APPENDIX 4E - PRELIMINARY FINANCIAL REPORT

(Rules 4.3A)

Name of entity:	**SPICERS LIMITED**
ABN:	**70 005 146 350**
For the year ended:	**30 June 2018**
Previous corresponding period:	30 June 2017

Results for announcement to the market

	2018 A$000	**2017 A$000**		**% Change**
External revenues from ordinary activities:				
• continuing operations	384,044	380,666	up	1%
• discontinued operations	-	-	-	unchanged
	384,044	380,666	up	1%

	2018 A$000	**2017 A$000**		
Net profit/(loss) for the period after tax:				
• continuing operations	3,578	387	up	825%
• discontinued operations	(67)	1,305	down	105%
	3,511	1,692	up	108%
attributable to:				
Equity holders of Spicers Limited	3,511	1,692	up	108%

Dividends

	Amount per security		**Franked amount per security**
Final dividend - current period	Nil		Nil
Final 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

		30 June 2018	**30 June 2017**
Net tangible assets attributable to ordinary shareholders	A$000	108,505	105,068
Net tangible assets per ordinary security		$0.05	$0.05

Details of entities over which control has been gained or lost

Control gained over the following entity effective 3 July 2017:

Sign Technology Limited

Control lost over the following entity effective 31 August 2017:

PaperlinX SPS LLC

Control lost over the following entity effective 31 December 2017:

PaperlinX SPS Trust

Control lost over the following entity effective 9 March 2018:

Spicers Paper (Hong Kong) Limited

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 to which one of the following applies.

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

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

Michael Clark

Michael Clark
Company Secretary
Date: 24 August 2018

FULL FINANCIAL REPORT

of Spicers Limited

30 June 2018

Contents

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Continuing operations			
Revenue from sale of goods		384,044	380,666
Cost of inventory sold		(305,563)	(303,100)
Gross profit		78,481	77,566
Other income	7	691	1,192
Personnel costs *(1)*		(39,689)	(40,345)
Logistics and distribution		(21,455)	(22,230)
Sales and marketing		(1,235)	(1,513)
Other expenses *(1)*		(10,706)	(11,777)
Result from operating activities		6,087	2,893
Net finance costs	8	(290)	(426)
Profit before tax		5,797	2,467
Tax expense	9	(2,219)	(2,080)
Profit from continuing operations		3,578	387
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	10	(67)	1,305
Profit for the period		3,511	1,692
Profit for the period attributable to:			
Equity holders of Spicers Limited		3,511	1,692
Basic earnings per share (cents)	6	0.2	30.9
Basic earnings per share from continuing operations (cents)	6	0.2	30.8
Diluted earnings per share (cents)	6	0.2	30.4
Diluted earnings per share from continuing operations (cents)	6	0.2	30.2

(1) The Consolidated Entity has reclassified restructuring labour costs (including prior period comparatives) from 'other expenses' to 'personnel costs' in order to more accurately reflect the nature of these expenses.

Notes 1 to 38 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018 $000	2017 $000
Profit for the period	3,511	1,692
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	624	(2,760)
Total items that may be reclassified subsequently to profit or loss	624	(2,760)
Items reclassified to profit or loss		
Exchange differences on disposal of controlled entities *(1)*	601	211
Total items reclassified to profit or loss	601	211
Other comprehensive income/(loss) for the period, net of tax	1,225	(2,549)
Total comprehensive income/(loss) for the period, net of tax	4,736	(857)
Total comprehensive income/(loss) for the period attributable to:		
Equity holders of Spicers Limited	4,736	(857)

(1) Disposal includes sale and loss of control - refer Note 10.

Notes 1 to 38 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 $000	2017 $000
Current assets			
Cash and cash equivalents	12	41,135	29,928
Short-term deposits		3,955	3,955
Trade and other receivables	13	73,956	74,290
Inventories	14	78,911	87,628
Total current assets		197,957	195,801
Non-current assets			
Receivables	15	-	74
Property, plant and equipment	16	8,966	8,787
Intangible assets	17	27,839	28,262
Deferred tax assets	19	687	623
Total non-current assets		37,492	37,746
Total assets		235,449	233,547
Current liabilities			
Trade and other payables	20	87,928	84,907
Loans and borrowings	21	-	2,042
Income tax payable		1,443	2,927
Employee benefits	22	6,624	7,668
Provisions	23	1,979	1,508
Total current liabilities		97,974	99,052
Non-current liabilities			
Deferred tax liabilities	19	103	29
Employee benefits	22	443	542
Total non-current liabilities		546	571
Total liabilities		98,520	99,623
Net assets		136,929	133,924
Equity			
Issued capital	24	1,934,824	1,936,607
Reserves	25	(9,981)	(11,300)
Accumulated losses		(1,787,914)	(1,791,383)
Total equity attributable to holders of ordinary shares of Spicers Limited		136,929	133,924
Total equity		136,929	133,924

Notes 1 to 38 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of Spicers Limited						
$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	-	-	-	-	3,511	-	**3,511**
Other comprehensive income							
• Exchange differences on translation of overseas subsidiaries	-	624	-	-	-	-	**624**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)*	-	601	-	-	-	-	**601**
Total other comprehensive income	-	1,225	-	-	-	-	**1,225**
Total comprehensive income for the period	-	1,225	-	-	3,511	-	**4,736**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	-	52	-	-	**52**
• Disposal of treasury shares *(2)*	-	-	42	-	(42)	-	**-**
• Transaction costs attributable to unmarketable parcels share buy-back *(3)*	(1,783)	-	-	-	-	-	**(1,783)**
Total transactions with owners	(1,783)	-	42	52	(42)	-	**(1,731)**
Balance at 30 June 2018	1,934,824	(11,745)	-	1,764	(1,787,914)	-	**136,929**
Balance at 1 July 2016	1,895,767	(10,421)	(158)	1,832	(2,002,098)	254,823	**139,745**
Total comprehensive loss for the period							
Profit for the period	-	-	-	-	1,692	-	**1,692**
Other comprehensive income							
• Exchange differences on translation of overseas subsidiaries	-	(2,760)	-	-	-	-	**(2,760)**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement *(1)*	-	211	-	-	-	-	**211**
Total other comprehensive loss	-	(2,549)	-	-	-	-	**(2,549)**
Total comprehensive (loss)/income for the period	-	(2,549)	-	-	1,692	-	**(857)**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	-	(120)	-	-	**(120)**
• Issue of shares to employees	-	-	116	-	4	-	**120**
• Shares issued to acquire PaperlinX step-up preference securities *(3)*	45,804	-	-	-	209,019	(254,823)	**-**
• Transactions costs incurred on acquisition of PaperlinX step-up preference securities *(3)*	(4,964)	-	-	-	-	-	**(4,964)**
Total transactions with owners	40,840	-	116	(120)	209,023	(254,823)	**(4,964)**
Balance at 30 June 2017	1,936,607	(12,970)	(42)	1,712	(1,791,383)	-	**133,924**

(1) Disposal includes sale and loss of control - refer Note 10.
(2) Refer Note 26.
(3) Refer Note 24.

Notes 1 to 38 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		388,217	380,018
Payments to suppliers and employees		(368,404)	(371,119)
Interest received		444	328
Interest paid		(461)	(795)
Income taxes paid		(2,541)	(2,145)
Net cash from operating activities	29	17,255	6,287
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		(795)	-
• Property, plant and equipment and intangibles		(1,334)	(877)
Net proceeds/(payments) from the disposal of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		576	(302)
• Property, plant and equipment		31	19
Net cash used in investing activities		(1,522)	(1,160)
Cash flows from financing activities			
Proceeds from borrowings		-	188
Repayment of borrowings		(2,148)	(2,960)
Capitalised borrowing costs paid		(26)	(24)
Financing cash flows from financial liabilities	21	(2,174)	(2,796)
Share issue expenses *(1)*		(3,214)	(3,112)
Other borrowing costs paid		(75)	(70)
Net cash used in financing activities		(5,463)	(5,978)
Net increase/(decrease) in cash and cash equivalents		10,270	(851)
Cash and cash equivalents at the beginning of the period	29	29,928	31,626
Effect of exchange rate changes on cash held		937	(847)
Cash and cash equivalents at the end of the period	29	41,135	29,928

(1) Refer Note 24.

Notes 1 to 38 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 address of the Company's registered office is 155 Logis Boulevard, Dandenong South VIC 3175, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 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.

Note 2. Basis of preparation

(a) Statement of compliance

The Financial Report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Financial Report complies with the International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

The Financial Report was authorised for issue by the Directors of the Company on 24 August 2018.

(b) Basis of measurement

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

- Derivative financial instruments are measured at fair value; and
- Financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 3.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in Note 38(u).

(e) Going concern basis of accounting

In preparing the Consolidated Financial Report, the Directors assessed 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.

Factors that the Directors have taken into account in forming their view include:

- Net cash position and current borrowing facilities:
  - No outstanding balances under borrowing facilities (Note 21) and $41.1 million of cash and cash equivalents at reporting date (Note 12).
  - Major borrowing facilities in Australia and New Zealand mature more than 12 months after the date of this report (Note 21).
  - No financial covenants under the Australian borrowing facility (Note 21), and compliance with New Zealand financial covenant requirements.
- Trading performance:
  - $17.3 million cash inflow generated from operating activities during the current reporting period.
  - Increased profit before interest and tax in all operating segments in the current reporting period (Note 4).
- Forecast financial performance and operating cash flow based on Board approved FY2019 budget information.
- The status of insolvency proceedings underway in relation to several former European operations (Note 33).

The Directors have formed the view that there are reasonable grounds to conclude that the Consolidated Entity will continue to operate and meet its obligations as they fall due and remain within the terms of its debt facilities. Therefore, the Consolidated Financial Report has been prepared on a going concern basis.

Note 2. Basis of preparation – (continued)

(f) New and amended standards adopted

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.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:

- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The adoption of these standards did not have any financial impact on the current reporting period or the prior comparative reporting period.

Note 3. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use of the assets based on assumptions expected to be made by an independent market participant.

(c) Inventories

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

(d) Trade and other receivables

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

(e) Derivatives

The fair value of forward exchange contracts is determined by reference to the contractual forward price and the forward price from external sources at balance date for the same currency pair, amount and maturity date.

(f) Non-derivative financial assets and liabilities

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

For financial assets and liabilities arising upon loss of control of former subsidiaries (refer Note 10), fair value is calculated based on either the ability of the subsidiary or former subsidiary to pay given its current and projected capacity, or the present value of future cash flows, discounted at a market rate of interest having regard to the credit risk of the subsidiary or former subsidiary.

(g) Share-based payment transactions

The fair value of employee share options and rights are measured utilising either:

- a discounted cash flow technique. The value of the share-based payments is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period; or
- the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of the total shareholder return performance hurdles that must be met before the share-based payments vest to the holder. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on government bonds).

Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(h) Financial guarantees

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

Note 4. Operating Segments

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

Segment	Description of operations
Merchanting: - Australia - New Zealand - Asia	International merchant supplying the printing and publishing industry and office supplies.
Discontinued operations	Comprises merchanting operations in North America (Canada and USA) and Europe (Continental Europe, United Kingdom and Ireland). Also comprises paper manufacturing. Refer Note 10 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 year ended 30 June 2018									
External sales revenue		204,232	93,451	86,361	-	384,044	-	-	384,044
Inter-segment sales revenue		172	-	290	(462)	-	-	-	-
Total revenue		204,404	93,451	86,651	(462)	384,044	-	-	384,044
Profit/(loss) before net finance costs, tax and significant items		4,236	7,387	2,205	(5,706)	8,122	(163)	-	7,959
Net other finance costs		-	-	-	(163)	(163)	(588)	-	(751)
Underlying profit/(loss) before interest and tax		4,236	7,387	2,205	(5,869)	7,959	(751)	-	7,208
Significant items (pre-tax)	5	(1,019)	(256)	-	(760)	(2,035)	(477)	-	(2,512)
Profit/(loss) before interest and tax		3,217	7,131	2,205	(6,629)	5,924	(1,228)	-	4,696
Net interest					(127)	(127)	1	-	(126)
Profit/(loss) before tax					(6,756)	5,797	(1,227)	-	4,570
Tax (expense)/benefit - pre-significant items					(2,291)	(2,291)	1,160	-	(1,131)
Tax benefit - significant items	5				72	72	-	-	72
Profit/(loss) for the period					(8,975)	3,578	(67)	-	3,511
The profit/(loss) before tax includes:									
Depreciation and amortisation	16,17	(505)	(387)	(209)	(118)	(1,219)	-	-	(1,219)
Depreciation, amortisation and impairment		(505)	(387)	(209)	(118)	(1,219)	-	-	(1,219)
Capital expenditure		53	1,684	9	98	1,844	-	-	1,844
As at 30 June 2018									
Total assets		96,407	71,337	55,734	11,521	234,999	450	-	235,449
Total liabilities		45,078	20,262	14,090	5,374	84,804	13,716	-	98,520
Net assets/(liabilities)		51,329	51,075	41,644	6,147	150,195	(13,266)	-	136,929

Note 4. 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 year ended 30 June 2017									
External sales revenue		201,581	101,058	78,027	-	380,666	-	-	380,666
Inter-segment sales revenue		235	-	8	(243)	-	-	-	-
Total revenue		201,816	101,058	78,035	(243)	380,666	-	-	380,666
Profit/(loss) before net finance costs, tax and significant items		2,345	7,477	1,851	(6,722)	4,951	(387)	-	4,564
Net other finance costs		-	-	-	(71)	(71)	(551)	-	(622)
Underlying profit/(loss) before interest and tax		2,345	7,477	1,851	(6,793)	4,880	(938)	-	3,942
Significant items (pre-tax)	5	(812)	(594)	(260)	(392)	(2,058)	2,198	-	140
Profit/(loss) before interest and tax		1,533	6,883	1,591	(7,185)	2,822	1,260	-	4,082
Net interest					(355)	(355)	(1)	-	(356)
Profit/(loss) before tax					(7,540)	2,467	1,259	-	3,726
Tax (expense)/benefit - pre-significant items					(2,252)	(2,252)	46	-	(2,206)
Tax benefit - significant items	5				172	172	-	-	172
Profit/(loss) for the period					(9,620)	387	1,305	-	1,692
The profit/(loss) before tax includes:									
Depreciation and amortisation	16,17	(545)	(419)	(204)	(93)	(1,261)	-	-	(1,261)
Depreciation, amortisation and impairment		(545)	(419)	(204)	(93)	(1,261)	-	-	(1,261)
Capital expenditure		140	484	142	111	877	-	-	877
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 5. Individually significant items

		Continuing			**Discontinued**			**Total**		
For the year ended 30 June	**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**
2018										
Loss - controlled entities disposed in prior periods	10	-	-	-	(477)	-	(477)	(477)	-	(477)
Restructuring costs *(1)*		(2,035)	72	(1,963)	-	-	-	(2,035)	72	(1,963)
Total individually significant items		(2,035)	72	(1,963)	(477)	-	(477)	(2,512)	72	(2,440)
2017										
Gain - controlled entities disposed in prior periods	10	-	-	-	2,198	-	2,198	2,198	-	2,198
Restructuring costs *(1)*		(2,058)	172	(1,886)	-	-	-	(2,058)	172	(1,886)
Total individually significant items		(2,058)	172	(1,886)	2,198	-	2,198	140	172	312

(1) Restructuring labour costs are included in 'personnel costs' and other restructuring is included in 'other expenses' in the Consolidated Income Statement.

Note 6. Earnings per share

	Continuing		Discontinued		Total	
	2018	2017	2018	2017	2018	2017
Profit/(loss) for the period ($000)	3,578	387	(67)	1,305	3,511	1,692
Add gain on purchase of PaperlinX step-up preference securities ($000) *(1)*	-	209,019	-	-	-	209,019
Profit/(loss) for the period attributable to holders of ordinary shares in Spicers Limited ($000)	3,578	209,406	(67)	1,305	3,511	210,711
Weighted average number of shares - basic (thousands)	2,080,067	680,868	2,080,067	680,868	2,080,067	680,868
Basic EPS (cents)	0.2	30.8	-	0.1	0.2	30.9
Weighted average number of shares - diluted (thousands)	2,101,001	692,463	2,101,001	692,463	2,101,001	692,463
Diluted EPS (cents)	0.2	30.2	-	0.2	0.2	30.4

(1) As required by AASB 133 Earnings per Share*, the comparative reporting period includes the difference between the fair value of Spicers ordinary shares issued and the net carrying value of PaperlinX step-up preference securities acquired through the Trust Scheme Implementation.*

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

The options to purchase shares and rights on issue during the current and prior reporting periods have been included in determining the diluted earning per share. As a result, the weighted average number of shares on issue increased by 20.9 million for the current reporting period (2017: 11.6 million).

Nil options or rights have been issued since 30 June 2018 up to the date of this report.

Nil rights have vested and been exercised since 30 June 2018 up to the date of this report. No options on issue at balance date have been exercised up to the date of this report.

Nil options and nil rights have lapsed since 30 June 2018 in respect of the plan period ended 30 June 2018.

Note 7. Other income from continuing operations

	2018 $000	2017 $000
Rent	295	705
Net loss on disposal of non-current assets	(18)	(105)
Other	414	592
Total other income	691	1,192

Note 8. Net finance costs from continuing operations

	2018 $000	2017 $000
Net interest		
Interest expense	(439)	(749)
Interest income	312	394
Net interest	(127)	(355)
Net other finance costs		
Net other foreign exchange (losses)/gains	(73)	131
Other borrowing costs	(90)	(202)
Net other finance costs	(163)	(71)
Total net finance costs	(290)	(426)

Note 9. Income tax expense

	2018 $000	2017 $000
Prima facie income tax expense attributable to profit from continuing and discontinued operations at the Australian tax rate of 30% (2017: 30%)	(1,371)	(1,118)
Add/(deduct) the tax effect of:		
• Tax losses not brought to account	(872)	(1,772)
• Overseas tax rate differential	(45)	213
• Over provision in prior years	1,063	28
• Other non-deductible/non-assessable items	309	(48)
• Non-assessable gain on disposal of controlled entities - significant items *(1)*	-	663
• Non-deductible loss on disposal of controlled entities - significant items *(1)*	(143)	-
Total tax expense in income statement	(1,059)	(2,034)
comprising:		
Tax expense from continuing operations	(2,219)	(2,080)
Tax benefit from discontinued operations	1,160	46
	(1,059)	(2,034)
Recognised in the income statement		
Current tax expense		
• Current year	(2,112)	(2,221)
• Over provision in prior years	1,063	28
Deferred tax (expense)/benefit	(10)	159
Total tax expense in income statement	(1,059)	(2,034)

(1) Disposal includes sale and loss of control - refer Note 10.

The balance of the consolidated franking account as at the reporting date was $Nil (2017: $Nil).

Note 10. 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 Australian Paper, which was sold in a prior reporting period, and Tas Paper, which was closed in prior reporting periods. Current year transactions relate to holding costs on retained Tas Paper property and actuarial adjustments to workers compensation provisions.

	Merchanting		Manufacturing & Group Elims		Total Discontinued Operations	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Other income	-	-	274	243	274	243
Trading expenses	(63)	(210)	(374)	(420)	(437)	(630)
Result from operating activities before significant items, net finance costs, and tax	(63)	(210)	(100)	(177)	(163)	(387)
Significant items - (loss)/profit on disposal *(1)*	(938)	2,233	461	(35)	(477)	2,198
Net other finance costs	(588)	(551)	-	-	(588)	(551)
Result before interest and tax	(1,589)	1,472	361	(212)	(1,228)	1,260
Net interest	1	(1)	-	-	1	(1)
Result before tax	(1,588)	1,471	361	(212)	(1,227)	1,259
Tax benefit	1,160	46	-	-	1,160	46
(Loss)/profit for the period	(428)	1,517	361	(212)	(67)	1,305

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

Cash flow from discontinued operations

	2018 $000	2017 $000
Net cash used in operating activities	(364)	(390)
Net cash from/(used in) investing activities	576	(302)
Net cash from/(used in) discontinued operations	212	(692)

Note 11. Dividends

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

Note 12. Cash and cash equivalents

	2018 $000	2017 $000
Cash on hand and at bank	29,859	18,314
Deposits at call	11,276	11,614
Total cash and cash equivalents	41,135	29,928

Under certain regional asset backed loan facilities, lender approval is required to transfer cash between entities within the Consolidated Entity. Balances subject to these approvals at reporting date were $2.2 million (2017: $3.8 million).

Note 13. Trade and other receivables

	2018 $000	2017 $000
Trade debtors	72,282	73,065
Provision for impairment losses	(2,461)	(2,075)
Net trade debtors	69,821	70,990
Accrued rebates	132	215
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	73	847
Forward exchange contracts	1,447	-
Other debtors	805	1,264
Prepayments	1,678	974
Total trade and other receivables	73,956	74,290

The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 27.

The amount of receivables pledged as part of the regional loan facilities at balance date was $nil (2017: $nil).

Note 14. Inventories

	2018 $000	2017 $000
Finished goods	83,080	91,840
Provision for impairment losses	(4,169)	(4,212)
Net finished goods	78,911	87,628
Total inventories	78,911	87,628

The amount of provision charged to the Consolidated Income Statement for diminution in value of inventories was $0.1 million for continuing operations (2017: $(0.9) million) and $nil for discontinued operations (2017: $nil).

Note 15. Receivables - non-current

	2018 $000	2017 $000
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	-	74
Total receivables non-current	-	74

Note 16. Property, plant and equipment

$000	Land	Land improve- ments	Buildings	Plant and equipment	Total
Cost or deemed cost:					
Balance at 1 July 2017	1,516	742	18,646	56,339	77,243
Additions	-	-	808	408	1,216
Disposals	-	(742)	(14,012)	(32,211)	(46,965)
Acquisition of businesses	-	-	-	1	1
Foreign currency movements	-	-	207	(38)	169
Balance at 30 June 2018	1,516	-	5,649	24,499	31,664
Depreciation and impairment losses:					
Balance at 1 July 2017	(1,516)	(742)	(15,494)	(50,704)	(68,456)
Depreciation *(1)*	-	-	(251)	(847)	(1,098)
Disposals	-	742	13,983	32,191	46,916
Foreign currency movements	-	-	(61)	1	(60)
Balance at 30 June 2018	(1,516)	-	(1,823)	(19,359)	(22,698)
Carrying amount as at 30 June 2018	-	-	3,826	5,140	8,966
Cost or deemed cost:					
Balance at 1 July 2016	1,516	742	18,969	60,104	81,331
Additions	-	-	58	696	754
Disposals	-	-	(127)	(4,346)	(4,473)
Foreign currency movements	-	-	(254)	(115)	(369)
Balance at 30 June 2017	1,516	742	18,646	56,339	77,243
Depreciation and impairment losses:					
Balance at 1 July 2016	(1,516)	(742)	(15,435)	(54,115)	(71,808)
Depreciation *(1)*	-	-	(267)	(901)	(1,168)
Disposals	-	-	127	4,227	4,354
Foreign currency movements	-	-	81	85	166
Balance at 30 June 2017	(1,516)	(742)	(15,494)	(50,704)	(68,456)
Carrying amount as at 30 June 2017	-	-	3,152	5,635	8,787

(1) Depreciation is included in 'logistics and distribution' in the Consolidated Income Statement.

Refer Note 18 for details of the impairment review.

Note 17. Intangible assets

$000	Goodwill	Computer software	Total
Cost or deemed cost:			
Balance at 1 July 2017	69,644	2,553	72,197
Additions	-	119	119
Disposals/retirements	-	(37)	(37)
Acquisition of businesses	509	-	509
Foreign currency movements	(562)	(28)	(590)
Balance at 30 June 2018	69,591	2,607	72,198
Amortisation and impairment losses:			
Balance at 1 July 2017	(41,830)	(2,105)	(43,935)
Amortisation *(1)*	-	(121)	(121)
Disposals/retirements	-	37	37
Foreign currency movements	(363)	23	(340)
Balance at 30 June 2018	(42,193)	(2,166)	(44,359)
Carrying amount as at 30 June 2018	27,398	441	27,839
Cost or deemed cost:			
Balance at 1 July 2016	70,156	2,523	72,679
Additions	-	123	123
Disposals/retirements	-	(88)	(88)
Foreign currency movements	(512)	(5)	(517)
Balance at 30 June 2017	69,644	2,553	72,197
Amortisation and impairment losses:			
Balance at 1 July 2016	(42,207)	(2,099)	(44,306)
Amortisation *(1)*	-	(93)	(93)
Disposals/retirements	-	84	84
Foreign currency movements	377	3	380
Balance at 30 June 2017	(41,830)	(2,105)	(43,935)
Carrying amount as at 30 June 2017	27,814	448	28,262

(1) Amortisation of intangible assets is included in 'other expenses' in the Consolidated Income Statement.

Note 18. Impairment of non-current assets

Impairment review

As required under AASB 136 *Impairment of Assets*, the Consolidated Entity performs an impairment assessment when there is an indication or 'trigger' of a possible impairment of its non-current assets and in addition, at least annually performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment trigger has been identified. An impairment review was performed at 30 June 2018.

Cash generating units

For the purposes of undertaking impairment testing for goodwill and indefinite life intangible assets, cash generating units ("CGUs") are identified. CGUs are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Consolidated Entity's CGUs during the current and prior reporting periods are:

- Merchanting Australia
- Merchanting New Zealand
- Merchanting Asia

The carrying amount of intangible assets with indefinite useful lives is $nil (2017: $nil). The carrying amount of goodwill is as follows:

	Goodwill	
	2018 $000	2017 $000
CGU:		
• New Zealand	27,398	27,814
Total	27,398	27,814

Note 18. Impairment of non-current assets – (continued)

Impairment testing – goodwill and property, plant and equipment

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

The assumptions used for determining the recoverable amount of each asset and CGU are based on past experience and expectations for the future. Cash flow projections have been based on Management approved budgets and forecasts. These budgets and forecasts use management estimates to determine income, expenses, working capital movements, capital expenditure and cash flows for each CGU. Five-year projected cash flows for each CGU are discounted using an appropriate discount rate. A terminal growth rate is used to extrapolate cash flows beyond the five-year projected cash flows, discounted using the same discount rates.

The following assumptions have been used in determining the recoverable amount of the CGUs to which goodwill and property, plant and equipment has been allocated:

Discount rate:	11.4% - 15.8% (2017: 11.1% - 14.8%). The discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk adjusted discount rate.
Terminal growth rate:	0.0% - 2.0% (2017: 0.0% - 2.0%). The terminal growth rate represents the growth rate applied to extrapolate cash flows beyond the five-year forecast period. The growth rate is based upon expectations of the CGU's long-term performance.
Gross margin:	An overall improvement in gross profit percentage as a result of a change in the sales mix from lower margin core paper to higher margin diversified products over the forecast period and operational efficiencies in the core paper business.
Trading expenses:	An overall improvement in the ratio of trading expenses to sales as a result of certain Board approved restructuring programs and operating efficiencies over the forecast period.
Sales volumes:	For the core paper business, sales volumes are forecast to remain flat or decline based on industry forecasts for each CGU. For the diversified business, volume growth is based on management's estimates of market growth and market share.
Sales prices:	Forecast to increase or decrease based on assumptions about local industry conditions and, where relevant, exchange rates.

Results and sensitivity analysis by CGU

New Zealand:	The Merchanting New Zealand CGU contains all of the Consolidated Entity's goodwill. The valuation exceeds the carrying value. There would need to be a 210bps increase in the discount rate, a 200bps decrease in gross paper margin, or a 150bps increase in trading expenses to sales, all other things being equal, for an impairment of goodwill to arise in future reporting periods.
Australia:	There is no goodwill and there are no other intangible assets in the Merchanting Australia CGU. The valuation for the CGU exceeds the carrying value.
Asia:	There is no goodwill and there are no other intangible assets in the Merchanting Asia CGU. The valuation for this CGU exceeds the carrying value.

Impairment testing – other intangibles

New Zealand CGU:

At reporting date the CGU has $0.2 million of intangible assets relating to computer software. There is no indication of impairment for these assets.

Impairment loss and reversals

There were no impairment charges or reversals in relation to property, plant and equipment, intangibles or investments in the current and prior reporting periods.

Note 19. Deferred tax balances

	2018 $000	2017 $000
Deferred taxes		
Deferred tax assets	687	623
Deferred tax liabilities	(103)	(29)
Net deferred tax balances	584	594
Movement in net deferred tax balances during the reporting period:		
Opening balance	594	435
Recognised in profit or loss	(10)	159
Closing balance	584	594
Deferred tax balances are attributable to the following:		
Provisions and employee benefits	721	586
Property, plant and equipment	(55)	(47)
Intangible assets	(32)	(33)
Other items	(50)	88
Net deferred tax balances	584	594
Unrecognised deferred tax assets *(1)*		
Capital losses - no expiry date	150,605	150,799
Revenue losses - no expiry date	152,222	151,659
Total unrecognised deferred tax assets	302,827	302,458

(1) Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits thereon.

Note 20. Trade and other payables

	2018 $000	2017 $000
Trade creditors	61,866	56,846
Accrued Expenses	704	673
GST	2,569	2,762
Rebates	2,817	2,546
Other creditors	19,972	22,080
Total trade and other payables	87,928	84,907

Note 21. Loans and borrowings

	2018 $000	2017 $000
Balance at beginning of period	2,042	4,893
Borrowings		
New secured bank loan - New Zealand	-	1,427
Other net repayments	(2,148)	(4,199)
Capitalised borrowing costs paid	(26)	(24)
Total changes from financing cash flows	(2,174)	(2,796)
Amortisation of capitalised borrowing costs	16	133
Transfer of capitalised borrowing costs to prepayments	29	-
Effect of changes in foreign exchange rates	87	(188)
Balance at end of period	-	2,042

Note 21. Loans and borrowings – (continued)

Debt classification

	Currency	Nominal interest rate *(1)*	Year of Maturity	2018 $000	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	-	2,060
• Capitalised borrowing costs				-	(18)
Bank loans - secured				-	2,042
Total loans and borrowings - current				-	2,042
Total loans and borrowings				-	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.

During the current 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.

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.

Reconciliation of consolidated loans and borrowings

	Note	2018 $000	2017 $000
Current loans and borrowings		-	2,042
Non-current loans and borrowings		-	-
Total loans and borrowings		-	2,042
Cash and cash equivalents	12	(41,135)	(29,928)
Short-term deposits		(3,955)	(3,955)
Net (cash) / borrowings		(45,090)	(31,841)

Note 22. Employee benefits

	2018 $000	2017 $000
Current		
Leave entitlements	5,009	5,589
Australian self-insured workers' compensation *(1)*	1,182	1,842
Other entitlements	433	237
Total current employee benefits	6,624	7,668
Non-current		
Leave entitlements	443	542
Total non-current employee benefits	443	542

(1) Amount provided in Victoria is $1.127 million (2017: $1.207 million) and Tasmania is $0.055 million (2017: $0.635 million)

Note 23. Provisions

Restructuring
Provisions have been raised for the costs associated with employee redundancies, relocation and office/warehouse closure costs arising from restructuring programs in Australia and New Zealand.

Warranty
Provisions have been raised in relation to construction projects undertaken during the current reporting period.

Other
Other provisions relate to environmental works and transaction costs associated with the closure of Tas Paper.

$000	Restruct-uring	Warranty	Other	Total
Current				
Balance at 1 July 2017	1,339	-	169	1,508
Provided during the year	1,534	608	-	2,142
Paid during the year	(1,662)	-	-	(1,662)
Foreign currency movements	(9)	-	-	(9)
Balance at 30 June 2018	1,202	608	169	1,979
Balance at 1 July 2016	5,141	-	169	5,310
Released during the year	(1,306)	-	-	(1,306)
Paid during the year	(2,497)	-	-	(2,497)
Foreign currency movements	1	-	-	1
Balance at 30 June 2017	1,339	-	169	1,508

Note 24. Share capital

	2018 $000	2017 $000
Issued capital		
Issued and paid-up share capital - 2,056,942,649 ordinary shares (June 2017: 2,096,568,171)	1,934,824	1,936,607
Total issued capital	1,934,824	1,936,607

	2018 thousands of shares	2017 thousands of shares
Movement in issued shares		
Ordinary shares on issue at beginning of reporting period	2,096,568	665,181
Shares issued as consideration for PaperlinX step-up preference securities acquired	-	1,431,387
Shares acquired and cancelled as part of unmarketable parcels share buy-back	(39,625)	-
Ordinary shares on issue at end of reporting period	2,056,943	2,096,568

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

In the current reporting period, the Consolidated Entity has granted share rights to directors and executive Key Management Personnel (KMP). In prior reporting periods, the Consolidated Entity granted share options and rights to executive KMP and other employees. Share options and rights granted under employee share plans carry no entitlement to dividends and no voting rights. Refer Note 26 for details of rights and options issued under employee share plans.

Unmarketable parcels share buy-back
In the current reporting period, the Company completed a buy-back of unmarketable parcels of Spicers ordinary shares. A less than marketable parcel was any shareholding of 14,970 or less.

Under the terms of the unmarketable parcels buy-back as announced, a total of 39,625,522 Spicers ordinary shares were acquired and cancelled at a buy-back price of 3.34 cents. As a result, the number of Spicers shareholders reduced from 35,396 to 4,924.

Costs of $1.8 million directly attributable to the share buy-back transaction were capitalised into issued capital during the current reporting period.

Details of the share buy-back are contained in ASX Releases dated 7 December 2017 (Notice of Unmarketable Parcels Share Buy-Back) and 25 January 2018 (Completion of Unmarketable Parcels Share Buy-Back).

Note 24. Share capital – (continued)

Simplification of capital structure

In the prior reporting period, the Company announced and, with shareholder approval on 27 June 2017, implemented a scheme to acquire the remaining PaperlinX step-up preference securities (SPS Units) it did not already own in exchange for 1,431,386,910 new Spicers ordinary shares.

The fair value of Spicers ordinary shares issued as consideration was $45.8 million (1.431 billion shares at 3.2 cents per share). Transaction costs of $5.0 million were capitalised into issued capital as these costs were directly attributable to the issue of new equity. Further details of the capital structure simplification are contained in Note 5 of the Full Financial Report of Spicers Limited as at 30 June 2017.

Note 25. Reserves

Reserve for own shares

The reserve for own shares represented the cost of shares in the Consolidated Entity acquired by an independent trustee and held by a trust established to administer the granting and vesting of options and rights under employee share plans. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments. Further information on own shares is contained in Note 26.

Exchange fluctuation reserve

The exchange fluctuation reserve records the foreign currency differences arising from the translation of the financial statements of foreign subsidiaries and the impact of transactions that form part of the Company's net investment in a foreign operation, net of tax. Refer to Note 38(l).

Employee share plans reserve

The reserve relates to equity settled share options and rights granted to employees under employee share plans. Further information on share-based payments is set out in Note 26.

Note 26. Share-based payment arrangements

At 30 June 2018, the Consolidated Entity had the following share-based payment arrangements:

Options

In prior reporting periods, the Company issued options to certain senior management at a fixed exercise price at a date in the future subject to specific performance criteria, market conditions and/or service conditions being achieved. If exercised, the exercise price is recognised in equity. The options are independently valued at the grant date. These values have been determined using an appropriate valuation model (either Monte Carlo simulation model or a discounted cash flow technique, as appropriate) incorporating assumptions in relation to the following: the life of the option; the vesting period; the volatility in the share price (range of 20.0 per cent to 74.0 per cent); the dividend yield (range of Nil per cent to 7.25 per cent); and the risk-free interest rate (range of 2.55 per cent to 5.95 per cent). The value of the options is expensed to the Consolidated Income Statement over the applicable measurement period.

In the event that the specified performance criteria, market conditions and/or service conditions are not fully achieved, the number of options will be proportionally reduced.

At balance date there are 1,039,100 (2017: 7,061,100) unissued shares of the Company which are under option.

Each option entitles the holder to purchase one fully paid ordinary share in the Company at the exercise price, subject to the satisfaction of the terms of the option agreements. The details of options on issue at balance date and movements during the reporting period are as follows:

					Number of options					
Grant date	Initial measurement/ service date	Expiry date	Exer-cise price	Fair value at date of grant	Opening balance	Granted	Lapsed / Cancelled	Exercised	Closing balance	Exercisable at balance date
2018										
14/4/2000	14/4/2003	*(1)*	$3.13	$0.360	10,000	-	(10,000)	-	-	-
20/11/2000	20/11/2003	*(1)*	$3.32	$0.330	12,500	-	(5,000)	-	7,500	7,500
19/4/2001	19/4/2004	*(1)*	$3.50	$0.920	10,000	-	-	-	10,000	10,000
13/9/2001	13/9/2004	*(1)*	$4.12	$0.470	19,600	-	(5,000)	-	14,600	14,600
20/9/2002	20/9/2005	*(1)*	$5.13	$0.640	9,000	-	(2,000)	-	7,000	7,000
10/4/2014	10/4/2019	10/5/2019	$0.50	$0.003	1,000,000	-	-	-	1,000,000	-
28/10/2014	28/10/2014	28/10/2017	$0.07	$0.029	6,000,000	-	(6,000,000)	-	-	-
					7,061,100	-	(6,022,000)	-	1,039,100	39,100
Weighted average exercise price					$0.16	-	$0.08	-	$0.63	$3.99

Note 26. Share-based payment arrangements – (continued)

Grant date	Initial measurement/ service date	Expiry date	Exercise price	Fair value at date of grant	Number of options: Opening balance	Granted	Lapsed	Exercised	Closing balance	Exercisable at balance date
2017										
14/4/2000	14/4/2003	*(1)*	$3.13	$0.360	10,000	-	-	-	10,000	10,000
20/11/2000	20/11/2003	*(1)*	$3.32	$0.330	12,500	-	-	-	12,500	12,500
19/4/2001	19/4/2004	*(1)*	$3.50	$0.920	10,000	-	-	-	10,000	10,000
13/9/2001	13/9/2004	*(1)*	$4.12	$0.470	19,600	-	-	-	19,600	19,600
20/9/2002	20/9/2005	*(1)*	$5.13	$0.640	9,000	-	-	-	9,000	9,000
10/4/2014	10/4/2016	10/4/2017	$0.10	$0.006	1,000,000	-	(1,000,000)	-	-	-
10/4/2014	10/4/2016	10/4/2017	$0.15	$0.004	1,000,000	-	(1,000,000)	-	-	-
10/4/2014	10/4/2017	10/5/2017	$0.20	$0.003	1,000,000	-	(1,000,000)	-	-	-
10/4/2014	10/4/2017	10/5/2017	$0.30	$0.002	1,000,000	-	(1,000,000)	-	-	-
10/4/2014	10/4/2017	10/5/2017	$0.40	$0.001	1,000,000	-	(1,000,000)	-	-	-
10/4/2014	10/4/2019	10/5/2019	$0.50	$0.003	1,000,000	-	-	-	1,000,000	-
28/10/2014	28/10/2014	28/10/2017	$0.07	$0.029	6,000,000	-	-	-	6,000,000	6,000,000
					12,061,100	-	(5,000,000)	-	7,061,100	6,061,100
Weighted average exercise price					$0.19	-	$0.23	-	$0.16	$0.11

(1) Options issued to employees on commencement of employment are not subject to performance conditions and do not have as expiry date. However, on termination, vested options must be exercised within a specified period of the termination date (not exceeding twelve months).

Since balance date up to the date of this report in respect of the plan period ended 30 June 2018, nil options have been granted, lapsed or exercised and no options on issue at balance date have been exercised up to the date of this report.

Rights

In the current reporting period, the Company granted share rights to directors and executive Key Management Personnel (KMP) to receive shares at an agreed exercise price at a date in the future, subject to specific performance criteria being achieved. The rights are independently valued at the grant date using the Monte Carlo simulation model. The value of the rights are expensed to the Income Statement over the applicable measurement period.

In prior reporting periods, the Company offered rights to executive KMP and senior management to receive shares at an exercise price of $nil at a date in the future, subject to specific performance criteria being achieved. The rights are independently valued at the grant date using the Monte Carlo simulation model or a discounted cash flow technique. The value of the rights are expensed to the Income Statement over the applicable measurement period.

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

At reporting date there are 40,200,000 (2017: nil) unissued shares of the Company which are subject to performance rights. Each performance right entitles the holder to receive one fully paid ordinary share in the Company when the relevant performance conditions are met. The details of the performance rights on issue at balance date and movements during the reporting period are as follows:

Grant date	Initial measurement/ service date	Expiry date	Exercise price	Fair value at date of grant	Number of rights: Opening balance	Granted	Cancelled	Lapsed	Exercised	Closing balance
2018										
23/11/2017	23/11/2017	*(1)*	$0.05	$0.01	-	6,600,000	-	-	-	6,600,000
23/11/2017	23/11/2017	*(1)*	$0.06	$0.01	-	6,600,000	-	-	-	6,600,000
8/1/2018	8/1/2018	*(1)*	$0.05	$0.02	-	11,000,000	-	-	-	11,000,000
8/1/2018	8/1/2018	*(1)*	$0.06	$0.01	-	9,000,000	-	-	-	9,000,000
12/1/2018	12/1/2018	*(1)*	$0.05	$0.02	-	3,600,000	-	-	-	3,600,000
12/1/2018	12/1/2018	*(1)*	$0.06	$0.01	-	3,400,000	-	-	-	3,400,000
					-	40,200,000	-	-	-	40,200,000
2017										
1/7/2013	30/6/2016	*(2)*	$nil	$0.04	3,063,989	-	-	-	(3,063,989)	-
					3,063,989	-	-	-	(3,063,989)	-

(1) These performance rights have no fixed expiry date. They vest upon meeting the relevant vesting conditions, subject to continued Non-executive Director or employment service conditions, and can be exercised by the holder with an exercise period of the earlier of three years after the rights vest or the date of a Change of Control event.

(2) These performance rights have no expiry date. They vest and are automatically exercised at the end of the service period, subject to meeting performance criteria.

Nil rights were exercisable as at balance date.

Since balance date up to the date of this report in respect of the plan period ended 30 June 2018 nil rights have been exercised and nil rights have been granted, cancelled or lapsed.

Note 26. Share-based payment arrangements – (continued)

Employee shares

In prior reporting periods, the Company established a number of employee share plans to administer the granting and vesting of options and rights. These plans appointed an independent trustee to acquire and hold, in an independent trust, the Company's shares that would ultimately vest to the relevant employees. The participating employees were the sole beneficiaries of the trust.

The employee share plans are in the process of being wound up. During the current reporting period, all 1,094,671 remaining shares held by the employee share plans were sold on market with the proceeds to be used to fund the winding up of the employee share plans. Any excess proceeds on liquidation will be allocated to the Spicers Superannuation Fund.

Despite having no beneficial interest in the trust, under the relevant accounting standards, the Company consolidated the trust in the financial statements of the Consolidated Entity and therefore any Company shares held by the trust on behalf of the participating employees were recorded in the Statement of Financial Position in the reserve for own shares (refer Note 25). The voting rights attached to the shares were held in trust, and the dividends attached to the shares were retained by the trust. During the prior reporting period, 3,063,989 shares were distributed by the trust to satisfy issues under share-based payment plans.

The reconciliation of the number of shares acquired by the trust that were available for distribution by the trust under share-based payment arrangements and recorded in the reserve for own shares is as follows:

	Opening balance	Shares sold by the trust	Distributed by the trust	Closing balance
2018				
Number of shares	1,094,671	(1,094,671)	-	-
2017				
Number of shares	4,158,660	-	(3,063,989)	1,094,671

Share-based payments expense

	2018 $000	2017 $000
Equity settled share-based payments expense	(52)	-
Total share-based payments expense	(52)	-

Note 27. Financial risk management and financial instrument disclosures

Overview

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Committee, which is responsible for developing and monitoring risk management policies. The Audit & Risk Committee reports periodically to the Board of Directors on its activities.

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

The Audit & Risk Committee oversees how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity. The Audit & Risk Committee is assisted in its oversight role by group finance and governance resources. The group finance and governance resources carry out targeted internal controls improvement work in key areas, the results of which are reported to senior management and the Audit & Risk Committee.

Note 27. Financial risk management and financial instrument disclosures – (continued)

Credit risk

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

Trade and other receivables

The credit risk on financial assets of the Consolidated Entity, other than investments in shares, is the carrying amount of receivables, net of provisions for impairment loss against doubtful debts. The Consolidated Entity minimises its concentrations of this credit risk by undertaking transactions with a large number of customers and counterparties in various countries. Australia has 51% of the Consolidated Entity's trade and other receivables with New Zealand and Asia having 25% and 24% respectively. No individual customers comprise more than 10 percent of an individual country's trade and other receivables balance at balance date.

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

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

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

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

The Consolidated Entity also utilises credit insurance in all jurisdictions as a further measure to mitigate credit risk.

Foreign exchange contracts

In order to manage any exposure which may result from non-performance by counterparties, foreign exchange contracts are only entered into with major financial institutions. In addition, the Board must approve these financial institutions for use, and specific internal guidelines have been established with regard to instruments, limits, dealing and settlement procedures.

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

Guarantees

Guarantees provided by the Company and the Consolidated Entity are detailed in Notes 30 and 33 respectively.

Liquidity risk

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

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

Note 27. Financial risk management and financial instrument disclosures – (continued)

Market risk

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

The Consolidated Entity enters into Board approved instruments including derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within policies approved by the Board.

The Consolidated Entity does not enter into commodity contracts.

Currency risk - transactional

The Consolidated Entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the group entities. The major functional currencies of the continuing group entities are the Australian dollar (AUD), the New Zealand dollar (NZD), the Singapore dollar (SGD) and the Malaysian ringgit (MYR). Primarily the transactions undertaken by the continuing group entities are denominated in their functional currency.

In relation to recognised assets and liabilities denominated in a currency other than the entity's functional currency, the Consolidated Entity's policy is to hedge all material foreign currency trading exposures. This is done via a natural hedge, such as a similarly denominated receivable or cash balance, or through approved derivative contracts. It is the Consolidated Entity's policy to recognise the net exchange gain/loss arising between the date of inception and year end, as a net foreign currency receivable/payable in the financial statements. This net exchange gain/loss is calculated as the movement in the fair value of the contract from the date of inception to year end.

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

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

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Consolidated Entity, primarily AUD and NZD for the continuing businesses. This provides an economic hedge and no derivatives are entered into for currency risk on interest payments.

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

Currency risk - translational

Foreign currency earnings translation risk arises predominantly as a result of earnings in NZD, SGD, and MYR being translated into AUD and from the location of other individually minor foreign currency earnings. The Consolidated Entity does not enter into derivative contracts to hedge this exposure.

Foreign currency net investment translation risk is partially hedged through the Consolidated Entity's policy of originating debt in the currency of the asset, resulting in an overall reduction in the net assets that are translated. The remaining translation exposure is not hedged.

Interest rate risk

The Consolidated Entity is exposed to adverse movements in interest rates under various debt facilities. The Consolidated Entity from time to time enters into interest rate swaps that swap floating rate interest bearing liabilities into a fixed rate of interest. The Consolidated Entity, if required, will enter into interest rate derivatives. The Company currently does not undertake interest rate hedging but interest rate exposures are continually monitored and if conditions change significantly interest rate hedging may recommence.

Capital management

The Consolidated Entity engages in active capital management so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net profit before interest and tax divided by total shareholders' equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Consolidated Entity uses a range of financial metrics to monitor the efficiency of its capital structure, including gearing and leverage ratios and return on funds employed, in order to ensure that its capital structure provides sufficient financial strength to enable access to debt finance at reasonable cost. The weighted average interest rate on interest-bearing borrowings was nil percent (2017: 6.6 percent).

Note 27. Financial risk management and financial instrument disclosures – (continued)

Exposure to credit risk

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

	Note	2018 $000	2017 $000
Current net trade receivables		69,821	70,990
Forward exchange contracts		1,447	-
Current other receivables (excluding prepayments)		1,010	2,326
Total current trade and other receivables		72,278	73,316
Non-current other receivables		-	74
Total non-current trade and other receivables	15	-	74
Total trade and other receivables		72,278	73,390
Cash and cash equivalents	12	41,135	29,928
Short-term deposits		3,955	3,955
		117,368	107,273

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

	2018 $000	2017 $000
Australia	37,966	40,042
New Zealand	17,863	17,257
Asia	16,449	16,091
Total trade and other receivables	72,278	73,390

Receivables relate to wholesale and end-user customers.

The ageing of trade debtors at the reporting date was:

	Note	Gross 2018 $000	Gross 2017 $000
Not past due		63,603	62,890
Past due 0-30 days		6,429	7,785
Past due 31-120 days		1,111	1,075
Past due 121 days to one year		31	60
Past due more than one year		1,108	1,255
Total gross trade debtors	13	72,282	73,065

Impairment losses

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

	Note	2018 $000	2017 $000
Balance at 1 July		(2,075)	(2,695)
Impairment loss recognised		(567)	(231)
Net write-off		272	755
Foreign currency movements		(91)	96
Balance at 30 June	13	(2,461)	(2,075)

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

When a specific receivable is considered uncollectable it is written off to the Consolidated Income Statement in the current period. Any provision held in respect of this trade receivable is written back to the Consolidated Income Statement in the same period.

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

Note 27. Financial risk management and financial instrument disclosures – (continued)

Exposure to liquidity risk

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

	Carrying amount $000	Contractual Cash Flows Total $000	1 year or less $000	1 to 5 years $000	More than 5 years $000
2018					
Non-derivative financial liabilities					
Trade and other payables	87,928	87,928	87,928	-	-
2017					
Non-derivative financial liabilities					
Trade and other payables	84,654	84,654	84,654	-	-
Interest bearing loans and borrowings	2,042	2,060	2,060	-	-
Derivative financial liabilities					
Other foreign exchange contracts	253	253	253	-	-

Exposure to currency risks

The Consolidated Entity's exposure at the reporting date to foreign currency risk arising on transactions entered into by operating entities of the Consolidated Entity where the transaction currency was not the functional currency of the operating entity was as follows, based on notional amounts:

Exposure (in local currency)	2018 AUD $000	EUR €000	USD $000	JPY ¥m	SGD $000
Trade and other receivables	745	63	1,913	-	-
Trade and other payables	(790)	(2,434)	(16,926)	(200,581)	-
Loans and borrowings	-	(5,677)	-	-	-
Gross balance sheet exposure	(45)	(8,048)	(15,013)	(200,581)	-
Foreign exchange contracts	-	3,103	19,989	245,323	-
Net balance sheet exposure	(45)	(4,945)	4,976	44,742	-

Exposure (in local currency)	2017 AUD $000	EUR €000	USD $000	JPY ¥m	SGD $000
Trade and other receivables	641	374	1,861	-	-
Trade and other payables	(968)	(3,549)	(14,499)	(160,804)	(7)
Loans and borrowings	-	(5,677)	-	-	(2,175)
Gross balance sheet exposure	(327)	(8,852)	(12,638)	(160,804)	(2,182)
Foreign exchange contracts	14	4,303	17,233	203,774	-
Net balance sheet exposure	(313)	(4,549)	4,595	42,970	(2,182)

The following exchange rates were used to translate these significant foreign denominated exposures into the Consolidated Entity's functional currency (AUD) at the end of the reporting period:

	Reporting date spot rate 2018	2017
EUR	0.6264	0.6629
USD	0.7298	0.7622
JPY	79.7800	85.0400
SGD	1.0049	1.0590

Note 27. Financial risk management and financial instrument disclosures – (continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at the reporting date would have increased/(decreased) pre-tax profit on translation by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative reporting period.

	2018 $000	2017 $000
EUR	718	624
USD	(620)	(548)
JPY	(51)	(46)
SGD	-	187

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

Exposure to interest rate risks

Profile

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

	Floating interest $000	Fixed interest $000	Total $000	Effective interest rate % *(1)*
2018				
Financial assets				
Cash and cash equivalents	41,135	-	41,135	1.1
Short-term deposits	-	3,955	3,955	2.6
Financial liabilities				
Interest bearing loans and borrowings	-	-	-	-
2017				
Financial assets				
Cash and cash equivalents	25,928	4,000	29,928	1.1
Short-term deposits	-	3,955	3,955	2.7
Financial liabilities				
Interest bearing loans and borrowings	2,060	-	2,060	6.6

(1) Excludes company specific margins.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	2018 $000	2017 $000
Floating interest	411	279

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

Note 27. Financial risk management and financial instrument disclosures – (continued)

Fair values

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

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

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

The fair value of foreign exchange option contracts is determined by using option pricing models that include externally sourced inputs for a comparable contract at balance date.

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

Included in trade and other receivables are amounts owed by former subsidiaries of the Consolidated Entity. Included in trade and other payables are amounts owed to former subsidiaries of the Consolidated Entity. Upon loss of control of the former subsidiaries (refer Note 10), the financial assets and liabilities are recognised for the first time at fair value and subsequently at either amortised cost or fair value through profit and loss depending on the nature of the asset or liability and the basis on which it is managed and its performance is evaluated. Fair value is calculated based on either the ability of the subsidiary or former subsidiary to pay given their current and projected capacity, or the present value of future cash flows, discounted at a market rate of interest having regard to the credit risk of the subsidiary or former subsidiary.

Fair value hierarchy

The table below analyses financial instruments carried or disclosed at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
$000	**Note**	**Fair value hedging instru-ments**	**Loans and receiv-ables**	**Other financial assets/ liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
2018									
Financial assets measured at fair value									
Foreign exchange contracts		1,447	-	-	1,447	-	1,447	-	1,447
		1,447	-	-	1,447				
Financial assets not measured at fair value									
Cash and cash equivalents	12	-	41,135	-	41,135				
Short-term deposits		-	3,955	-	3,955				
Trade and other receivables		-	72,509	-	72,509				
		-	117,599	-	117,599				
Financial liabilities measured at fair value									
Trade and other payables		-	-	(11,168)	(11,168)			(11,168)	(11,168)
		-	-	(11,168)	(11,168)				
Financial liabilites not measured at fair value									
Trade and other payables		-	-	(76,760)	(76,760)				
		-	-	(76,760)	(76,760)				

Note 27. Financial risk management and financial instrument disclosures – (continued)

		Carrying amount				Fair value			
$000	Note	Fair value hedging instru-ments	Loans and receiv-ables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
2017									
Financial assets not measured at fair value									
Cash and cash equivalents	12	-	29,928	-	29,928				
Short-term deposits		-	3,955	-	3,955				
Trade and other receivables		-	74,364	-	74,364				
		-	108,247	-	108,247				
Financial liabilities measured at fair value									
Foreign exchange contracts		(253)	-	-	(253)	-	(253)	-	(253)
Trade and other payables		-	-	(9,985)	(9,985)	-	-	(9,985)	(9,985)
		(253)	-	(9,985)	(10,238)				
Financial liabilites not measured at fair value									
Trade and other payables		-	-	(74,669)	(74,669)				
Bank loans - secured	21	-	-	(2,042)	(2,042)	-	(2,060)	-	(2,060)
		-	-	(76,711)	(76,711)				

The reconciliation of movements in the fair value of financial liabilities measured at fair value within Level 3 of the fair value hierarchy is set out below:

	2018 $000	2017 $000
Opening balance	9,985	9,450
Net change in fair value	588	552
Foreign currency movements	595	(17)
Closing balance	11,168	9,985

The "net change in fair value" for the period is included in "net other finance costs" in the Consolidated Income Statement.

Note 28. Employee retirement benefit obligations

The Consolidated Entity participates in a variety of retirement benefit arrangements. The following table covers the material defined benefit plans, that is those with benefits linked to years of service and/or final salary. At the reporting date, the only defined benefit plan is the Australian Spicers Superannuation Fund. The principal benefits of the Australian defined benefit plan are provided as a lump sum.

The Spicers Superannuation Fund is backed by external assets through a separate sponsored fund whereby the Consolidated Entity's cash contributions are determined by the plan's actuary. The funding requirements are based on the plan's actuarial measurement framework set out in the funding policies of the plan. Employee contributions are paid in accordance with the plan's rules.

The Consolidated Entity participates in a variety of other retirement arrangements of a defined contribution nature, where Consolidated Entity and member contributions are fixed according to the plan rules. These plans are accounted for on a cash basis, and their details are not included in the table below.

The defined benefit obligation has been determined in accordance with the measurement and assumption requirements of AASB119. This requires the projected unit credit method to attribute the defined benefits of employees to past service.

	2018 $000	2017 $000
The amounts recognised in the Statement of Financial Position are determined as follows:		
Present value of the defined benefit obligation	8,189	10,059
Less fair value of plan assets	(8,908)	(10,702)
Add limitation on recoupment of net surplus position	719	643
Net liability in the Statement of Financial Position	-	-

Note 29. Reconciliation of cash flows from operating activities

	Note	2018 $000	2017 $000
Reconciliation of profit after tax to net cash from operating activities			
Profit for the period		3,511	1,692
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles	16,17	1,219	1,261
• Loss/(profit) on disposal of controlled entities	5	477	(2,198)
• Loss on disposal of property, plant and equipment		18	105
• Employee share based payments expense	26	52	-
• Amortisation of capitalised borrowing costs	21	16	132
Add back other items classified as investing/financing:			
• Borrowing costs expensed		75	70
Decrease/(increase) in trade and other receivables		2,389	(2,365)
Decrease/(increase) in inventories		9,634	(14,766)
Increase in trade and other payables		1,965	21,006
(Decrease)/increase in provisions and employee benefits		(619)	1,462
Increase in current and deferred taxes		(1,482)	(112)
Net cash from operating activities		17,255	6,287
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 30 June 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		41,135	29,928
		41,135	29,928

Note 30. Parent entity disclosures

As at and throughout the financial year ended 30 June 2018, the parent company of the Consolidated Entity was Spicers Limited.

Comprehensive Income

For the year ended 30 June	Parent Entity 2018 $000	2017 $000
(Loss)/profit before tax	(104)	288,549
Tax expense	(0)	(1)
Total comprehensive (loss)/income for the period, net of tax	(104)	288,548

Statement of Financial Position

As at 30 June	Parent Entity 2018 $000	2017 $000
Current assets	3,955	3,955
Total assets	45,302	45,303
Current liabilities	-	5,389
Total liabilities	7,276	5,389
Net assets	38,026	39,914
Equity		
Issued capital	1,934,824	1,936,608
Accumulated losses	(1,896,798)	(1,896,694)
Total equity	38,026	39,914

Note 30. Parent entity disclosures – (continued)

Contingent liabilities

	Parent Entity	
	2018 $000	**2017 $000**
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	500	-
• Other guarantees (government)	2,823	2,172
• Loan guarantees (subsidiaries)	14,134	13,030
Total contingent liabilities	17,457	15,202

Refer to Note 33 for details.

The Company does not have any contractual commitments for the acquisition of property, plant and equipment.

Note 31. Capital expenditure commitments

	2018 $000	**2017 $000**
Capital expenditure contracted but not provided for:		
• Property, plant and equipment	-	86
• Acquisition of controlled entities *(1)*	-	824
Total capital expenditure commitments	-	910

(1) Refer Note 36.

Note 32. Lease commitments

Operating leases

	2018 $000	**2017 $000**
Operating lease commitments		
Lease expenditure contracted but not provided for:		
• Not later than one year	8,199	10,393
• Later than one year but not later than five years	14,935	20,264
• Later than five years	3,226	3,339
Total operating lease commitments	26,360	33,996

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

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

Finance leases

The Consolidated Entity did not have any finance leases in the current or prior reporting periods.

Note 33. Contingent liabilities

	2018 $000	**2017 $000**
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	500	455
• Other guarantees	2,823	2,172
Total contingent liabilities	3,323	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, include bank guarantees in relation to the specific requirement of self-insurance licences for workers' compensation in Australia.

Under the terms of the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, effective 29 September 2016, the Company and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities with those subsidiaries identified in Note 36.

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 of these items. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Note 33. Contingent liabilities – (continued)

Sale warranties and indemnities

The Consolidated Entity has given certain vendor warranties and indemnities for operations previously divested in North America. No new claims have arisen under these warranties and indemnities in the current or prior reporting periods.

As it is not possible to quantify the potential financial obligation (if any) of the Consolidated Entity for future claims under these warranties and indemnities, no amounts have been disclosed.

Subsidiaries in administration

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 insolvency proceedings are ongoing.

Legal claims and other exposures may arise for the Consolidated Entity from these proceedings. There is uncertainty as to whether a future liability may arise in respect of these matters. The amount of any potential liability, if any, is unascertainable at this time. Based on current knowledge it is considered unlikely that a material future liability will arise.

These matters have been taken into consideration in undertaking the going concern assessment – refer Note 2(e).

Note 34. Auditors' remuneration

	2018 $	2017 $
Audit and review services		
Auditors of the Consolidated Entity - KPMG Australia		
Audit and review of financial statements	296,115	384,533
Overseas KPMG firms		
Audit and review of financial statements	106,068	145,254
	402,183	529,787
Other auditors *(1)*		
Audit and review of local statutory financial statements	1,370	68,177
	403,553	597,964
Other services		
Auditors of the Consolidated Entity - KPMG Australia		
Other services - capital simplification due diligence services	-	100,000
Other services	-	9,500
Overseas KPMG firms		
Taxation services	8,674	9,506
	8,674	119,006
Total auditors' remuneration	412,227	716,970

(1) One business uses other auditors to provide audit services for local statutory accounts.

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

Note 35. Related parties

Key management personnel (KMP) compensation

	2018 $	2017 $
Short-term benefits	1,198,646	1,406,427
Post-employment benefits	104,563	129,249
Other long-term benefits	-	40,105
Equity plans	51,770	-
Termination benefits	526,439	-
	1,881,418	1,575,781

Transactions with entities in the Consolidated Entity

The Company provided management, accounting and administrative services to other entities in the Consolidated Entity during the current and prior reporting periods. These services were provided on commercial terms and conditions.

Other related party disclosures

The ownership interest in subsidiaries is disclosed in Note 36.

Loans to Directors of subsidiaries total $nil (2017: $nil).

Note 36. Group entities

Acquisitions

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 12 months to 30 June 2018, Sign Tech contributed revenue of $1.03 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	800
Total consideration transferred	800

Identifiable assets acquired and liabilities assumed

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

	Sign Tech $000
Cash and cash equivalents	5
Inventories	165
Trade and other receivables	157
Property, plant and equipment	1
Trade and other payables	(37)
Total net identifiable assets	291

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Sign Tech $000
Total consideration transferred	800
Fair value of identifiable assets	291
Goodwill	509

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.

Cross guarantee

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

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, effective 29 September 2016, these wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of Financial Reports.

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

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

Income Statement

	Deed of Cross Guarantee Consolidated	
For the year ended 30 June	**2018 $000**	**2017 $000**
Profit before tax	1,106	281,886
Tax expense	-	(1)
Profit after tax	1,106	281,885
Accumulated losses at beginning of period	(1,865,115)	(2,147,004)
Employee share options and rights	(42)	4
Accumulated losses at end of period	(1,864,051)	(1,865,115)

Note 36. Group entities – (continued)

Statement of Financial Position

	Deed of Cross Guarantee Consolidated	
As at 30 June	**2018 $000**	**2017 $000**
Current assets		
Cash and cash equivalents	14,139	8,300
Short-term deposits	3,955	3,955
Trade and other receivables	38,477	40,489
Inventories	47,437	52,592
Total current assets	104,008	105,336
Non-current assets		
Receivables	-	73
Investments in other Consolidated Entity subsidiaries	28,447	28,448
Property, plant and equipment	3,022	3,509
Intangible assets	299	284
Total non-current assets	31,768	32,314
Total assets	135,776	137,650
Current liabilities		
Trade and other payables	44,135	43,194
Loans and borrowings	10,206	10,550
Income tax payable	1,000	2,000
Employee benefits	6,187	7,180
Provisions	1,370	1,125
Total current liabilities	62,898	64,049
Non-current liabilities		
Employee benefits	352	448
Total non-current liabilities	352	448
Total liabilities	63,250	64,497
Net assets	72,526	73,153
Equity		
Issued capital	1,934,824	1,936,608
Reserves	1,753	1,660
Accumulated losses	(1,864,051)	(1,865,115)
Total equity	72,526	73,153

Note 36. Group entities – (continued)

Subsidiaries listing

	Note	Country of incorporation	Consolidated subsidiary interest 2018	2017
PaperlinX Services Pty Ltd	*(1)*	Australia	100%	100%
Tas Paper Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX SPS Trust	*(2)*	Australia	-	100%
PaperlinX SPS LLC	*(3)*	USA	-	100%
Spicers Australia Pty Ltd	*(1)*	Australia	100%	100%
Pebmis Pty Ltd	*(1)*	Australia	100%	100%
Paper Associates Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX Holdings Coöperatieve UA		Netherlands	100%	100%
PPX Canada Limited		Canada	100%	100%
Spicers Holdings (Asia) Pte Ltd		Singapore	100%	100%
Spicers Paper (Singapore) Pte Ltd		Singapore	100%	100%
Spicers Paper (Hong Kong) Ltd	*(4)*	Hong Kong	-	100%
Spicers Paper (Malaysia) Sdn Bhd		Malaysia	100%	100%
PaperlinX Investments Pty Ltd	*(1)*	Australia	100%	100%
Spicers (N.Z.) Ltd		New Zealand	100%	100%
Total Supply Limited		New Zealand	100%	100%
Sign Technology Limited		New Zealand	100%	-

(1) Subsidiaries entered into an approved deed for the cross guarantee of liabilities.
(2) PaperlinX SPS Trust was dissolved effective 31 December 2017.
(3) PaperlinX SPS LLC was wound-up by the Trustee effective 31 August 2017.
(4) Spicers Paper (Hong Kong) Ltd was liquidated effective 9 March 2018.

Note 37. Events subsequent to balance date

Dividends on the Company's ordinary shares

No final dividend has been declared for the reporting period ended 30 June 2018.

Note 38. Accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

The Financial Report of the Consolidated Entity is in accordance with Accounting Standard AASB 10 *Consolidated Financial Statements*. In preparing the Financial Report, all balances and transactions between entities included in the Consolidated Entity have been eliminated.

- **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are carried at cost less accumulated impairment losses.

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

Dividend distributions from subsidiaries are recognised by the Company when they are declared by the subsidiaries. Dividends received out of pre-acquisition reserves are recognised in the Income Statement, subject to impairment review.

- **Other entities**

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

(b) Share capital

- **Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(c) Revenue recognition

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

Note 38. Accounting policies – (continued)

(d) Taxation

- **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

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

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit or loss; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

- **Tax consolidation - Australia**

The Company is the head entity of the Australian tax consolidated group.

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

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

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

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

(e) Goods and Services Tax - Australia

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

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

The net amount of GST payable to the ATO is included as a current liability in the statement of financial position.

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

(f) Depreciation

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

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

Buildings:	between 1% - 4% (2017: 1% - 4%)
Plant and equipment:	between 4% - 25% (2017: 4% - 25%)

Depreciation is expensed except to the extent it is included in the carrying amount of an asset as an allocation of production overheads.

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

Note 38. Accounting policies – (continued)

(g) Employee benefits

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

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

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

- **Workers' compensation**

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

- **Share-based payments**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 3 and 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of equity instruments (share options and rights) that will eventually vest. At the end of each reporting period, the Consolidated Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, where the change is unrelated to market conditions, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee share plans reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. For options and performance rights granted before 7 November 2002 and/or vested before 1 January 2005, no expense has been recognised. The shares are recognised when the options and rights are exercised and the proceeds received are allocated to share capital.

- **Employee retirement benefit obligations**

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

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

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

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to other comprehensive income.

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

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

(h) Net financing costs

Net financing costs comprise interest, amortisation of transaction costs directly attributable to obtaining debt facilities, unwind of discount on provisions and other financing charges including net non-trading foreign exchange gains and losses, net of interest income on funds invested. These costs are recognised in profit or loss, except to the extent the interest incurred relates to construction of major capital items in which case interest is capitalised as a cost of the asset up to the time it is ready for its intended use or sale.

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

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

Transaction costs directly attributable to obtaining debt facilities are capitalised on initial recognition of the facility and amortised over the term of the facility.

Note 38. Accounting policies – (continued)

(i) Property, plant and equipment

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(j) Inventories

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

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

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity’s cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(l) Foreign currency

- **Transactions**

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

- **Translation of foreign subsidiaries**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income and presented in the exchange fluctuation reserve in equity.

Any exchange gains/losses arising on transactions entered into to hedge the currency fluctuations on the net investment in foreign subsidiaries are recorded, net of tax, in the exchange fluctuation reserve on consolidation where it is determined to be an effective hedge. When a foreign operation is disposed of, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit and loss as part of the gain or loss on disposal.

(m) Financial instruments

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

- **Derivative instruments**

Derivative instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value. Attributable transaction costs are recognised in profit or loss as incurred.

Changes in the fair value of derivative instruments are recognised immediately in the Income Statement.

- **Financial instruments included in liabilities**

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

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

Amounts owed to former subsidiaries are recognised at either amortised cost or fair value through profit and loss, depending on the nature of the liability and the basis on which it is managed and its performance is evaluated.

Note 38. Accounting policies – (continued)

- **Financial instruments included in assets**

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

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

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

Loans and receivables and held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amounts owed by former subsidiaries are recognised at either amortised cost or fair value through profit and loss, depending on the nature of the asset and the basis on which it is managed and its performance is evaluated.

(n) Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is recognised as a finance lease obligation.

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Intangible assets

- **Goodwill**

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

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

- **Other intangible assets**

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Amortisation rates used for other intangible assets are as follows:

Computer software: 10.0% - 40.0% (2017: 10% - 40.0%)

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(p) Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that are currently exercisable.

The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Note 38. Accounting policies – (continued)

(q) Impairment of assets

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

- **Recoverable amount**

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

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

- **Reversals of impairment**

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

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

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

(r) Provisions

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

- **Restructuring**

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

- **Environmental remediation**

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

(s) Earnings per share

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

Basic EPS is calculated by dividing the profit or loss attributable to members of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus issue.

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

(t) Discontinued operation

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

(u) Accounting estimates and judgements

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

- **Revisions of accounting estimates**

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

- **Fair value of financial assets and liabilities**

Amounts owed to and by former subsidiaries are recognised at amortised cost or fair value through profit and loss, depending on the nature of the asset or liability and the basis on which it is managed and its performance evaluated. To determine fair value, the Consolidated Entity makes estimates and assumptions regarding future cash flows, the credit risk of the entity and its capacity to pay.

- **Impairment of non-current assets**

The Consolidated Entity assesses whether non-current assets (including assets held for sale) are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash generating units to which the non-current assets are allocated based on forecast future cash flows and certain related assumptions. These assumptions are discussed in Note 18.

Note 38. Accounting policies – (continued)

- **Defined benefit plan obligations**

Various actuarial assumptions are utilised in the determination of the Consolidated Entity's defined benefit plan obligations.

- **Contingent liabilities**

Management have made estimates and judgements in relation to the likelihood of certain contingent liabilities, refer Note 33.

(v) Segment reporting

The Consolidated Entity determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer (CEO), who is the Consolidated Entity's chief operating decision maker. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results are regularly reviewed by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax assets and liabilities and centrally managed funding balances.

Segment information is further split between continuing operations and discontinued operations.

(w) New standards and interpretations not yet adopted

A number of standards, amendments to standards and interpretations which may be relevant to the Company or Consolidated Entity were available for early adoption but have not been applied by the Consolidated Entity in these financial statements. The new standards with the most significant potential impact on the Company and the Consolidated Entity are AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases.* An analysis of the transition impact has been undertaken, and the Consolidated Entity's assessment in relation to these standards is detailed below.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2014-1 *Amendments to Australian Accounting Standards [Part E - Financial Instruments],* AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 *Financial Instruments: Recognition and Measurement* in the final version of AASB 9. AASB 9 will become applicable to the Consolidated Entity from 1 July 2018.
The new standard will require the Consolidated Entity to revise its accounting processes and internal controls related to reporting financial instruments.

Classification – financial assets
AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets – measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.
At reporting date, the Consolidated Entity's financial assets mainly comprised trade and other receivables, cash and cash equivalents and short-term deposits, which are expected to be classified and measured at amortised cost under AASB 9. The Consolidated Entity does not believe that the new classification requirements, if applied at the reporting date, would have had a material impact on its accounting for these financial assets.

Impairment – financial assets and contract assets
AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. Under AASB 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument. Lifetime ECL measurement always applies for trade receivables without a significant financing component.

Given the nature and size of the customer base, with a significant number of low value receivable balances, the Consolidated Entity has chosen to use practical expedients when measuring ECLs. The Consolidated Entity intends to use its historical credit loss experience for trade receivables to estimate the lifetime ECLs, taking into account known impaired balances and the level of credit risk insurance in place to mitigate the exposure to impairment losses. As such, impairment losses are not expected to be materially higher or more volatile under AASB 9.

Classification – financial liabilities
AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities. However, under AASB 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9, these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

At reporting date, the Consolidated Entity has other payables designated at FVTPL. The Consolidated Entity does not believe that the new classification requirements, if applied at the reporting date, would have had a material impact on the recognition of changes in the fair value of liabilities designated as at FVTPL. The effect on future periods will depend on the value of other payables designated at FVTPL and the own credit risk attributable to those liabilities in future periods.

Note 38. Accounting policies – (continued)

Hedge accounting
AASB 9 will require the Consolidated Entity to ensure that hedge accounting relationships are aligned with the Consolidated Entity's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. AASB 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting.
Although the Consolidated Entity hedges foreign currency transactions which are not offset by a natural hedge (refer Note 38(l)), during the current and prior reporting periods, it did not apply hedge accounting to these activities. Therefore, the changes to hedge accounting under AASB 9 are unlikely to have an impact on the Consolidated Entity unless it decides to implement hedge accounting in future reporting periods.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers,* AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15,* AASB 2015-8 *Amendments to Australian Accounting Standards - Effective Date of AASB 15* outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.
AASB 15 will supersede the current revenue recognition guidance including AASB 118 *Revenue* and the related interpretations when it becomes effective to the Consolidated Entity from 1 July 2018.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Currently, the Consolidated Entity's sales revenue is measured at the fair value of the consideration received or receivable, net of returns, trade and settlement discounts and customer rebates paid or payable. Sales revenue is recognised when goods are delivered to the customer and the substantial risks and rewards of ownership have passed to the customer.

The Consolidated Entity recognises revenue from the following major sources:

- Sale of print and packaging products
- Sale of sign and display products, including hardware.

For the year ended 30 June 2018, print and packaging products and sign and display products (excluding hardware) accounted for approximately 98% of the Consolidated Entity's sales revenue. These categories typically involve the supply of products to customers from stock maintained in distribution centres or as an agent for suppliers, with the Consolidated Entity responsible for delivery to the customer. Under AASB 15, revenue will be recognised when the performance obligation is satisfied through transfer of control of the goods to the customer, which is no different from how the Consolidated Entity currently recognises this revenue.

In some cases, print and packaging products and sign and display products (excluding hardware) are provided on a 'bill and hold' basis, where the Consolidated Entity bills the customer for a product but retains physical possession of the product until it is transferred to the customer at a point in time in the future. AASB 15 acknowledges that for some contracts a customer may obtain control of a product even though that product remains in an entity's physical possession. AASB 15 provides certain criteria that must be met in relation to documentation of the arrangement, identification of the product, readiness to ship etc which is consistent with the Consolidated Entity's current policy on bill and hold arrangements. The only additional requirement under AASB 15 for 'bill and hold' is the need to consider whether the entity has any remaining performance obligations – for example custodial services – to which a portion of the transaction price should be allocated. Where appropriate, customers are charged separately for custodial services as a separate performance obligation.

The Hardware category contributed less than 2% of the Consolidated Entity's net sales revenue in the current reporting period. It mainly comprises revenue from the provision of printers and related equipment, but may also include installation and servicing of hardware, plus the provision of consumables such as inks. Currently revenue is recognised when the equipment has been delivered to the customer, or in the case of supply and install, when the equipment has been delivered and installed. Typically, servicing during the warranty period is not recognised as a separate revenue stream, notwithstanding that the servicing occurs over an agreed period (usually 1 year) post sale/installation. The amount of potential revenue deferral in the current reporting period is immaterial. As the Consolidated Entity is withdrawing from the provision of hardware servicing, there will be no impact on revenue recognition in subsequent reporting periods. The supply of consumables post sale/installation is typically not bundled into the hardware transaction and is treated as a separate sale transaction, which is consistent with the requirements of AASB 15.

AASB 16 Leases

AASB 16 *Leases* will replace AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases - Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* AASB 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will become effective to the Consolidated Entity from 1 July 2019.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees, except for short-term leases and leases of low value assets.

At reporting date, the Consolidated Entity has undiscounted non-cancellable operating lease commitments of $26.4 million, mainly in relation to warehouses. The current standard AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases, instead certain information is disclosed as operating lease commitments in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and so the Consolidated Entity will recognise a right-of-use asset and a corresponding lease liability in respect of these leases. In addition, the nature of expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense ($8.7 million in the current reporting period, included in 'logistics and distribution') with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Note 38. Accounting policies – (continued)

As a lessee, the Consolidated Entity can apply the standard using a:

- Retrospective approach, or
- Modified retrospective approach with optional practical expedients.

The Consolidated Entity has not yet determined which transition approach to apply.

The Consolidated Entity has not yet quantified the impact on its reported assets and liabilities of adoption of AASB 16. The quantitative impact will depend on the transition method chosen, the extent to which the Consolidated Entity uses the practical expedients and recognition exemptions, and any additional or replacement leases entered into prior to adoption.

Other standards, amendments to standards and interpretations which may be relevant to the Company or Consolidated Entity which were available for early adoption but have not been applied by the Consolidated Entity in the financial statements are:

- AASB 2014-10 A*mendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* addresses a conflict between the requirements of AASB 128 *Investments in Associates and Joint Ventures* and AASB 10 *Consolidated Financial Statements*. AASB 2014-10 will become applicable to annual reporting periods beginning on or after 1 January 2022. The potential effect, if any, on the Consolidated Entity's Financial Report has not yet been determined.
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* clarifies: estimating the fair value of cash-settled share-based payments; the classification of a share-based payment arrangement which has a 'net settlement feature'; and accounting for modification of share-based payments that change the transaction from cash-settled to equity-settled. AASB 2016-5 will become applicable to annual reporting periods beginning on or after 1 January 2018. The potential effect, if any, on the Consolidated Entity's Financial Report has not yet been determined.
- AASB 2018-1 A*mendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle* makes amendments to AASB 3 *Business Combinations,* AASB 11 *Joint Arrangements,* AASB 112 *Income Taxes* and AASB 133 *Borrowing Costs*. AASB 2018-1 will become applicable to annual reporting periods beginning on or after 1 January 2019. The potential effect, if any, on the Consolidated Entity's Financial Report has not yet been determined.
- AASB 2018-2 *Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement* amends AASB 119 *Employee Benefits* to require that the current service cost and net interest for the period are remeasured using the remeasurement assumptions, when a plan amendment, curtailment or settlement occurs, and also includes additional clarification around the asset ceiling requirements. AASB 2018-2 will become applicable to annual reporting periods beginning on or after 1 January 2019. The potential effect, if any, on the Consolidated Entity's Financial Report has not yet been determined.

DIRECTORS' DECLARATION

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

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

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

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

2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.

4 The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Jonathan Trollip   N.S. Burgess

Jonathan Trollip	**Nigel Burgess**
Chairman	Director

Dated at Melbourne, in the State of Victoria this 24 August 2018.

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Independent Auditor's Report

To the shareholders of Spicers Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Spicers Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of intangible assets and property, plant & equipment (PPE)
- Contingent liabilities

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of intangible assets and property, plant & equipment (PPE) ($36.8m)	
Refer to Note 18 'Impairment of non-current assets' to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's annual testing of intangible assets (including goodwill) and PPE for impairment is a key audit matter given the size of the balance (16% of total assets) as at 30 June 2018. We focused on the significant forward-looking and other assumptions the Group applied in their value in use models, including: • The paper industry in which the Group operates has experienced market structural decline for a number of years. This impacts critical inputs such as forecast paper sale volumes and gross margin, as well as longer term growth rate assumptions. The market decline is expected to continue into the forecast period, increasing the risk of inaccurate forecasting; and • The discount rate which is complex in nature and varies according to the conditions and environment that the specific Cash Generating Unit (CGU) operates in. The Group's impairment models are sensitive to changes in the assumptions mentioned above, which can reduce the available headroom. This focused our audit effort on the feasibility and consistency of these key assumptions with the Group's plan and strategy. In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of intangible assets and PPE being impaired. This further increased our audit effort in this key audit area.	Our procedures included: • Considering the appropriateness of the value in use method applied by the Group to perform the annual test of intangible assets and PPE for impairment against the requirements of the accounting standards. • Comparing the forecast cash flows contained in the value in use models to the Group's approved forecasts and considering the key matters included in the Board approved plan and strategy. • Challenging the Group's key forecast cash flow and growth assumptions, including the future impact of structural market decline. We compared forecast growth rates to published industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, its past performance, business and customers, and our industry experience. • Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted previous trends impacting CGU financial performance and how they impacted the business, for use in further testing. • We independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • Considering the sensitivity of the models by varying key assumptions such as forecast paper sale volumes, gross margin, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures. • Qualitatively assessing the key factors in the Group's assessment of differences between the year-end market capitalisation and the

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	carrying amount of the net assets based on our knowledge of the Group. • Assessing the disclosures in the Financial Report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Contingent Liabilities

Refer to Note 33 'Contingent Liabilities' to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group has possible exposures relating to ongoing insolvency proceedings across a number of the Group's discontinued operations. Contingent liabilities are considered a Key Audit Matter due to the significant judgement exercised by us in evaluating the current year possible exposures, the likelihood they could materialise, and adequacy of disclosures as a contingent liability under the accounting standards. We focused on gathering evidence for the critical considerations relevant to this. This included evaluating developments such as: • communication or correspondence between the Group and relevant parties, • legal advice obtained by the Group, • the implications for potential claims originating given the passage of time, • the legal framework for initiating a claim, and • other relevant factors indicating a lessening of the likelihood of possible exposure to future liabilities. These procedures were performed by senior audit team members.	Our procedures included: • Enquiries of Directors and senior management to assist in understanding the specific facts and circumstances of possible exposures, legal advice obtained, extent of insurance coverage, and their assessment of the potential for future claims or liabilities. • Reading the Group's litigation register as well as reports or other correspondence produced by insolvency administrators / trustees. We also enquired directly with the Group's lawyers to check changes to possible litigation claims and exposures assessed by the Group. • Examining current and past legal advice from the Group's external lawyers, and enquiring of them to understand their assessment of any exposure, changes in exposures, the Group's legal position and possible outcomes. We assessed the views expressed by Directors and senior management against the legal advice obtained by the Group, for consistency with information gathered as part of our audit procedures. • Assessing the disclosures in the Financial Report against accounting standard requirements the results of our audit procedures.

Other Information

Other Information is financial and non-financial information in Spicers Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor’s Report was the Remuneration Report. The Five Year History, Operating and Financial Review Report, Sustainability Report, Corporate Governance Report, Message from the Chairman, Message from the Chief Executive Officer and Shareholding and Investor information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company’s ability to continue as a going concern and whether the use of going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor’s Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor’s Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Spicers Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

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BW Szentirmay
Partner

Melbourne
24 August 2018