# APPENDIX 4D

**(Rules 4.2A.3)**

| | |
|---|---|
| **Name of entity:** | **SPICERS LIMITED** |
| **ABN:** | **70 005 146 350** |
| **For the half-year ended:** | **31 December 2017** |
| Previous corresponding period: | 31 December 2016 |

## Results for announcement to the market

| | **2017 A$000** | **2016 A$000** | | **% Change** |
|---|---|---|---|---|
| External revenues from ordinary activities: | | | | |
| • continuing operations | 193,190 | 195,217 | down | 1% |
| • discontinued operations | - | - | - | unchanged |
| | 193,190 | 195,217 | down | 1% |

| | **2017 A$000** | **2016 A$000** | | **% Change** |
|---|---|---|---|---|
| Net profit/(loss) for the period after tax: | | | | |
| • continuing operations | 2,670 | 1,412 | up | 89% |
| • discontinued operations | (791) | 2,192 | down | 136% |
| | 1,879 | 3,604 | down | 48% |
| attributable to: | | | | |
| Equity holders of Spicers Limited | 1,879 | 3,604 | down | 48% |

## Dividends

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

## Commentary on results for the period

Refer to press release for explanation of results

## Net tangible assets per security

| | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Net tangible assets per security | $0.05 | $(0.21) |

## Details of entities over which control has been gained or lost

*Control lost over the following entity effective 31 August 2017:*

PaperlinX SPS LLC

### Dividend reinvestment plan

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

### Details of associates and joint ventures

N/A

### Information on audit or review

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

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

Frank Glynn
Company Secretary
Date: 23 February 2018

# INTERIM FINANCIAL REPORT

## of Spicers Limited

31 December 2017

## Contents

# DIRECTORS' REPORT

The Directors of Spicers Limited (“the Company”) present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries (“the Consolidated Entity”) for the half-year ended 31 December 2017 and the auditor's review report thereon.

**Directors**

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

| Name | Period of directorship |
|---|---|
| **Non-executive** | |
| Mr J A (Jonathan) Trollip | Director since 6 September 2017. Chairman since 7 September 2017. |
| Mr V (Vlad) Artamonov | Director since 6 September 2017. |
| Mr G (Gabriel) Berger | Director since 6 September 2017. |
| Mr N G (Nigel) Burgess | Director since 6 September 2017. |
| Mr T C (Todd) Plutsky | Director since 6 September 2017. |
| Mr A J (Andrew) Preece | Director since 6 September 2017. |
| Mr R G (Robert) Kaye SC | Director from 27 September 2012. Chairman from 28 March 2013. Resigned 6 September 2017. |
| Mr M D (Michael) Barker | Director from 27 September 2012. Resigned 6 September 2017. |
| **Executive** | |
| Mr W K (Wayne) Johnston | Finance Director from 24 February 2016. Directorship terminated on 6 September 2017. |

**Review of operations**

A review of the operations of the Consolidated Entity during the half-year, and the results of those operations is contained in Spicers' Statement to the Australian Stock Exchange and news media dated 23 February 2018.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2017.

**Rounding off**

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

In accordance with a resolution of the Directors, dated at Melbourne, this 23rd day of February 2018.

Jonathan Trollip
**Chairman**

Nigel Burgess
**Director**

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

## To the Directors of Spicers Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Spicers Limited for the half-year ended 31 December 2017 there have been:

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
23 February 2018

## CONDENSED CONSOLIDATED INCOME STATEMENT

| For the half-year ended 31 December | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from sale of goods | | 193,190 | 195,217 |
| Cost of inventory sold | | (153,134) | (154,833) |
| Gross profit | | 40,056 | 40,384 |
| Other income | | 462 | 711 |
| Personnel costs | | (19,384) | (19,942) |
| Logistics and distribution | | (10,865) | (11,308) |
| Sales and marketing | | (714) | (767) |
| Other expenses | | (5,365) | (6,034) |
| **Result from operating activities** | | 4,190 | 3,044 |
| Net finance costs | | (267) | (385) |
| **Profit before tax** | | 3,923 | 2,659 |
| Tax expense | | (1,253) | (1,247) |
| **Profit from continuing operations** | | 2,670 | 1,412 |
| | | | |
| **Discontinued operations** | | | |
| (Loss)/profit from discontinued operations, net of tax | 8 | (791) | 2,192 |
| **Profit for the period** | | 1,879 | 3,604 |
| | | | |
| **Profit for the period attributable to:** | | | |
| Equity holders of Spicers Limited | | 1,879 | 3,604 |
| | | | |
| Basic earnings per share (cents) | 7 | 0.1 | 0.5 |
| Basic earnings per share from continuing operations (cents) | 7 | 0.1 | 0.2 |
| Diluted earnings per share (cents) | 7 | 0.1 | 0.5 |
| Diluted earnings per share from continuing operations (cents) | 7 | 0.1 | 0.2 |

*Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.*

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the half-year ended 31 December | 2017 $000 | 2016 $000 |
|---|---|---|
| **Profit for the period** | 1,879 | 3,604 |
| **Other comprehensive income:** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of overseas subsidiaries | (1,066) | (926) |
| Total items that may be reclassified subsequently to profit or loss | (1,066) | (926) |
| *Items reclassified to profit or loss* | | |
| Exchange differences on disposal of controlled entities *(1)* | (4) | (115) |
| Total items reclassified to profit or loss | (4) | (115) |
| Other comprehensive loss for the period, net of tax | (1,070) | (1,041) |
| **Total comprehensive income for the period, net of tax** | 809 | 2,563 |
| **Total comprehensive income for the period attributable to:** | | |
| Equity holders of Spicers Limited | 809 | 2,563 |

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

*Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2017 $000 | As at 30 June 2017 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 27,083 | 29,928 |
| Short-term deposits | | 3,955 | 3,955 |
| Trade and other receivables | | 75,802 | 74,290 |
| Inventories | | 70,314 | 87,628 |
| **Total current assets** | | 177,154 | 195,801 |
| | | | |
| **Non-current assets** | | | |
| Receivables | | - | 74 |
| Property, plant and equipment | | 8,460 | 8,787 |
| Intangible assets | | 27,633 | 28,262 |
| Deferred tax assets | | 726 | 623 |
| **Total non-current assets** | | 36,819 | 37,746 |
| **Total assets** | | 213,973 | 233,547 |
| | | | |
| **Current liabilities** | | | |
| Bank overdrafts | | 931 | - |
| Trade and other payables | | 65,442 | 84,907 |
| Loans and borrowings | 12 | 1,642 | 2,042 |
| Income tax payable | | 2,649 | 2,927 |
| Employee benefits | | 7,457 | 7,668 |
| Provisions | | 832 | 1,508 |
| **Total current liabilities** | | 78,953 | 99,052 |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | 52 | 29 |
| Employee benefits | | 467 | 542 |
| **Total non-current liabilities** | | 519 | 571 |
| **Total liabilities** | | 79,472 | 99,623 |
| **Net assets** | | 134,501 | 133,924 |
| | | | |
| **Equity** | | | |
| Issued capital | 13 | 1,936,323 | 1,936,607 |
| Reserves | | (12,318) | (11,300) |
| Accumulated losses | | (1,789,504) | (1,791,383) |
| Total equity attributable to holders of ordinary shares of Spicers Limited | | 134,501 | 133,924 |
| **Total equity** | | 134,501 | 133,924 |

*Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of Spicers Limited | | | | | | |
|---|---|---|---|---|---|---|---|
| **For the half-year ended 31 December 2017 $000** | **Issued capital** | **Exchange fluctuation reserve** | **Reserve for own shares** | **Employee share plans reserve** | **Accumulated losses** | **PaperlinX step-up preference securities** | **Total equity** |
| **Balance at 1 July 2017** | 1,936,607 | (12,970) | (42) | 1,712 | (1,791,383) | - | **133,924** |
| **Total comprehensive income for the period** | | | | | | | |
| Profit for the period | - | - | - | - | 1,879 | - | **1,879** |
| Other comprehensive income | | | | | | | |
| • Exchange differences on translation of overseas subsidiaries | - | (1,066) | - | - | - | - | **(1,066)** |
| • Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)* | - | (4) | - | - | - | - | **(4)** |
| Total other comprehensive loss | - | (1,070) | - | - | - | - | **(1,070)** |
| Total comprehensive income/(loss) for the period | - | (1,070) | - | - | 1,879 | - | **809** |
| **Transactions with owners recorded directly in equity** | | | | | | | |
| • Director and employee share-based payment transactions | - | - | - | 52 | - | - | **52** |
| • Transactions costs attributable to the issue of new ordinary shares *(2)* | (284) | - | - | - | - | - | **(284)** |
| Total transactions with owners | (284) | - | - | 52 | - | - | **(232)** |
| **Balance at 31 December 2017** | 1,936,323 | (14,040) | (42) | 1,764 | (1,789,504) | - | **134,501** |
| **For the half-year ended 31 December 2016 $000** | | | | | | | |
| **Balance at 1 July 2016** | 1,895,767 | (10,421) | (158) | 1,832 | (2,002,098) | 254,823 | **139,745** |
| **Total comprehensive income for the period** | | | | | | | |
| Profit for the period | - | - | - | - | 3,604 | - | **3,604** |
| Other comprehensive income | | | | | | | |
| • Exchange differences on translation of overseas subsidiaries | - | (926) | - | - | - | - | **(926)** |
| • Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)* | - | (115) | - | - | - | - | **(115)** |
| Total other comprehensive loss | - | (1,041) | - | - | - | - | **(1,041)** |
| Total comprehensive income/(loss) for the period | - | (1,041) | - | - | 3,604 | - | **2,563** |
| **Transactions with owners recorded directly in equity** | | | | | | | |
| • Employee share-based payment transactions | - | - | - | (120) | - | - | **(120)** |
| • Issue of shares to employees | - | - | 117 | - | 4 | - | **121** |
| Total transactions with owners | - | - | 117 | (120) | 4 | - | **1** |
| **Balance at 31 December 2016** | 1,895,767 | (11,462) | (41) | 1,712 | (1,998,490) | 254,823 | **142,309** |

*(1) Disposal includes sale, loss of control and commencement of voluntary winding-up.*
*(2) Costs incurred in relation to a transaction to simplify the Company's capital structure (refer Note 5 of the Consolidated Entity's consolidated annual financial report as at and for the year ended 30 June 2017).*

*Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.*

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| **For the half-year ended 31 December** | **Note** | **2017 $000** | **2016 $000** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 194,032 | 194,703 |
| Payments to suppliers and employees | | (193,253) | (191,892) |
| Interest received | | 274 | 164 |
| Interest paid | | (394) | (488) |
| Income taxes paid | | (1,574) | (1,472) |
| **Net cash (used in)/from operating activities** | 14 | (915) | 1,015 |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of: | | | |
| • Property, plant and equipment and intangibles | | (359) | (301) |
| • Controlled entities and businesses (net of cash and bank overdraft acquired) | | (789) | - |
| Net proceeds/(payments) from the disposal of: | | | |
| • Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed | | 355 | (570) |
| • Property, plant and equipment | | 16 | - |
| **Net cash used in investing activities** | | (777) | (871) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 1,427 |
| Repayment of borrowings | | (452) | (3,099) |
| Capitalised borrowing costs paid | | (26) | (24) |
| Financing cash flows from financial liabilities | 12 | (478) | (1,696) |
| Transaction costs paid for capital structure simplification *(1)* | | (1,715) | (786) |
| Other borrowing costs paid | | (19) | (31) |
| Other financing cash flows | | (1,734) | (817) |
| **Net cash used in financing activities** | | (2,212) | (2,513) |
| | | | |
| **Net decrease in cash and cash equivalents** | | (3,904) | (2,369) |
| Cash and cash equivalents at the beginning of the period | | 29,928 | 31,626 |
| Effect of exchange rate changes on cash held | | 128 | (584) |
| **Cash and cash equivalents at the end of the period** | 14 | 26,152 | 28,673 |

*(1) Comprises cash flows for costs incurred in relation to a transaction to simplify the Company's capital structure (refer Note 5 of the Consolidated Entity's consolidated annual financial report as at and for the year ended 30 June 2017). Comparative period transaction cost cash flows have been reclassified from 'payments to suppliers and employees'.*

*Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.*

## Note 1. Reporting entity

Spicers Limited (the "Company"), is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity"). The Consolidated Entity is a for-profit entity and is primarily involved in the merchanting of paper, communication materials and diversified materials, including packaging and sign and display.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2017 is available upon request from the Company's registered office at 155 Logis Boulevard, Dandenong South VIC 3175 or at www.spicerslimited.com.au.

## Note 2. Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2017.

This condensed consolidated interim financial report was approved by the Board of Directors on 23 February 2018.

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

**Going concern basis of accounting**

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

Relevant to the going concern assumption is the ability of the Consolidated Entity to meet its forecast trading results and operational cash requirements, and remain in compliance with the terms and covenants included in existing debt facilities in the foreseeable future. Management forecasts, taking into account reasonably possible changes in trading performance, show that the Consolidated Entity should be able to operate well within the level and terms of its current facilities for at least the next 12 months. Should trading performance not meet expectations, the Consolidated Entity has access to other sources of liquidity including cash reserves, undrawn debt facilities, and asset sales. In the current interim period, the previous Australian receivables financing facility has been replaced with a new facility which is not subject to debt covenants (refer Note 12).

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

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

## Note 3. Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2017.

*Changes in accounting policy and disclosures*

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are effective for the current reporting period. There is no financial impact on the current reporting period or the prior comparative reporting period from new and revised Standards and Interpretations.

## Note 4. Accounting estimates and judgements

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

In preparing this condensed consolidated interim financial report the significant estimates and judgements applied in the Consolidated Entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2017.

## Note 5. Operating segments

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

| Segment | Description of operations |
|---|---|
| Merchanting:<br>- Australia<br>- New Zealand<br>- Asia | International merchant supplying the printing and publishing industry and office supplies. |
| Discontinued operations | Comprises merchanting operations in North America (Canada and USA) and Europe (Continental Europe, United Kingdom and Ireland). Also comprises paper manufacturing. Refer Note 8 for further details. |

Corporate and head office costs, continuing eliminations and amounts which have not been allocated to the Merchanting or Discontinued operations segments are classified as Unallocated.

| | Note | Merchanting Australia $000 | Merchanting New Zealand $000 | Merchanting Asia $000 | Unallocated $000 | Total Continuing Operations $000 | Discontinued Operations $000 | Group Eliminations $000 | Group $000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the half-year ended 31 December 2017** | | | | | | | | | |
| External sales revenue | | 103,584 | 47,635 | 41,971 | - | 193,190 | - | - | 193,190 |
| Inter-segment sales revenue | | 107 | - | 8 | (115) | - | - | - | - |
| Total revenue | | 103,691 | 47,635 | 41,979 | (115) | 193,190 | - | - | 193,190 |
| Profit/(loss) before net finance costs, tax and significant items | | 3,076 | 3,816 | 1,007 | (3,295) | 4,604 | (98) | - | 4,506 |
| Net other finance costs | | - | - | - | (75) | (75) | (291) | - | (366) |
| Underlying profit/(loss) before interest and tax | | 3,076 | 3,816 | 1,007 | (3,370) | 4,529 | (389) | - | 4,140 |
| Significant items (pre-tax) | 6 | 1 | (45) | - | (370) | (414) | (406) | - | (820) |
| Profit/(loss) before interest and tax | | 3,077 | 3,771 | 1,007 | (3,740) | 4,115 | (795) | - | 3,320 |
| Net interest | | | | | (192) | (192) | - | - | (192) |
| Profit/(loss) before tax | | | | | (3,932) | 3,923 | (795) | - | 3,128 |
| Tax (expense)/benefit - pre-significant items | | | | | (1,266) | (1,266) | 4 | - | (1,262) |
| Tax benefit - significant items | 6 | | | | 13 | 13 | - | - | 13 |
| Profit/(loss) for the period | | | | | (5,185) | 2,670 | (791) | - | 1,879 |
| The profit/(loss) before tax includes: | | | | | | | | | |
| Depreciation and amortisation | | (257) | (194) | (103) | (57) | (611) | - | - | (611) |
| Depreciation, amortisation and impairment | | (257) | (194) | (103) | (57) | (611) | - | - | (611) |
| Capital expenditure | | 33 | 756 | 5 | 71 | 865 | - | - | 865 |
| **As at 31 December 2017** | | | | | | | | | |
| Total assets | | 91,716 | 63,334 | 51,307 | 6,724 | 213,081 | 892 | - | 213,973 |
| Total liabilities | | 32,539 | 13,774 | 10,246 | 8,487 | 65,046 | 14,423 | 3 | 79,472 |
| Net assets/(liabilities) | | 59,177 | 49,560 | 41,061 | (1,763) | 148,035 | (13,531) | (3) | 134,501 |

## Note 5. Operating segments – (continued)

| | Note | Merchanting Australia $000 | Merchanting New Zealand $000 | Merchanting Asia $000 | Unallocated $000 | Total Continuing Operations $000 | Discontinued Operations $000 | Group Eliminations $000 | Group $000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the half-year ended 31 December 2016** | | | | | | | | | |
| External sales revenue | | 102,657 | 53,126 | 39,434 | - | 195,217 | - | - | 195,217 |
| Inter-segment sales revenue | | 172 | - | - | (172) | - | - | - | - |
| Total revenue | | 102,829 | 53,126 | 39,434 | (172) | 195,217 | - | - | 195,217 |
| Profit/(loss) before net finance costs, tax and significant items | | 1,810 | 4,176 | 969 | (3,536) | 3,419 | (139) | - | 3,280 |
| Net other finance costs | | - | - | - | (159) | (159) | (280) | - | (439) |
| Underlying profit/(loss) before interest and tax | | 1,810 | 4,176 | 969 | (3,695) | 3,260 | (419) | - | 2,841 |
| Significant items (pre-tax) | 6 | (105) | (102) | (38) | (130) | (375) | 2,611 | - | 2,236 |
| Profit/(loss) before interest and tax | | 1,705 | 4,074 | 931 | (3,825) | 2,885 | 2,192 | - | 5,077 |
| Net interest | | | | | (226) | (226) | - | - | (226) |
| Profit/(loss) before tax | | | | | (4,051) | 2,659 | 2,192 | - | 4,851 |
| Tax expense - pre-significant items | | | | | (1,279) | (1,279) | - | - | (1,279) |
| Tax benefit - significant items | 6 | | | | 32 | 32 | - | - | 32 |
| Profit/(loss) for the period | | | | | (5,298) | 1,412 | 2,192 | - | 3,604 |
| The profit/(loss) before tax includes: | | | | | | | | | |
| Depreciation and amortisation | | (284) | (211) | (98) | (44) | (637) | - | - | (637) |
| Depreciation, amortisation and impairment | | (284) | (211) | (98) | (44) | (637) | - | - | (637) |
| Capital expenditure | | 123 | 39 | 102 | 37 | 301 | - | - | 301 |
| **As at 30 June 2017** | | | | | | | | | |
| Total assets | | 97,267 | 71,263 | 52,128 | 11,624 | 232,282 | 1,265 | - | 233,547 |
| Total liabilities | | 42,030 | 20,013 | 12,583 | 11,084 | 85,710 | 13,914 | (1) | 99,623 |
| Net assets/(liabilities) | | 55,237 | 51,250 | 39,545 | 540 | 146,572 | (12,649) | 1 | 133,924 |

## Note 6. Individually significant items

| | | Continuing | | | Discontinued | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the half-year ended 31 December** | **Note** | **Pre -tax $000** | **Tax impact $000** | **Post -tax $000** | **Pre -tax $000** | **Tax impact $000** | **Post -tax $000** | **Pre -tax $000** | **Tax impact $000** | **Post -tax $000** |
| **2017** | | | | | | | | | | |
| Restructuring costs *(1)* | | (414) | 13 | (401) | - | - | - | (414) | 13 | (401) |
| Loss on disposal of controlled entities *(2)* | 8 | - | - | - | (406) | - | (406) | (406) | - | (406) |
| **Total individually significant items** | | (414) | 13 | (401) | (406) | - | (406) | (820) | 13 | (807) |
| **2016** | | | | | | | | | | |
| Restructuring costs *(1)* | | (317) | 32 | (285) | - | - | - | (317) | 32 | (285) |
| (Loss)/gain on disposal of controlled entities *(2)* | 8 | (58) | - | (58) | 2,611 | - | 2,611 | 2,553 | - | 2,553 |
| **Total individually significant items** | | (375) | 32 | (343) | 2,611 | - | 2,611 | 2,236 | 32 | 2,268 |

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

## Note 7. Earnings per share

| | Continuing | | Discontinued | | Total | |
|---|---|---|---|---|---|---|
| **For the half-year ended 31 December** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Profit/(loss) for the period attributable to holders of ordinary shares in Spicers Limited ($000) | 2,670 | 1,412 | (791) | 2,192 | 1,879 | 3,604 |
| Weighted average number of shares - basic (thousands) *(1)* | 2,096,568 | 665,181 | 2,096,568 | 665,181 | 2,096,568 | 665,181 |
| Basic EPS (cents) | 0.1 | 0.2 | - | 0.3 | 0.1 | 0.5 |
| Weighted average number of shares - diluted (thousands) *(1)* | 2,103,629 | 678,058 | 2,103,629 | 678,058 | 2,103,629 | 678,058 |
| Diluted EPS (cents) | 0.1 | 0.2 | - | 0.3 | 0.1 | 0.5 |

*(1) As a result of a transaction to simplify the Company's capital structure (refer Note 5 of the Consolidated Entity's consolidated annual financial report as at and for the year ended 30 June 2017), 1,431,386,910 new Spicers ordinary shares were issued on 27 June 2017.*

The unvested share options and rights on issue during the current and prior interim reporting periods have not been included in determining the basic earnings per share.

## Note 8. Discontinued operations

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

**Discontinued Merchanting**

Discontinued merchanting comprises operations in Europe and North America which were sold or entered into administration and were derecognised in prior reporting periods.

**Discontinued Manufacturing**

Discontinued paper manufacturing comprises Tas Paper – the Wesley Vale Mill and Burnie Mill were closed in 2009-2010. Current year transactions relate to holding costs on retained properties.

**Result from discontinued operations**

| | Europe Merchanting | | North America Merchanting | | Manufacturing & Group Elims | | Total Discontinued Operations | |
|---|---|---|---|---|---|---|---|---|
| **For the half-year ended 31 December** | **2017 $000** | **2016 $000** | **2017 $000** | **2016 $000** | **2017 $000** | **2016 $000** | **2017 $000** | **2016 $000** |
| Other income | - | - | - | - | 136 | 100 | 136 | 100 |
| Other expenses | - | - | (23) | (28) | (211) | (211) | (234) | (239) |
| Result from operating activities before significant items, net finance costs, and tax | - | - | (23) | (28) | (75) | (111) | (98) | (139) |
| Significant items - (loss)/profit on disposal *(1)* | (413) | 2,679 | 7 | (68) | - | - | (406) | 2,611 |
| Net other finance costs | (291) | (280) | - | - | - | - | (291) | (280) |
| Result before interest and tax | (704) | 2,399 | (16) | (96) | (75) | (111) | (795) | 2,192 |
| Result before tax | (704) | 2,399 | (16) | (96) | (75) | (111) | (795) | 2,192 |
| Tax benefit | - | - | 4 | - | - | - | 4 | - |
| **(Loss)/profit for the period** | (704) | 2,399 | (12) | (96) | (75) | (111) | (791) | 2,192 |

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

**Cash flow from discontinued operations**

| **For the half-year ended 31 December** | **2017 $000** | **2016 $000** |
|---|---|---|
| Net cash used in operating activities | (305) | (209) |
| Net cash from/(used in) investing activities | 355 | (570) |
| Net cash used in financing activities (excluding internal transactions) | (91) | - |
| **Net cash used in discontinued operations** | (41) | (779) |

## Note 9. Distributions and dividends

**(a) Dividends on Spicers Limited ordinary shares**

No dividends have been declared or paid on Spicers Limited ordinary shares during the current or prior interim reporting periods.

**(b) Distributions on PaperlinX step-up preference securities**

No distributions were declared or paid on PaperlinX step-up preference securities in the prior interim reporting period.

## Note 10. Acquisition of Sign Technology Limited

On 3 July 2017, the Consolidated Entity acquired 100% of the shares in Sign Technology Limited (Sign Tech), a leading supplier of LED and neon sign components in New Zealand. Sign Tech is based predominantly out of Auckland. The business was acquired to accelerate growth in the Consolidated Entity's sign and display business in New Zealand.

In the six months to 31 December 2017, Sign Tech contributed revenue of $0.53 million to the Consolidated Entity.

*Consideration transferred*

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

| | Sign Tech $000 |
|---|---|
| Cash | 795 |
| **Total consideration transferred** | 795 |

*Identifiable assets acquired and liabilities assumed*

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | Sign Tech $000 |
|---|---|
| Cash and cash equivalents | 5 |
| Inventories | 164 |
| Trade and other receivables | 156 |
| Property, plant and equipment | 1 |
| Trade and other payables | (37) |
| **Total net identifiable assets** | 289 |

*Goodwill*

Goodwill arising from the acquisition has been recognised as follows:

| | Sign Tech $000 |
|---|---|
| Total consideration transferred | 795 |
| Fair value of identifiable assets | 289 |
| **Goodwill** | 506 |

The goodwill is attributable mainly to anticipated future earnings streams and the skills and technical talent of Sign Tech's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

## Note 11. Impairment of non-current assets

As required under AASB 136 *Impairment of Assets*, the Consolidated Entity performs an impairment assessment when there is an indication or 'trigger' of a possible impairment of its non-current assets and, in addition, at least annually performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment trigger has been identified. The annual review of goodwill and indefinite life intangible assets was performed at 30 June 2017. A review for impairment triggers was undertaken at 31 December 2017.

The Consolidated Entity has three cash generating units ("CGU's") – Australia, New Zealand and Asia. No impairment triggers were identified in relation to these CGU's in the current interim reporting period.

In the prior interim reporting period, ongoing weak demand for core paper products and lower sales revenue created a potential impairment trigger in the Australian CGU. However, the revised valuation for the Australian CGU exceeded the carrying amount, therefore no impairment charge was recorded.

**Impairment reversals/(charges)**

No impairment charges/reversals were recognised during the current or prior interim reporting periods.

## Note 12. Loans and borrowings

| For the half-year ended 31 December | 2017 $000 | 2016 $000 |
|---|---|---|
| Balance at beginning of period | 2,042 | 4,893 |
| Borrowings | | |
| New secured bank loan - New Zealand | - | 1,427 |
| Other net drawdowns/(repayments) | (452) | (3,099) |
| Capitalised borrowing costs paid | (26) | (24) |
| **Total changes from financing cash flows** | (478) | (1,696) |
| Amortisation of capitalised borrowing costs | 5 | 43 |
| Effect of changes in foreign exchange rates | 73 | (116) |
| **Balance at end of period** | 1,642 | 3,124 |
| Balance at the end of the period comprises: | | |
| Current liabilities | | |
| • Bank loans - secured | 1,681 | 3,232 |
| • Capitalised borrowing costs | (39) | (108) |
| | 1,642 | 3,124 |
| **Total loans and borrowings** | 1,642 | 3,124 |

During the current interim reporting period, a new asset backed facility was entered into in Australia which involves the securitisation of receivables and the other assets of the Australian business. There are no covenant measures associated with this facility. The facility provides funding up to $30 million and is for an initial 2 year term to November 2019. The amount of receivables pledged as part of the loan facility at balance date was $nil (December 2016: $nil).

The multi-option loan facility in New Zealand matures in October 2019, and includes financial covenant measures comprising leverage and minimum interest coverage ratios. This facility is secured by the assets of the New Zealand business.

### Debt classification

| | Currency | Nominal interest rate *(1)* | Year of Maturity | As at 31 December 2017 $000 | As at 30 June 2017 $000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| • Bank loans - secured *(2)* | AUD | BBSR *(3)* | 2019 | - | |
| • Bank loans - secured *(2)* | AUD | BBSR *(3)* | 2018 | | - |
| • Bank loans - secured *(5)* | NZD | BKBM *(4)* | 2019 | - | - |
| • Other bank loans - secured | MYR | various | uncommitted | 1,681 | 2,060 |
| • Capitalised borrowing costs | | | | (39) | (18) |
| Bank loans - secured | | | | 1,642 | 2,042 |
| Total loans and borrowings - current | | | | 1,642 | 2,042 |
| **Total loans and borrowings** | | | | 1,642 | 2,042 |

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

### Note 13. Issued capital

| | As at 31 December 2017 $000 | As at 30 June 2017 $000 |
|---|---|---|
| **Issued capital** | | |
| Issued and paid-up share capital - 2,096,568,171 ordinary shares (June 2017: 2,096,568,171) | 1,936,323 | 1,936,607 |
| **Total issued capital** | 1,936,323 | 1,936,607 |

**Share Buy-back - Unmarketable Parcels**

On 7 December 2017, the Company announced the details of a buy-back offer for holders of less than marketable parcels of shares in the Company. Under ASX listing rules, holders of shares valued at less than $500 are considered to be less than marketable parcels.

Details of the offer are set out in an ASX Release dated 7 December 2017 which can be accessed on the Company's website - www.spicerslimited.com.au. The key points are:

- A less than marketable parcel is any shareholding of 14,970 or less
- 32,978 out of 35,396 shareholders hold unmarketable parcels, totalling 44,713,547 shares
- The aggregate value of the Company's shares held by all holders of unmarketable parcels, based on a buy-back price of 3.34 cents per share, is $1.49 million
- The Company will pay for all costs related to the buy-back (excluding tax consequences from the sale of shares)
- Shares acquired will be cancelled in accordance with the Corporations Act 2001
- The closing date for the offer is 22 January 2018.

The results of the share buy-back offer are outlined in Note 16.

$0.1m of costs incurred up to balance date related to the share buy-back offer have been carried forward in the balance sheet as a current asset. These costs will be transferred to equity, net of any tax effects, on completion of the share buy-back.

**Options**

At the reporting date, there are 7,061,100 (December 2016: 12,061,100) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The movement in options on issue during the reporting period are as follows:

| For the half-year ended 31 December | 2017 number | 2016 number |
|---|---|---|
| Outstanding at the beginning of the period | 7,061,100 | 12,061,100 |
| Cancelled during the period | - | - |
| **Outstanding at the end of the period** | 7,061,100 | 12,061,100 |

**Rights**

At the reporting date, there are nil (December 2016: nil) rights to potentially acquire fully paid ordinary shares in the Company. The movement in the rights on issue during the reporting period are as follows:

| For the half-year ended 31 December | 2017 number | 2016 number |
|---|---|---|
| Outstanding at the beginning of the period | - | 3,063,989 |
| Exercised | - | (3,063,989) |
| **Outstanding at the end of the period** | - | - |

## Note 14. Reconciliation of cash flows from operating activities

| For the half-year ended 31 December | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Reconciliation of profit after tax to net cash from operating activities** | | | |
| **Profit for the period** | | 1,879 | 3,604 |
| Add back non-cash items: | | | |
| • Depreciation and amortisation of property, plant, equipment and intangibles | | 611 | 637 |
| • Loss/(profit) on disposal of controlled entities *(1)* | 6 | 406 | (2,553) |
| • Loss on disposal of property, plant and equipment | | 7 | - |
| • Employee share based payments expense | | 53 | - |
| • Amortisation of capitalised borrowing costs | | 5 | 43 |
| Add back other items classified as investing/financing: | | | |
| • Borrowing costs expensed | | 19 | 31 |
| Increase in financial liabilities at fair value through profit and loss | | - | 280 |
| Increase in trade and other receivables | | (366) | (3,549) |
| Decrease/(increase) in inventories | | 17,010 | (836) |
| (Decrease)/increase in trade and other payables | | (19,418) | 3,641 |
| Decrease in provisions and employee benefits | | (796) | (58) |
| Increase in current and deferred taxes | | (325) | (225) |
| **Net cash (used in)/from operating activities** | | (915) | 1,015 |
| **Reconciliation of cash** | | | |
| For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash as at 31 December as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | | |
| Cash and cash equivalents | | 27,083 | 29,023 |
| Bank overdrafts | | (931) | (350) |
| | | 26,152 | 28,673 |

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

## Note 15. Contingent liabilities

| | As at 31 December 2017 $000 | As at 30 June 2017 $000 |
|---|---|---|
| Contingent liabilities arising in respect of related bodies corporate: | | |
| • Bank guarantees (trade) | 455 | 455 |
| • Other guarantees | 2,275 | 2,172 |
| **Total contingent liabilities** | 2,730 | 2,627 |

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

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

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

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

*Sale warranties and indemnities*

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

## Note 15. Contingent liabilities – (continued)

*Subsidiaries in administration*

The Consolidated Entity withdrew from its former operations in Europe during the 2015 calendar year. Several European subsidiaries in the United Kingdom, Netherlands, Belgium, Austria and Germany 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 the Consolidated Entity's previous European operations and/or these proceedings, legal claims and other exposures may arise that impact the Consolidated Entity, including in respect of, but not limited to, pension plan liabilities, other employee entitlements, former intercompany balances and equity transactions, and other creditors and director/officer indemnities.

There is a material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability, if any, is unascertainable at this time.

## Note 16. Events subsequent to balance date

**Results of share buy-back**

On 7 December 2017, the Company announced the details of a buy-back offer for holders of less than marketable parcels of shares in the Company (refer Note 13). The closing date for the offer was 22 January 2018.

30,472 shareholders holding unmarketable parcels, comprising 39,625,522 shares, had their shareholding bought-back and cancelled by the Company. The aggregate value of the Company's shares bought-back at a buy-back price of 3.34 cents was $1.3 million. These funds were remitted to shareholders on 31 January 2018.

Total costs incurred in relation to the share buy-back, including the funds remitted to shareholders, is $1.4 million. These costs will be recorded as a reduction in equity in the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018.

**Share rights issues**

The Company has issued the following share rights over ordinary shares issued under the Spicers Performance Rights Plan:

| Name | Title | Issue date | Rights |
|---|---|---|---|
| Mr J Trollip | Chairman. Non-executive Director | 16 January 2018 | 7.2 million |
| Mr A Preece | Non-executive Director | 16 January 2018 | 6.0 million |
| Mr D Martin | Chief Executive Officer | 16 January 2018 | 20.0 million |
| Mr D Power | Chief Financial Officer | 5 February 2018 | 7.0 million |

All share rights have an exercise price of $nil. Vesting conditions are based on share price performance hurdles, namely:

(a) The volume weighted average price of Spicers shares reaching and maintaining certain hurdle prices; and
(b) In the event of a change of control in Spicers, shareholders receiving consideration equal to or greater than certain hurdle prices for shares transferred or sold in relation to the change of control.

The share rights issued to Mr Trollip and Mr Preece were approved by shareholders at the Company's 2017 Annual General Meeting. The share rights issued to Mr Martin and Mr Power did not require shareholder approval.

Other than the above, there have been no events subsequent to 31 December 2017 which would have a material effect on the condensed consolidated interim financial report of the Consolidated Entity at 31 December 2017.

## DIRECTORS' DECLARATION

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

1 The condensed consolidated financial statements and notes set out on pages 5 to 18 are in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

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

In accordance with a resolution of the Directors, dated at Melbourne, this 23rd day of February 2018.

Signed in accordance with a resolution of the Directors:

| | |
|---|---|
| Jonathan Trollip | Nigel Burgess |
| **Chairman** | **Director** |

KPMG

# Independent Auditor's Review Report

## To the members of Spicers Limited

## Report on the Interim Financial Report

### Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017;
- Condensed Consolidated income statement, condensed Consolidated statement of comprehensive income, condensed Consolidated statement of changes in equity and condensed Consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

The ***Interim Period*** is the six months ended on 31 December 2017.

### Emphasis of matter regarding contingent liabilities

Without modification to the conclusion set out above, we draw attention to Note 15 in the Interim Financial Report regarding the insolvency administrations of certain former subsidiaries. As part of these proceedings, legal claims and other exposures may arise that impact the Group, and there is a material uncertainty as to whether such claims or exposures give rise to a future liability.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Spicers Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

23 February 2018