Deed Poll.

7 Further assurances

Spicers will do all things and execute all deeds, instruments, transfers and other documents as may be necessary to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 Notices

- (a) A notice, consent or other communication ("**Notice**") given or made under this Deed Poll is only effective if it is:
 - (i) in writing, signed by or on behalf of the person giving it;
 - (ii) addressed to the person to whom it is to be given; and
 - (iii) either:
 - (A) delivered or sent by pre-paid mail to that person's address; or

- (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states it was sent in full.
- (b) A Notice that complies with this clause 8 is regarded as given and received:
 - (i) if it is delivered or sent by fax:
 - (A) by 5:00 pm (local time in the place of receipt) on a Business Day - on that day; or
 - (B) after 5:00 pm (local time in the place of receipt) on a Business Day or on a day that is not a Business Day - on the next Business Days; and
 - (c) if it is sent by mail:
 - (A) within Australia - three Business Days after posting; or
 - (B) to or from a place outside Australia - seven Business Days after posting.
 - (d) Spicers' address and other details are:
 - Attention: Frank Glynn
 - Address: 155 Logis Boulevard, Dandenong South VIC 3175
 - Facsimile: N/A

9 Remedies cumulative

The rights, powers and remedies provided to Spicers and the Eligible Unitholders under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

10 Variation

- (a) A provision of this Deed Poll may only be varied by Spicers if:
 - (i) the variation is agreed to by TrustCo, which may give or withhold such agreement without reference to or approval by any Eligible Unitholder being required; and
 - (ii) the Court indicates that the variation would not of itself preclude approval of the Trust Scheme or provision of Judicial Advice.
- (b) Spicers will enter into a further deed poll in favour of the Eligible Unitholders giving effect to any such variation.

11 No Waiver

A waiver is not valid or binding on the party granting that waiver unless it is made in writing. No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy.

12 Costs and Stamp Duty

All stamp duty that may be payable on or in connection with this Deed Poll and any instrument effected by, executed under or pursuant to this Deed Poll must be borne by Spicers.

13 Assignment

The rights and obligations of Spicers and each Eligible Unitholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and neither Spicers or any Eligible Unitholder may attempt, or purport, to do so without the prior written consent of TrustCo and Spicers.

14 Governing law and jurisdiction

This Deed Poll and any dispute arising out of or in connection with it is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

EXECUTED as a DEED

EXECUTED by SPICERS LIMITED

)
)



Signature of director

WAYNE JOHNSTON

Name of director (print)



Signature of director / company secretary
(delete as applicable)

FRANK GLYNN

Name of director / company secretary (print)

Supplemental Deed

The Trust Company (RE Services) Limited
(ACN 003 278 831)
as responsible entity for PaperlinX SPS Trust
(ARSN 123 839 814)



KARDOS • SCANLAN
CORPORATE LAWYERS

This Supplemental Deed is made on

2017

Parties:

BY: The **Trust Company (RE Services) Limited** (ACN 003 278 831) as responsible entity for **PaperlinX SPS Trust** (ARSN 123 839 814) of Level 15, 20 Bond Street, Sydney NSW 2000 (**Issuer**).

Recitals:

- A. The trust known as the PaperlinX SPS Trust (ARSN 123 839 814) (**Trust**) is governed by a constitution dated 7 February 2007 (**Constitution**).
- B. Pursuant to clause 23 of the Constitution, the Issuer may, by supplemental deed, make any modification, addition or deletion to the Constitution.
- C. Section 601GC(1)(a) of the Corporations Act 2001 (Cth) permits the modification of the Constitution by special resolution of the unitholders of the Trust (**Members**). Section 23.1 of the Constitution states that the rights of a Class of Units may only be amended or varied by a Special Resolution of members of that Class.
- D. A meeting of Members and a separate meeting of a Class of Units were held on 14 June 2017 at which Special Resolutions were passed for the purposes of, among other things, section 601GC(1)(a) of the Corporations Act 2001 (Cth) and Section 23.1 of the Constitution to authorise and approve the modifications to the Constitution set out in this Deed.

1. Definitions and Interpretation

1.1. Definitions

Except as expressly set out in this Deed, terms defined in the Constitution have the same meaning in this Deed.

1.2. Interpretation

The interpretation provisions set out in the Constitution apply as if set out in full in this Deed.

2. Amendments

2.1. Amendments

The Issuer amends the Constitution in the manner set out in the Schedule.

2.2. Commencement and Operation

- (a) This Deed takes effect on lodgement with ASIC.
- (b) This Deed operates as a deed poll given in favour of all Members and binds the Issuer.

2.3. Confirmation

- (a) Except as expressly varied by Clause 2.1, the Issuer confirms the terms of the Constitution.
- (b) For the avoidance of doubt, nothing in this Deed results in or amounts to a declaration, redeclaration or resettlement of the Trust.

3. General

3.1. Governing law and jurisdiction

- (a) This Deed is governed by the laws of the State of Victoria.

- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of Victoria.

3.2. Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this Deed or any power which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.
- (b) Any provision of, or the application of any provision of, this Deed or which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

3.3. Variation

A variation of any term of this Deed must be in writing and signed by the Issuer.

Schedule

Amendments to Constitution

1. Insert the following new clause 23A immediately following clause 23 of the Constitution:

"23A Trust Scheme

23A.1 Implementation of Scheme

- (a) *Each Eligible Unitholder and the Issuer must do all things and execute all deeds, instruments, transfers or other documents as the Issuer considers are necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.*
- (b) *Without limiting the Issuer's other powers under this clause 23A, the Issuer has power to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme, Implementation Agreement and the transactions contemplated by them.*
- (c) *Subject to the Corporations Act, the Issuer, Spicers or any of their directors, officers, employees or associates may do any act, matter or thing described in or contemplated by this clause 23A even if they have an interest (financial or otherwise) in the outcome of such exercise.*
- (d) *This clause 23A:*
 - (i) *binds the Issuer and all Holders, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Resolutions at that meeting; and*
 - (ii) *overrides any other provisions of this Constitution to the extent of any inconsistency.*

23A.2 Dealings in Units

- (a) *To establish the persons who are Eligible Unitholders on the Record Date, dealings in SPS Units will only be recognised if:*
 - (i) *in the case of dealings of the type to be affected using CHESSE, the transferee is recognised in the Register as the holder of the relevant SPS Units before the close of the Register on the Record Date; and*
 - (ii) *in all other cases, registerable transfers or transmissions of applications in respect of those dealings are received by the Register by 5pm on the Record Date.*
- (b) *The Issuer will enter into the Register SPS Unit transfers or transmission applications of the kind referred to in clause 23A.2(a)(ii) by no later than 5pm on the Record Date.*
- (c) *The Issuer will not except for registration, nor recognise for any purpose, any transfer or transmission application in respect of SPS Units received after the time specified in clauses 23A.2(a) or 23A.2(b), or received prior to such times but not in registrable form.*
- (d) *In order to determine entitlements to the Trust Scheme Consideration, the Issuer will, until the Trust Scheme Consideration has been issued to Eligible Unitholders and the IOH Transferree, and the name and address of Spicers has been entered into the Register as the holder of the SPS Units, maintain, or procure the maintenance of, a "Scheme Register" in accordance with this clause 23A.2(d). The Scheme Register shall consist of the names, addresses, bank accounts and other relevant details of persons who are Eligible Unitholders and the number of SPS*

Units held by such persons as shown in each case on the Scheme Register as at the Record Date (immediately after registration of registrable transfer or transmission applications of the kind referred to in clause 23A.2(a)). The Scheme Register and the terms of the Trust Scheme will solely determine entitlements to the Trust Scheme Consideration.

- (e) *From the Record Date, each Eligible Unitholder (and any person claiming through or on behalf of, that Eligible Unitholder) must not dispose of, agree to, or purport to dispose of any SPS Units or any interest in them other than in accordance with this clause 23A.*
- (f) *From the Record Date and subject to the provision of the Trust Scheme Consideration in accordance with the Trust Scheme:*
 - (i) *all certificates and holding statements for SPS Units will cease to have any effect (whether as documents of title or otherwise); and*
 - (ii) *each entry in the Register as at the Record Date in respect of Eligible Unitholders and SPS Units will cease to have any effect,*

in each case, other than as evidence of the entitlements of Eligible Unitholders (or the IOH Transferree, in the case of Ineligible Overseas Holders) to the Trust Scheme Consideration in respect of the SPS Units held by that Eligible Unitholder.
- (g) *As soon as practical after the Record Date and in any event before the Implementation Date, the Issuer will give to Spicers the name and registered address of, and number of SPS Units held by, each Eligible Unitholder in whatever form Spicers reasonably requires.*

23A.3 Trust Scheme Consideration

Each Eligible Unitholder will on Implementation receive and accept the Trust Scheme Consideration (except in the case of Foreign Ineligible Holders, who accept the Sale Facility Consideration) as consideration for the transfer of its Units to Spicers in accordance with this clause 23A.

23A.4 Spicers to provide the Trust Scheme Consideration

- (a) *In accordance with the provisions of this clause 23A, Spicers will provide the Trust Scheme Consideration to which each Eligible Unitholder is entitled (or the IOH Transferree, in the case of Ineligible Overseas Holders) under the Trust Scheme by issuing Shares in the number and manner on the terms provided in this clause 23A on or before 12 noon on the Implementation Date to each Eligible Unitholder who is not an Ineligible Overseas Holder and to the IOH Transferree (as applicable).*
- (b) *The Issuer must procure that Spicers provides the Trust Scheme Consideration with respect to each Eligible Unitholder and to the IOH Transferree (as applicable) by:*
 - (i) *prior to the transfer of any SPS Units to Spicers on the Implementation Date, issuing the Shares to which each Eligible Unitholder and to the IOH Transferree (as applicable) is entitled to under the Trust Scheme;*
 - (ii) *on the Implementation Date, entering in the Spicers Register the name and address of each such Eligible Unitholder and to the IOH Transferree (as applicable) and the number of Shares which that Eligible Unitholder and to the IOH Transferree (as applicable) is entitled to receive under the Trust Scheme; and*
 - (iii) *on or within 4 Business Days after the Implementation Date despatching to each such Eligible Unitholder and the IOH Transferree by pre-paid ordinary post (or, if the address of the Eligible Unitholder in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register on the Record Date, a holding statement for the Shares issued to that*

Eligible Unitholder or the IOH Transferee (as applicable) under the Trust Scheme. In the case of Units held in joint names, holding statements for Shares in Spicers must be issued in the names of joint holders and sent to the holder whose name appears first in the Register on the Record Date.

- (c) *The Trust Scheme Consideration to be allotted and issued by Spicers will be of equal ranking with all existing Shares then on issue and will be allotted and issued free from all encumbrances.*
- (d) *Eligible Unitholders who receive Shares issued by Spicers by way of the Trust Scheme Consideration accept those Shares and agree to become a member of Spicers and to be bound by Spicers constitution.*

23A.5 Transfer of Scheme Units to Spicers

On the Implementation Date, subject to Spicers having provided issued the Trust Scheme Consideration in the manner contemplated by clause 23A and providing the Issuer with written confirmation of that having occurred, the following will occur:

- (a) *all of the SPS Units held by Eligible Unitholders, together with all rights and entitlements attaching to those SPS Units as at the Implementation Date, will be transferred to Spicers, without the need for any further act by any Eligible Unitholder (other than acts performed by the Issuer (or any of its directors and officers appointed as sub-attorneys and/or agents of the Issuer) as attorney and/or agent for Eligible Unitholders under the Trust Scheme);*
- (b) *the Issuer will procure:*
 - (i) *in the case of SPS Units in a CHESS holding, a message to be transmitted to ASX Settlement in accordance with ASX Settlement Operating Rules so as to transfer the SPS Units held by the Eligible Unitholder from the CHESS sub-register of the Issuer to the issuer sponsored sub-register operated by the Issuer; and*
 - (ii) *the delivery to Spicers for execution duly completed and, if necessary, stamped transfers to transfer all of the SPS Units held by Eligible Unitholders to Spicers, duly executed by the Issuer (or any of its directors and officers appointed as sub-attorneys and/or agents of the Issuer) as the attorney or agent of each Eligible Unitholder as transferor under this clause 23A; and*
- (c) *The Issuer will, immediately after receipt of the executed transfers in respect of the SPS Units transferred by Eligible Unitholders from Spicers, enter or procure the entry of, the name and address of Spicers in the Register in respect of all of the transferred SPS Units.*

23A.6 Foreign Members

- (a) *Spicers will be under no obligation under the Trust Scheme to issue, and will not issue, any Share to any Ineligible Overseas Holder, and instead Spicers will issue on the Implementation Date the Trust Scheme Consideration to which that Ineligible Overseas Holder would otherwise have been entitled (if they were an Eligible Unitholder who was not an Ineligible Overseas Holder) to the IOH Transferee. On the Implementation Date, Spicers and the Issuer will procure the entry in the Share Register of the name and address of the IOH Transferee in respect of the SPS Units that are attributable to each Ineligible Overseas Holder.*
- (b) *Spicers will procure that, as soon as reasonably practicable after the Implementation Date and in any event before the end of the IOH Sale Period the IOH Transferee sells on the ASX all of the Trust Scheme Consideration issued to the nominee in accordance with clause 23A.6(a) and in such manner, at such price and on such other terms as the IOH Transferee determines in good faith, and at the risk of the Ineligible Overseas Holder, with the objectives of:*
 - (i) *achieving the best price for the IOH Shares that is reasonably obtainable at the relevant time of sale; and*

- (ii) ensuring that all sales of the IOH Shares are effected in the ordinary course of trading on the ASX during the IOH Sale Period.
- (c) Spicers will procure that the IOH Transferee;
 - (i) on each date on which the sale of IOH Shares is settled, deposits all funds received into the Sale Facility Account; and
 - (ii) once settlement of the sale of all the IOH Shares as occurred, and in no case later than 5 Business Days thereafter, transfer the Sale Facility Consideration to the Share Registry.
- (d) Spicers must procure that the Share Registry, no later than five Business Days after the IOH Transferee has transferred the funds to the Sale Facility Account in accordance with clause 23A.6(c), arranges in respect of each Ineligible Overseas Holder for payment of the Sale Facility Consideration by either:
 - (i) dispatching by mail to the registered address of that Ineligible Overseas Holder a cheque or bank draft which includes the Sale Facility Consideration for that Ineligible Overseas Member payable in Australian dollars (provided that, in the case of Ineligible Overseas Members who are joint holders of Units, the cheque will be made payable to the Joint Holders and sent to the Holder whose name appears first in the Scheme Register as at the Record Date); or
 - (ii) making an electronic funds transfer in Australian dollars to an account nominated by that Ineligible Overseas Holder for the purposes of the Sale Facility or the payment of distributions on Units,

in full satisfaction of Spicers obligations to that Foreign Overseas Holder under the terms of the Trust Scheme in respect of the Trust Scheme Consideration.
- (e) Each Ineligible Overseas Holder appoints the Issuer as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the IOH Transferee is required to provide to Ineligible Overseas Holders under the Corporations Act.

23A.7 Covenants

- (a) Each Eligible Unitholder and the Issuer must (and must ensure that its officers, employees and agents) do all things (including executing any document) that is necessary, expedient or incidental to give full effect to the Trust Scheme (including this clause 23A and the transactions contemplated by it).
- (b) Each Eligible Unitholder:
 - (i) must transfer all of their SPS Units, together with all rights and entitlements attaching to those Units to Spicers in accordance with this clause 23A;
 - (ii) agrees to and is bound by the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 23A;
 - (iii) agrees to and is bound by all things and all deeds, instruments, transfers or other documents that the Issuer and Spicers or either of them do or enter into which are as may be necessary or desirable to give full effect to the Trust Scheme and the transactions contemplated by it (including this clause 23A).
- (c) Without the need for any further act, the Issuer and each of the Issuer's directors and officers, jointly and severally, are irrevocably appointed as each Eligible Unitholders attorney and agent for the purposes of doing anything (including executing any document) necessary, expedient or incidental to give full effect to the Trust Scheme (including this clause 23A) and the transactions contemplated by it, including the provision of a proper instrument of transfer of that Eligible Unitholders' SPS Units for the purposes of section 1071B of the Corporations Act (which may be a master transfer for all or part of the SPS Units).

- (d) *Without the need for any further act, the Issuer and each of its directors and officers, is irrevocably appointed by each Eligible Unitholder to enforce the Spicers Deed Poll against Spicers on behalf of an as agent and attorney for the Eligible Unitholder.*
- (e) *From the Effective Date until the Issuer registers Spicers as the holder of all SPS Units in the Register, each Eligible Unitholder is deemed to have appointed Issuer as its attorney and agent (and directed the Issuer in such capacity) to appoint the Chairman of Spicers (or other nominee of Spicers) as its sole proxy and, where applicable, corporate representative to attend unitholder meetings of the Trust, exercise the votes attaching to the SPS Units of which they are the registered holder and sign any Unitholders' resolution, and no Eligible Unitholder may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 23.A7(e).*

23A.8 Status of Scheme Units

- (a) *Each Eligible Unitholder and each Ineligible Overseas Holder is deemed to have warranted to Spicers that each of their SPS Units (including any rights and entitlements attaching to those Units) will, as at the time of the transfer of them to Spicers pursuant to the Trust Scheme, be fully paid and free of all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power in capacity to sell and to transfer their SPS Units (including any rights and entitlements attaching to those Units) to Spicers pursuant to the Trust Scheme.*
- (b) *From the Implementation Date, Spicers will be beneficially entitled to the SPS Units the subject of the Trust Scheme, pending registration by the Issuer of the name and address of Spicers in the Register as the holder of those SPS Units.*

23A.9 Releases

To the extent permitted by law, on and from the Implementation Date, each SPS Unitholder:

- (a) *releases the Issuer, in its personal capacity and in its capacity as responsible entity of the SPS Trust, in respect of all actions, conduct and decisions made in relation to the Specified Matters; and*
- (b) *releases Spicers in respect of all actions, conduct and decisions made in relation to the Specified Matters,*

except to the extent of any fraud or wilful misconduct.

On the Effective Date, pursuant to clause 23A.7, each Eligible Unitholder consents to, and authorises, the Issuer and each of the Issuer's directors and officers, jointly and severally, to execute and deliver, as its attorney and agent, a deed poll in the form of Attachment A in favour of the Issuer (in its personal capacity and in its capacity as responsible entity of the SPS Trust) and Spicers, confirming and repeating the releases given by that Eligible Unitholder under clause 23A.9.

23A.10 Limitation of liability and indemnity in favour of the Issuer in respect of the Trust Scheme

- (a) *Subject to the Corporations Act, the liability of the Issuer to any person of any nature whatsoever in connection with the Trust Scheme (including its implementation) is limited to the Issuer's ability to be indemnified from the Assets.*
- (b) *The indemnity in clause 23A.10(a) applies in respect of any liability incurred in connection with the Trust Scheme (including its implementation).*

23A.11 Expenses of the Trust Scheme

In addition to any fees to which the Issuer may be entitled, and as to any expenses in respect of which the Issuer is entitled to be reimbursed under the terms of the Constitution, the Issuer is entitled to pay (or be reimbursed) out of the Assets all costs, charges and expenses

which may properly be incurred by the Issuer in formulating, documenting, executing or implementing the Trust Scheme.

23A.12 Independent and separate powers and authorities

Each of the Issuer's powers described in and the appointments made under, this clause 23A are separate and independent powers and appointments (as the case may be).

23A.13 Definitions

In this Clause 23A the following words have these meanings unless the contrary intention appears:

Effective means, when used in relation to the Trust Scheme, the Supplemental Deed taking effect pursuant to section 601GC of the Corporations Act.

Effective Date means the date on which the Trust Scheme becomes Effective.

Eligible Unitholder means a registered holder of SPS Units immediately following the close of registers on the Record Date, but does not include Spicers or any of its Related Entities in respect of any Units held by such parties.

Scheme Implementation Deed means the deed between Spicers and the Issuer dated 19 December 2016.

Ineligible Overseas Holder means a Unitholder who at the close of the register on the Record Date has a registered address which is outside Australia and its external territories, New Zealand, the United States of America or the Cayman Islands unless the Issuer and Spicers are satisfied that Spicers is not prevented from lawfully issuing the Trust Scheme Consideration to such Unitholder, either unconditionally or after compliance with such conditions as the Issuer and Spicers regard as acceptable.

IOH Sale Period means the period of time agreed between the parties during which the IOH Transferee must sell the IOH Shares issued to it in accordance with the IOH Transferee Deed.

IOH Transferee means the party that holds an Australian financial services licence issued by ASIC, who will be issued and must sell the IOH Shares as further described Clause 23A of the Constitution.

IOH Transferee Deed means a deed or letter agreement to be entered into between the IOH Transferee and Spicers, which includes provisions substantially in accordance with those referred to in this deed.

IOH Shares means the Trust Scheme Consideration issued by Spicers to the IOH Transferee in respect of the SPS Units held by Ineligible Overseas Holders on the Record Date.

Related Entity has the meaning given to that term in section 9 of the Corporations Act.

Record Date means means:

- (a) the 2nd Business Day following the Effective Date; or
- (b) such later date as Spicers and the Issuer may agree in writing in accordance with the Scheme Implementation Deed.

Sale Facility Account means the account established by the IOH Transferee in its own name, to which the IOH Transferee must deposit all funds received in respect of the IOH Shares.

Sale Facility Consideration means, in respect of each Ineligible Overseas Holder, an amount equal to the average price at which the IOH Shares are sold by the IOH Transferee in accordance with the IOH Transfer Deed (after deducting any applicable brokerage, stamp duty and other taxes), multiplied by the number of the number of IOH Shares that the Ineligible Overseas Holder would otherwise have been entitled to receive had they not been

an *Ineligible Overseas Holder* (subject to rounding to the nearest whole sent or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent).

Shares means fully paid ordinary shares in Spicers.

Share Registry means the Spicers share registry.

Spicers means Spicers Limited (ACN 005 146 350).

Spicers Information means information about Spicers, the Spicers group and the Trust Scheme provided by or on behalf of Spicers to the Issuer or Unitholders in relation to the Trust Scheme Resolutions.

Specified Matters means:

- (a) the SPS Trust Matters; and
- (b) the Spicers Matters.

Spicers Matters means the management and operation of the Spicers business in the period from the date of the SPS Trust to the completion date of the Trust Scheme.

SPS Trust Matters means:

- (a) the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 issued by the Issuer in respect of SPS Units and the issue of SPS Units pursuant to that replacement product disclosure statement;
- (b) The Issuer's compliance with the Trust Constitution, the terms of issue of the SPS Unit and all agreements between the Issuer and Spicers; and
- (c) the management and operation of the SPS Trust in the period from the date of the SPS Trust to the completion date of the Trust Scheme.

SPS Unit has the same meaning as PaperlinX SPS.

Trust Scheme means an arrangement under which Spicers acquires all of the SPS Units in the SPS Trust from Eligible Unitholders by way of amending the constitution of the SPS Trust, subject to the requisite approvals of Unitholders, and pursuant to which the Issuer (in its personal capacity and in its capacity as responsible entity of the SPS Trust) and Spicers will be released in respect of the Specified Matters.

Trust Scheme Consideration means 545 Shares in respect of each SPS Unit held by an Eligible Unitholder that:

- (a) are issued on the Implementation Date to each Eligible Unitholder; or
- (b) in the case of Ineligible Foreign Holders, the IOH Shares issued to the IOH Transferee and which must be sold on behalf of Ineligible Foreign Holders in accordance with the IOH Transferee Deed.

Trust Scheme Booklet means the information to be despatched by the Issuer to the Unitholders in relation to the Trust Scheme explaining the effect of the Trust Scheme and setting out information that is not the Spicers Information and that is material to the making of a decision by Unitholders whether or not to vote in favour of the Trust Scheme Resolutions, copies of which will be included in the Trust Scheme Booklet.

Trust Scheme Meeting means the meetings of Unitholders to be convened by the Issuer to consider one or both of the Trust Scheme Resolutions.

Trust Scheme Resolutions means the resolutions to be put to the Unitholders of the SPS Trust (or a Class of Unitholders) to agree to the Trust Scheme (such resolutions to be put at the Trust Scheme Meeting and that, to be passed, must be approved by the requisite majorities pursuant to the Trust Constitution), including:

- (a) *a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the SPS Units held by Eligible Unitholders by Spicers;*
- (b) *a resolution for the purposes of section 601GC(2) of the Corporations Act to approve amendments to the Trust Constitution as set out in the Supplemental Deed."*

Executed by the Party as a Deed Poll:

SIGNED, SEALED AND DELIVERED by)
)
 as attorney for **The Trust Company (RE**)
Services) Limited)
 (ACN 003 278 831) under power of)
 attorney dated)
)
 in the presence of:)
)
)
 Signature of witness)
)
)
 Name of witness (block letters))
)
)
)

By executing this deed the attorney states
 that the attorney has received no notice of
 revocation of the power of attorney

ATTACHMENT A - ELIGIBLE UNITHOLDER DEED POLL

Arnold Bloch Leibler

Lawyers and Advisers

Deed Poll - Trust Scheme

by each Eligible Unitholder
in favour of Spicers Limited ACN 005 146 350

Arnold Bloch Leibler
Lawyers and Advisers

Level 21 333 Collins Street | **Melbourne** | Victoria 3000 Australia
Level 24 Chifley Tower 2 Chifley Square | **Sydney** | NSW 2000 Australia

www.abl.com.au

Ref: JAV 011902308
ABL/5736459v4



THIS DEED POLL is made on 2017.

BY

each **ELIGIBLE UNITHOLDER**

IN FAVOUR OF

SPICERS LIMITED
ACN 005 146 350

THE TRUST COMPANY (RE SERVICES) LIMITED
ACN 003 278 831
(in both its **PERSONAL CAPACITY**
and in its capacity **AS RESPONSIBLE ENTITY FOR PAPERLINX SPS TRUST ARSN 123 839 814**)

(each a “**Recipient**”)

BACKGROUND

- A Each Eligible Unitholder is entering into this deed poll to covenant in favour of each Recipient to perform its obligations under this deed and the Trust Scheme.

AGREED TERMS

1 Definitions and interpretation

1.1 Definitions

- (a) In this deed poll “**Trust Scheme**” means an arrangement under which the Recipient acquires all of the SPS Units in the SPS Trust from Eligible Unitholders by way of amending the constitution of the SPS Trust, subject to the requisite approval of Unitholders, and pursuant to which the Issuer (in its personal capacity and in its capacity as responsible entity of the SPS Trust) and Spicers will be released in respect of the Specified Matters.
- (b) In this deed poll “**Supplemental Deed**” means the Supplemental Deed entered into by the Issuer to amend the Constitution to give effect to the Trust Scheme pursuant to section 601GC of the Corporations Act.
- (c) Unless the context requires otherwise, a term or expression which is defined in the Supplemental Deed has the same meaning when used in this deed poll.

1.2 Interpretation

- (a) Nothing in this deed poll is to be interpreted against a party solely on the grounds that the party put forward this deed poll or a relevant part of it.
- (b) The interpretation clause in clause 1.2 of the Supplemental Deed applies to the interpretation of this deed poll and are incorporated by reference.

1.3 Nature of deed poll

This deed poll may be relied on and enforced against each Eligible Unitholder in accordance with its terms by each Recipient on and from the date of this deed poll even though the Recipients are not a party to this deed poll.

1.4 Several obligations

This deed poll binds each Eligible Unitholder severally and not jointly.

2 Releases

With effect on and from the Implementation Date, in consideration for receipt of the Trust Scheme Consideration (or in respect of Ineligible Overseas Holders, receipt of the Sale Facility Consideration), each Eligible Unitholder releases each Recipient to the extent permitted by law from all claims it may have against the Recipients, or any one of them, in respect of, or in any way arising out of, actions, conduct and decisions made in relation to the Specified Matters, except to the extent of any fraud or wilful misconduct.

3 Continuing Obligations

This deed poll is irrevocable and remains in full force and effect until each Eligible Unitholder has fully performed all of its obligations under this deed poll.

4 Notices

- (a) A notice, consent or other communication ("**Notice**") given or made under this deed poll is only effective if it is:
 - (i) in writing, signed by or on behalf of the person giving it;
 - (ii) addressed to the person to whom it is to be given; and
 - (iii) either:
 - (A) delivered or sent by pre-paid mail to that person's address; or
 - (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states it was sent in full.
- (b) A Notice that complies with this clause 4 is regarded as given and received:
 - (i) if it is delivered or sent by fax:
 - (A) by 5:00 pm (local time in the place of receipt) on a Business Day - on that day; or
 - (B) after 5:00 pm (local time in the place of receipt) on a Business Day or on a day that is not a Business Day - on the next Business Days; and
- (c) if it is sent by mail:
 - (A) within Australia - three Business Days after posting; or
 - (B) to or from a place outside Australia - seven Business Days after posting.
- (d) The address and other details for the Eligible Unitholders are:

Attention:	Hugh Treweek, c/o The Trust Company (RE Services) Limited (ACN 003 278 831)
Address:	Level 15, 20 Bond Street, Sydney NSW 2000

Email: hugh.treeweke@perpetual.com.au

5 Remedies cumulative

The rights, powers and remedies provided by each Eligible Unitholder to each Recipient under this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

6 No Waiver

A waiver is not valid or binding on the party granting that waiver unless it is made in writing. No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy.

7 Assignment

The rights and obligations of each Eligible Unitholder and each Recipient under this deed poll are personal.

8 Governing law and jurisdiction

This deed poll and any dispute arising out of or in connection with it is governed by the laws of Victoria. Each Eligible Unitholder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

EXECUTED as a DEED POLL

SIGNED SEALED and DELIVERED by)
THE TRUST COMPANY (RE SERVICES))
LIMITED as attorney for each ELIGIBLE)
UNITHOLDER under a power of attorney)
dated #[date]# in the presence of)

Signature of witness

#[Attorney]#

Name of witness (print)

ANNEXURE

E

NOTICE OF GENERAL MEETING

PaperlinX SPS Trust
(ARSN 123 839 814)

NOTICE OF MEETING FOR THE GENERAL MEETING OF UNITHOLDERS

To be held at 12.00pm (Sydney time)
on Wednesday, 14 June 2017
at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. An Independent Expert's Report is also an annexure to the Explanatory Memorandum. The Explanatory Memorandum and its annexure have been prepared to assist Unitholders in determining whether or not to vote in favour of the Trust Scheme Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the General Meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay:

by post to the SPS Trust Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

by fax to the SPS Trust Registry on:

1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.

The business of the General Meeting is to consider the following proposed resolutions.

1. AMENDMENTS TO CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a special resolution:

‘That the amendment of the constitution of the PaperlinX SPS Trust on the terms set out in the Supplemental Deed and otherwise on the terms described in this Booklet is authorised.’

Without limitation, section 601GC(1) of the Corporations Act is relevant to this Resolution.

2. ACQUISITION OF SPS UNITS BY SPICERS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

‘That the acquisition by Spicers of all of the SPS Units of the SPS Trust it does not already hold on the terms described in this Booklet is approved.’

Without limitation, section 611 exception 7 of the Corporations Act is relevant to this Resolution.

EXPLANATORY MEMORANDUM

Unitholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

ENTITLEMENT TO VOTE

The Directors of The Trust Company have decided that for the purpose of determining entitlements to attend and vote at the General Meeting, Units will be taken to be held by the persons who are the registered holders at 7.00pm (Sydney time) on Monday, 12 June 2017. Accordingly, Unit transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Voting restrictions and exclusions in respect of the Trust Scheme Resolutions are set out below.

In accordance with the Corporations Act, The Trust Company will disregard any votes cast on:

- Resolution 1 by The Trust Company or any Associate of The Trust Company;
- Resolution 2 by The Trust Company, Spicers or any Associate of Spicers or The Trust Company.

However, The Trust Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

HOW TO VOTE

Unitholders entitled to vote at the General Meeting may vote:

- by attending the General Meeting and voting in person; or
- by appointing an attorney to attend the General Meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the General Meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this Notice. A proxy may be an individual or a body corporate.

2. ACQUISITION OF SPS UNITS BY SPICERS CONTINUED

VOTING IN PERSON (OR BY ATTORNEY)

Unitholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the SPS Trust Registry before 12.00pm (Sydney time) on Monday, 12 June 2017 any of the following ways:

- By post to the SPS Trust Registry:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- By fax to the SPS Trust Registry on:
1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the General Meeting to be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW Australia on Wednesday, 14 June 2017 commencing at 12.00pm (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:
 - died;
 - became mentally incapacitated;
 - revoked the proxy or power; or
 - transferred the Units in respect of which the vote was cast,unless The Trust Company received written notification of the death, mental incapacity, revocation or transfer before the General Meeting or adjourned meeting.

VOTING BY PROXY

Unitholders wishing to vote by proxy at this meeting must:

- complete and sign or validly authenticate the Proxy Form, which is enclosed with this Booklet; and
- deliver the signed and completed Proxy Form to The Trust Company by 12.00pm (Sydney time) on Monday, 12 June 2017 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

SUBMITTING PROXY VOTES

Unitholders wishing to submit proxy votes for the General Meeting must return the enclosed Proxy Form to The Trust Company in any of the following ways:

- By post to the SPS Trust Registry:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- By fax to the SPS Trust Registry on:
1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.
- By lodging a proxy online at:
www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only).

Note: proxies may not be returned by email.

2. ACQUISITION OF SPS UNITS BY SPICERS CONTINUED

NOTES FOR PROXIES

1. A Unitholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote at the General Meeting on that Unitholder's behalf.
2. A proxy need not be a Unitholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Unitholder's proxy.
4. If a Unitholder appoints two proxies and the appointment does not specify the proportion or number of the Unitholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the chair – the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the Unitholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one of more Directors or the Company Secretary of The Trust Company.
If:
 - a Unitholder nominates the Chairman of the General Meeting as the Unitholder's proxy; or
 - the Chairman is to act as proxy if a proxy appointment is signed by a Unitholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,
 then the person acting as Chairman in respect of an item of business at the General Meeting must act as proxy under the appointment in respect of that item of business.
7. Proxy appointments in favour of the Chairman of the General Meeting, the Company Secretary of The Trust Company or any director of The Trust Company which do not contain a direction will be voted in support of the Trust Scheme Resolutions (in the absence of a Superior Proposal prior to the date of the General Meeting).

CORPORATE REPRESENTATIVES

1. To vote in person at the General Meeting, a Unitholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the General Meeting, a corporate Unitholder or proxy should obtain an Appointment of Corporate Representative Form from the SPS Trust Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the General Meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the General Meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board



Andrew Cannane
The Trust Company (RE Services) Limited
The Trust Company
4 May 2017

ANNEXURE

F

NOTICE OF SPS MEETING

PaperlinX SPS Trust
(ARSN 123 839 814)

NOTICE OF MEETING FOR THE SPS MEETING OF SPS UNITHOLDERS

To be held at 1.00pm (Sydney time)
on Wednesday, 14 June 2017
at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. An Independent Expert's Report is also an annexure to the Explanatory Memorandum. The Explanatory Memorandum and its annexure have been prepared to assist SPS Unitholders in determining whether or not to vote in favour of the Trust Constitution Amendment Resolution set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the SPS Meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay:

by post to the SPS Trust Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

by fax to the SPS Trust Registry on:

1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.

The business of the SPS Meeting is to consider the following proposed resolution.

1. AMENDMENTS TO CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a special resolution:

‘That the amendment of the constitution of the PaperlinX SPS Trust on the terms set out in the Supplemental Deed and otherwise on the terms described in this Booklet is authorised.’

Without limitation, section 601GC(1) of the Corporations Act is relevant to this resolution.

EXPLANATORY MEMORANDUM

SPS Unitholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

ENTITLEMENT TO VOTE

The Directors of The Trust Company have decided that for the purpose of determining entitlements to attend and vote at the SPS Meeting, SPS Units will be taken to be held by the persons who are the registered holders at 7.00pm (Sydney time) on Monday, 12 June 2017. Accordingly, SPS Unit transfers registered after that time will be disregarded in determining entitlements to attend and vote at the SPS Meeting.

Voting restrictions and exclusions in respect of the resolution at the SPS Meeting are set out below.

In accordance with the Corporations Act, The Trust Company will disregard any votes cast on the Resolution by The Trust Company or any Associate of The Trust Company.

However, The Trust Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the SPS Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

HOW TO VOTE

SPS Unitholders entitled to vote at the SPS Meeting may vote:

- by attending the SPS Meeting and voting in person; or
- by appointing an attorney to attend the SPS Meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the SPS Meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this Notice. A proxy may be an individual or a body corporate.

1. AMENDMENTS TO CONSTITUTION CONTINUED

VOTING IN PERSON (OR BY ATTORNEY)

SPS Unitholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the SPS Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the SPS Trust Registry before 1.00pm (Sydney time) on Monday, 12 June 2017 any of the following ways:

- By post to the SPS Trust Registry:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- By fax to the SPS Trust Registry on:
1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the SPS Meeting to be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia on Wednesday, 14 June 2017 commencing at 1.00pm (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:
 - died;
 - became mentally incapacitated;
 - revoked the proxy or power; or
 - transferred the SPS Units in respect of which the vote was cast,unless The Trust Company received written notification of the death, mental incapacity, revocation or transfer before the SPS Meeting or adjourned meeting.

VOTING BY PROXY

SPS Unitholders wishing to vote by proxy at this meeting must:

- complete and sign or validly authenticate the Proxy Form, which is enclosed with this Booklet; and
- deliver the signed and completed Proxy Form to The Trust Company by 1.00pm (Sydney time) on Monday, 12 June 2017 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

SUBMITTING PROXY VOTES

SPS Unitholders wishing to submit proxy votes for the SPS Meeting must return the enclosed Proxy Form to The Trust Company in any of the following ways:

- By post to the SPS Trust Registry:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- By fax to the SPS Trust Registry on:
1800 783 447 from within Australia, or +61 3 9573 2555 from outside Australia.
- By lodging a proxy online at:
www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only).

Note: proxies may not be returned by email.

1. AMENDMENTS TO CONSTITUTION CONTINUED

NOTES FOR PROXIES

1. A SPS Unitholder entitled to attend and vote at the SPS Meeting is entitled to appoint not more than two proxies to attend and vote at the SPS Meeting on that SPS Unitholder's behalf.
2. A proxy need not be a SPS Unitholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the SPS Unitholder's proxy.
4. If a SPS Unitholder appoints two proxies and the appointment does not specify the proportion or number of the SPS Unitholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the chair – the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the SPS Unitholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one of more Directors or the Company Secretary of The Trust Company.
If:
 - a SPS Unitholder nominates the Chairman of the SPS Meeting as the SPS Unitholder's proxy; or
 - the Chairman is to act as proxy if a proxy appointment is signed by a SPS Unitholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,
 then the person acting as Chairman in respect of an item of business at the SPS Meeting must act as proxy under the appointment in respect of that item of business.
7. Proxy appointments in favour of the Chairman of the SPS Meeting, the Company Secretary of The Trust Company or any director of The Trust Company which do not contain a direction will be voted in support of the Trust Constitution Amendment Resolutions (in the absence of a Superior Proposal prior to the date of the SPS Meeting).

CORPORATE REPRESENTATIVES

1. To vote in person at the SPS Meeting, a SPS Unitholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the SPS Meeting, a corporate SPS Unitholder or proxy should obtain an Appointment of Corporate Representative Form from the SPS Trust Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the SPS Meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the SPS Meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board



Andrew Cannane
The Trust Company (RE Services) Limited
The Trust Company
4 May 2017

CORPORATE DIRECTORY

DIRECTORS

Andrew Cannane
Christopher Green
Michael Vainauskas
Glenn Foster

CORPORATE COMMUNICATIONS

Kristen Allen
Senior Manager
Phone +61 2 9229 3181

REGISTERED ADDRESS

Angel Place, Level 18
123 Pitt Street
Sydney NSW 2000 Australia

ALTERNATE DIRECTORS

Rodney Garth Ellwood
Neil Wesley
Andrew McIver
Vicki Riggio

INDEPENDENT EXPERT

Deloitte Corporate Finance Pty Limited
Grosvenor Place, 225 George Street
Sydney NSW 2000 Australia
Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

CORPORATE ADVISER

Shaw and Partners
Level 15, 60 Castlereagh Street
Sydney NSW 2000 Australia
Tel: +61 2 9238 1238
Fax: +61 2 9232 1296
www.shawandpartners.com.au

AUSTRALIA LAWYERS

Kardos Scanlan Corporate Lawyers
Level 5, 151 Castlereagh Street
Sydney NSW 2000 Australia
Tel: +61 2 9146 5290
Fax: +61 2 9146 5299
www.kardosscanlan.com.au

SPS TRUST REGISTRY

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

INFORMATION LINE

1300 783 484 (within Australia)
+61 3 9415 4235 (from outside Australia)

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