APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	**SPICERS LIMITED**
ABN:	**70 005 146 350**
For the half-year ended:	**31 December 2018**
Previous corresponding period:	31 December 2017

Results for announcement to the market

	2018 A$000	2017 Restated *(1)* A$000		% Change
External revenues from ordinary activities:				
• continuing operations	158,596	151,219	up	5%
• discontinued operations	36,031	41,971	down	14%
	194,627	193,190	up	1%

	2018 A$000	2017 Restated *(1)* A$000		% Change
Net profit/(loss) for the period after tax:				
• continuing operations	5,891	1,875	up	214%
• discontinued operations	(12,542)	4	down	> 500%
	(6,651)	1,879	down	454%
attributable to:				
Equity holders of Spicers Limited	(6,651)	1,879	down	454%

(1) The comparative amounts disclosed above have been re-presented as if the operations discontinued during the current year had been discontinued from the start of the comparative year.

Dividends

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

Commentary on results for the period

Refer to press release for explanation of results

Net tangible assets per security

	31 December 2018	31 December 2017
Net tangible assets per security	$0.06	$0.05

Details of entities over which control has been gained or lost

Control lost over the following entity effective 16 November 2018:

PPX Canada Limited

Control lost over the following entities effective 11 December 2018:

Spicers Paper (Singapore) Pte Ltd

Spicers Paper (Malaysia) Sdn Bhd

Dividend reinvestment plan

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

Details of associates and joint ventures

N/A

Information on audit or review

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

Michael Clark

Michael Clark
Company Secretary
Date: 15 February 2019

INTERIM FINANCIAL REPORT

of Spicers Limited

31 December 2018

Contents

The Directors of Spicers Limited ("the Company") present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries ("the Consolidated Entity") for the half-year ended 31 December 2018 and the auditor's review report thereon.

Directors

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

Name	**Period of directorship**
Non-executive	
Mr J A (Jonathan) Trollip	Director since 6 September 2017. Chairman since 7 September 2017.
Mr V (Vlad) Artamonov	Director since 6 September 2017.
Mr G (Gabriel) Berger	Director since 6 September 2017.
Mr N G (Nigel) Burgess	Director since 6 September 2017.
Mr T C (Todd) Plutsky	Director since 6 September 2017.
Mr A J (Andrew) Preece	Director since 6 September 2017.

Review of operations

A review of the operations of the Consolidated Entity during the half-year, and the results of those operations is contained in Spicers' Statement to the Australian Stock Exchange and news media dated 15 February 2019.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2018.

Rounding off

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

In accordance with a resolution of the Directors, dated at Melbourne, this 15th day of February 2019.

Jonathan Trollip
Chairman

Nigel Burgess
Director

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

To the Directors of Spicers Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Spicers Limited for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
15 February 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	2018 $000	2017 Restated *(1)* $000
Continuing operations			
Revenue from sale of goods	6	158,596	151,219
Cost of inventory sold		(122,202)	(115,606)
Gross profit		36,394	35,613
Other income		421	370
Personnel costs		(15,618)	(17,806)
Logistics and distribution		(9,984)	(9,865)
Sales and marketing		(684)	(666)
Other expenses		(3,384)	(4,463)
Result from operating activities		7,145	3,183
Net finance costs		(177)	(256)
Profit before tax		6,968	2,927
Tax expense		(1,077)	(1,052)
Profit from continuing operations		5,891	1,875
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	9	(12,542)	4
(Loss)/profit for the period		(6,651)	1,879
(Loss)/profit for the period attributable to:			
Equity holders of Spicers Limited		(6,651)	1,879
Basic earnings per share (cents)	8	(0.3)	0.1
Basic earnings per share from continuing operations (cents)	8	0.3	0.1
Diluted earnings per share (cents)	8	(0.3)	0.1
Diluted earnings per share from continuing operations (cents)	8	0.3	0.1

(1) Refer Note 9.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	2018 $000	2017 $000
(Loss)/profit for the period	(6,651)	1,879
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	3,291	(1,066)
Total items that may be reclassified subsequently to profit or loss	3,291	(1,066)
Items reclassified to profit or loss		
Exchange differences on disposal of controlled entities	14,717	(4)
Total items reclassified to profit or loss	14,717	(4)
Other comprehensive income/(loss) for the period, net of tax	18,008	(1,070)
Total comprehensive income for the period, net of tax	11,357	809
Total comprehensive income for the period attributable to:		
Equity holders of Spicers Limited	11,357	809

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 $000	As at 30 June 2018 $000
Current assets			
Cash and cash equivalents		41,143	41,135
Short-term deposits		1,682	3,955
Trade and other receivables		70,209	73,956
Inventories		68,034	78,911
Total current assets		181,068	197,957
Non-current assets			
Property, plant and equipment		5,479	8,966
Intangible assets		28,799	27,839
Deferred tax assets		451	687
Total non-current assets		34,729	37,492
Total assets		215,797	235,449
Current liabilities			
Bank overdrafts		1,996	-
Trade and other payables		55,285	87,928
Loans and borrowings	12	2,173	-
Income tax payable		1,369	1,443
Employee benefits		5,618	6,624
Provisions		602	1,979
Total current liabilities		67,043	97,974
Non-current liabilities			
Deferred tax liabilities		59	103
Employee benefits		357	443
Total non-current liabilities		416	546
Total liabilities		67,459	98,520
Net assets		148,338	136,929
Equity			
Issued capital	13	1,934,824	1,934,824
Reserves		8,079	(9,981)
Accumulated losses		(1,794,565)	(1,787,914)
Total equity attributable to holders of ordinary shares of Spicers Limited		148,338	136,929
Total equity		148,338	136,929

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Spicers Limited					
For the half-year ended 31 December 2018 **$000**	**Issued capital**	**Exchange fluctuation reserve**	**Reserve for own shares**	**Employee share plans reserve**	**Accumulated losses**	**Total equity**
Balance at 1 July 2018	1,934,824	(11,745)	-	1,764	(1,787,914)	**136,929**
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(6,651)	**(6,651)**
Other comprehensive income						
• Exchange differences on translation of overseas subsidiaries	-	3,291	-	-	-	**3,291**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement	-	14,717	-	-	-	**14,717**
Total other comprehensive income	-	18,008	-	-	-	**18,008**
Total comprehensive income/(loss) for the period	-	18,008	-	-	(6,651)	**11,357**
Transactions with owners recorded directly in equity						
• Director and employee share-based payment transactions	-	-	-	52	-	**52**
Total transactions with owners	-	-	-	52	-	**52**
Balance at 31 December 2018	1,934,824	6,263	-	1,816	(1,794,565)	**148,338**
For the half-year ended 31 December 2017 **$000**						
Balance at 1 July 2017	1,936,607	(12,970)	(42)	1,712	(1,791,383)	**133,924**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,879	**1,879**
Other comprehensive income						
• Exchange differences on translation of overseas subsidiaries	-	(1,066)	-	-	-	**(1,066)**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement	-	(4)	-	-	-	**(4)**
Total other comprehensive loss	-	(1,070)	-	-	-	**(1,070)**
Total comprehensive income/(loss) for the period	-	(1,070)	-	-	1,879	**809**
Transactions with owners recorded directly in equity						
• Director and employee share-based payment transactions	-	-	-	52	-	**52**
• Transaction costs attributable to the issue of new ordinary shares	(284)	-	-	-	-	**(284)**
Total transactions with owners	(284)	-	-	52	-	**(232)**
Balance at 31 December 2017	1,936,323	(14,040)	(42)	1,764	(1,789,504)	**134,501**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		191,964	194,032
Payments to suppliers and employees		(204,403)	(193,253)
Interest received		186	274
Interest paid		(117)	(394)
Income taxes paid		(1,284)	(1,574)
Net cash used in operating activities	14	(13,654)	(915)
Cash flows from investing activities			
Net proceeds from the disposal of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed	9	15,734	-
• Property, plant and equipment		10	16
• Short term deposits		2,273	-
Net (payments)/proceeds for controlled entities and businesses disposed in prior periods		(9,515)	355
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		-	(789)
• Property, plant and equipment and intangibles		(176)	(359)
Net cash from/(used in) investing activities		8,326	(777)
Cash flows from financing activities			
Proceeds from borrowings		2,126	-
Repayment of borrowings		-	(452)
Capitalised borrowing costs paid		-	(26)
Financing cash flows from financial liabilities	12	2,126	(478)
Share issue expenses		-	(1,715)
Other borrowing costs paid		(46)	(19)
Other financing cash flows		(46)	(1,734)
Net cash from/(used in) financing activities		2,080	(2,212)
Net decrease in cash and cash equivalents		(3,248)	(3,904)
Cash and cash equivalents at the beginning of the period		41,135	29,928
Effect of exchange rate changes on cash held		1,260	128
Cash and cash equivalents at the end of the period	14	39,147	26,152

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

Note 1. Reporting entity

Spicers Limited (the "Company"), is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 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.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at 155 Logis Boulevard, Dandenong South VIC 3175 or at www.spicerslimited.com.au.

Note 2. Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2018.

This condensed consolidated interim financial report was approved by the Board of Directors on 15 February 2019.

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

Going concern basis of accounting

In preparing the condensed consolidated interim financial report, the Directors 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:

- The Scheme Implementation Deed entered into with Kokusai Pulp & Paper Co., Ltd ("KPP") under which KPP would acquire all of the shares in the Company – refer Note 5. KPP have indicated that, subject to the proposed transaction completing, they will undertake to provide suitable long-term facilities or support the extension of the Australian and New Zealand borrowing facilities, both of which mature within 12 months of the date of this report.
- Net cash position and current borrowing facilities:
  - Only $2.2 million outstanding under borrowing facilities (Note 12) and $39.1 million of cash and cash equivalents at reporting date.
  - No financial covenants under the Australian borrowing facility (Note 12), and compliance with New Zealand financial covenant requirements.
- Increased profit before interest and tax in both continuing operating segments in the current interim reporting period (Note 6).
- Forecast financial performance and operating cash flows based on Board approved FY2019 revised forecast information.
- The status of insolvency proceedings underway in relation to several former European operations (Note 15).

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 condensed consolidated interim financial report has been prepared on a going concern basis.

Note 3. Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2018.

Changes in accounting policy and disclosures

The Consolidated Entity has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are effective for the current interim reporting period. The Consolidated Entity applies for the first time AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. As required under AASB 134, the nature and effect of these changes are disclosed below.

AASB 15 - Revenue from Contracts with Customers

AASB 15 replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*. AASB 15 contains a new set of principles on when and how to recognise and measure revenue as well as new requirements related to presentation and disclosures.

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. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Note 3. Significant accounting policies – (continued)

Sale of goods

The Consolidated Entity's contracts with customers for the sale of paper, packaging materials and sign and display products generally include one performance obligation. Therefore, revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. This is consistent with how revenue was recognised previously under AASB 118.

In some cases, paper, packaging materials and sign and display products are provided on a 'bill and hold' basis, where the Consolidated Entity bills the customer for a product but retains physical possession until it is transferred to the customer at a later date. 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 previous 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.

Variable rebates on sale of goods

The Consolidated Entity enters into variable rebate agreements with some customers whereby the customer receives a discount which ultimately varies depending on the total volume or value of sales over an agreed period. Previously, variable rebates were accrued at the maximum percentage on all purchases then trued-up and settled at the end of the agreement. Under AASB 15, variable consideration should be estimated by using either the 'expected value' method (the sum of probability-weighted amounts in a range of possible consideration amounts) or the 'most likely amount' method (the single most likely amount in a range of possible consideration amounts). The Consolidated Entity has adopted the 'most likely amount' method, which did not have a material impact on the value of rebates payable.

Provision of services

The Consolidated Entity sells printers and related equipment as part of its sign and display product range. The Consolidated Entity also provides servicing of the printers during the warranty period and may also provide ongoing servicing, which is subject to a separate time-based agreement. Previously, servicing of hardware over the warranty period was not recognised as a separate revenue stream as it was included as part of the hardware sale. Under AASB 15, servicing over the warranty period is a separate performance obligation recognised over time. The effect of this change on implementation of AASB 15 was immaterial. Revenue from ongoing servicing is recognised over time, which is consistent with the requirements under AASB 15.

The Consolidated Entity previously supplied and installed cladding products as part of its sign and display product range, but withdrew from this activity during the prior financial year, with final proceeds received in the first quarter of the current financial year. Revenue is recognised over time on a basis consistent with the requirements of AASB 15.

Disaggregation of revenue from contracts with customers is disclosed in the Operating Segments note (Note 6).

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets, derecognition and general hedge accounting.

Classification and measurement – 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 previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

Under AASB 139, the Consolidated Entity classified and measured trade and other receivables, cash and cash equivalents and short-term deposits at amortised cost and foreign exchange forward contracts at FVTPL. Under AASB 9 the Consolidated Entity has determined there is no change to the classification and measurement of these financial instruments.

Impairment – financial 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.

Under AASB 9, an allowance for ECLs is recorded for trade and other receivables and other debt financial assets not held at FVTPL. For trade and other receivables, the Consolidated Entity has applied the Standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Consolidated Entity has established a provision matrix that is based on the Consolidated Entity's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This is in addition to amounts provided for specific 'at risk' debts. The implementation of AASB 9 does not have a material impact on the recognition of impairment losses.

Note 3. Significant accounting policies – (continued)

Classification and measurement – 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.

Under AASB 139, the Consolidated Entity classified and measured trade and other payables at amortised cost and amounts owed to former subsidiaries at FVTPL. Under AASB 9 the Consolidated Entity has determined there is no change to the classification and measurement of these financial instruments. The amounts owed to former subsidiaries were settled during the current interim reporting period.

Hedge accounting

AASB 9 requires entities to ensure that hedge accounting relationships are aligned with the 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 hedged foreign currency transactions which were not offset by a natural hedge during the current and prior interim reporting periods, it did not apply hedge accounting to these activities. Therefore, the changes to hedge accounting under AASB 9 have not impacted the Consolidated Entity's results or financial position during the current and prior interim reporting periods.

The financial impact of adopting AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018 is not material, and accordingly, there is no impact on the current or prior interim reporting periods.

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

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

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

Note 4. Accounting estimates and judgements

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

In preparing this condensed consolidated interim financial report the significant estimates and judgements applied in the Consolidated Entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2018.

Note 5. Scheme implementation deed with Kokusai Pulp & Paper

On 17 January 2019, the Company announced that it has entered into a binding Scheme Implementation Deed with Kokusai Pulp & Paper Co., Ltd ("KPP"), under which KPP would acquire all of the shares in the Company pursuant to a Scheme of Arrangement ("the Scheme").

In conjunction with the Scheme, the Company will propose a return of capital to shareholders covering distributions in respect of Asian operations sale proceeds received (refer Note 9), expected proceeds from the sale of properties in Singapore and Tasmania, and surplus 'net cash' amounts as at 30 June 2019.

Details of the Scheme are set out in an ASX Release dated 17 January 2019 entitled "Spicers Limited Enters into a Scheme Implementation Deed with Kokusai Pulp & Paper Co., Ltd".

Shareholders will vote on the proposed transaction at a Scheme meeting, which is expected to be held in June 2019.

Note 6. Operating segments

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

Segment	Description of operations
Merchanting: - Australia - New Zealand	International merchant supplying the printing and publishing industry and office supplies.
Discontinued operations	Comprises merchanting operations in Asia, Canada and Continental Europe. Also comprises paper manufacturing. Refer Note 9 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 6. Operating segments – (continued)

	Note	Merchanting Australia $000	Merchanting New Zealand $000	Unallocated $000	Total Continuing Operations $000	Discontinued Operations $000	Consolidated Entity $000
For the half-year ended 31 December 2018							
Goods transferred at a point in time		109,132	48,703	-	157,835	36,031	193,866
Services transferred over time		710	51	-	761	-	761
External sales revenue		109,842	48,754	-	158,596	36,031	194,627
Inter-segment sales revenue		212	-	(212)	-	-	-
Total revenue		110,054	48,754	(212)	158,596	36,031	194,627
Profit/(loss) before net finance costs, tax and significant items		5,127	3,870	(1,896)	7,101	974	8,075
Net other finance costs		-	-	(140)	(140)	-	(140)
Underlying profit before interest and tax		5,127	3,870	(2,036)	6,961	974	7,935
Significant items (pre-tax)	7	44	-	-	44	(13,352)	(13,308)
(Loss)/profit before interest and tax		5,171	3,870	(2,036)	7,005	(12,378)	(5,373)
Net interest				(37)	(37)	33	(4)
(Loss)/profit before tax				(2,073)	6,968	(12,345)	(5,377)
Tax expense - pre-significant items				(1,077)	(1,077)	(197)	(1,274)
(Loss)/profit for the period				(3,150)	5,891	(12,542)	(6,651)
The (loss)/profit before tax includes:							
Depreciation and amortisation		(244)	(222)	(63)	(529)	(92)	(621)
Depreciation, amortisation and impairment		(244)	(222)	(63)	(529)	(92)	(621)
Capital expenditure		36	136	-	172	4	176
As at 31 December 2018							
Total assets		99,733	72,496	5,573	177,802	37,995	215,797
Total liabilities		41,500	15,392	8,648	65,540	1,919	67,459
Net assets/(liabilities)		58,233	57,104	(3,075)	112,262	36,076	148,338

	Note	Merchanting Australia $000	Merchanting New Zealand $000	Unallocated $000	Total Continuing Operations $000	Discontinued Operations $000	Consolidated Entity $000
For the half-year ended 31 December 2017 - Restated *(1)*							
External sales revenue		103,584	47,635	-	151,219	41,971	193,190
Inter-segment sales revenue		107	-	(107)	-	-	-
Total revenue		103,691	47,635	(107)	151,219	41,971	193,190
Profit/(loss) before net finance costs, tax and significant items		3,076	3,816	(3,295)	3,597	909	4,506
Net other finance costs		-	-	(75)	(75)	(291)	(366)
Underlying profit before interest and tax		3,076	3,816	(3,370)	3,522	618	4,140
Significant items (pre-tax)	7	1	(45)	(370)	(414)	(406)	(820)
Profit/(loss) before interest and tax		3,077	3,771	(3,740)	3,108	212	3,320
Net interest				(181)	(181)	(11)	(192)
Profit/(loss) before tax				(3,921)	2,927	201	3,128
Tax expense - pre-significant items				(1,065)	(1,065)	(197)	(1,262)
Tax benefit - significant items	7			13	13	-	13
Profit/(loss) for the period				(4,973)	1,875	4	1,879
The profit/(loss) before tax includes:							
Depreciation and amortisation		(257)	(194)	(57)	(508)	(103)	(611)
Depreciation, amortisation and impairment		(257)	(194)	(57)	(508)	(103)	(611)
Capital expenditure		33	756	71	860	5	865
As at 30 June 2018							
Total assets		96,407	71,337	11,206	178,950	56,499	235,449
Total liabilities		45,078	20,262	5,217	70,557	27,963	98,520
Net assets		51,329	51,075	5,989	108,393	28,536	136,929

(1) Refer Note 9.

Note 7. Individually significant items

For the half-year ended 31 December	Note	Continuing Pre-tax $000	Continuing Tax impact $000	Continuing Post-tax $000	Discontinued Pre-tax $000	Discontinued Tax impact $000	Discontinued Post-tax $000	Total Pre-tax $000	Total Tax impact $000	Total Post-tax $000
2018										
Loss on disposal of controlled entities *(1)*	9	-	-	-	(15,213)	-	(15,213)	(15,213)	-	(15,213)
Gain - controlled entities disposed in prior periods	9	-	-	-	1,861	-	1,861	1,861	-	1,861
Restructuring costs *(2)*		44	-	44	-	-	-	44	-	44
Total individually significant items		44	-	44	(13,352)	-	(13,352)	(13,308)	-	(13,308)
2017										
Loss - controlled entities disposed in prior periods	9	-	-	-	(406)	-	(406)	(406)	-	(406)
Restructuring costs *(2)*		(414)	13	(401)	-	-	-	(414)	13	(401)
Total individually significant items		(414)	13	(401)	(406)	-	(406)	(820)	13	(807)

(1) Includes $15.5 million of foreign exchange losses in relation to the discontinued Asian business (refer Note 9), of which $14.7 million is the write-off of exchange fluctuation reserve balances on disposal.
(2) Restructuring costs are included in 'other expenses' in the Condensed Consolidated Income Statement.

Note 8. Earnings per share

For the half-year ended 31 December	Continuing 2018	Continuing 2017 Restated *(1)*	Discontinued 2018	Discontinued 2017 Restated *(1)*	Total 2018	Total 2017
Profit/(loss) for the period attributable to holders of ordinary shares in Spicers Limited ($000)	5,891	1,875	(12,542)	4	(6,651)	1,879
Weighted average number of shares - basic (thousands)	2,056,943	2,096,568	2,056,943	2,096,568	2,056,943	2,096,568
Basic EPS (cents)	0.3	0.1	(0.6)	-	(0.3)	0.1
Weighted average number of shares - diluted (thousands)	2,100,736	2,103,629	2,056,943	2,103,629	2,056,943	2,103,629
Diluted EPS (cents)	0.3	0.1	(0.6)	-	(0.3)	0.1

(1) Refer Note 9.

The options to purchase shares and rights on issue during the current and prior interim 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 interim reporting period (weighted average 43.793 million shares) have not been included in determining the discontinued and total diluted earnings per share because they are anti-dilutive.

Note 9. Discontinued operations

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

Discontinued Merchanting

During the current interim reporting period, the Consolidated Entity sold its Asian operations, comprising the operating subsidiaries Spicers Paper (Malaysia) Sdn Bhd and Spicers Paper (Singapore) Pte Ltd. The transaction completed on 11 December 2018.

The transaction also provides for the Consolidated Entity to receive, as deferred consideration, the net proceeds from the planned sale of the Singapore property owned by Spicers Paper (Singapore) Pte Ltd (refer Note 16). The proceeds from the sale will be used to fund a capital return to shareholders (refer Note 5).

Discontinued merchanting also comprises operations in Canada and Continental Europe 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 properties and actuarial adjustments to workers compensation provisions.

Result from discontinued operations

For the half-year ended 31 December	Merchanting 2018 $000	Merchanting 2017 Restated $000	Manufacturing 2018 $000	Manufacturing 2017 $000	Total Discontinued Operations 2018 $000	Total Discontinued Operations 2017 Restated $000
Revenue	36,031	41,971	-	-	36,031	41,971
Other income	78	93	189	136	267	229
Trading expenses	(35,150)	(41,080)	(174)	(211)	(35,324)	(41,291)
Result from operating activities before significant items, net finance costs, and tax	959	984	15	(75)	974	909
Significant items - loss on disposal of controlled entities *(1)*	(15,213)	-	-	-	(15,213)	-
Significant items - profit/(loss) on controlled entities disposed in prior periods	1,872	(406)	(11)	-	1,861	(406)
Net other finance costs	-	(291)	-	-	-	(291)
Result before interest and tax	(12,382)	287	4	(75)	(12,378)	212
Net interest	33	(11)	-	-	33	(11)
Result before tax	(12,349)	276	4	(75)	(12,345)	201
Tax expense	(197)	(197)	-	-	(197)	(197)
(Loss)/profit for the period	(12,546)	79	4	(75)	(12,542)	4

(1) Includes $15.5 million of foreign exchange losses in relation to the discontinued Asian business, of which $14.7 million is the write-off of exchange fluctuation reserve balances on disposal.

Cash flow from discontinued operations

For the half-year ended 31 December	2018 $000	2017 Restated $000
Net cash (used in)/from operating activities	(4,663)	401
Net cash from investing activities	6,215	347
Net cash used in financing activities (excluding internal transactions)	-	(452)
Net cash from discontinued operations	1,552	296

Note 9. Discontinued operations – (continued)

Effect of disposals on the financial position of the Consolidated Entity

The effect of the sale of the Asian operations (Discontinued Merchanting) on the financial position of the Consolidated Entity is set out below:

	Total 2018 $000
Current assets	
Cash and cash equivalents	(6,481)
Trade and other receivables	(17,056)
Inventories	(12,241)
Total current assets	(35,778)
Non-current assets	
Net plant and equipment	(3,229)
Deferred tax assets	(289)
Total non-current assets	(3,518)
Total assets	(39,296)
Current liabilities	
Trade and other payables	(7,140)
Income tax payable	(195)
Employee benefits	(133)
Total current liabilities	(7,468)
Non-current liabilities	
Deferred tax liabilities	(10)
Total non-current liabilities	(10)
Total liabilities	(7,478)
Net assets disposed	(31,818)
Consideration received	22,751
Consideration accrued	9,966
Gross consideration	32,717
Cash and cash equivalents disposed	(6,481)
Net proceeds	26,236
less Proceeds receivable	(9,966)
Net proceeds received, satisified in cash	16,270
Transaction costs paid	(536)
Net cash inflow for the period	15,734

Note 10. Dividends

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

Note 11. Impairment of non-current assets

As required under AASB 136 *Impairment of Assets*, the Consolidated Entity performs an impairment assessment when there is an indication or 'trigger' of a possible impairment of its non-current assets and, in addition, at least annually performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment trigger has been identified. The annual review of goodwill and indefinite life intangible assets was performed at 30 June 2018. A review for impairment triggers was undertaken at 31 December 2018.

The Consolidated Entity has two cash generating units (“CGU’s”) – Australia and New Zealand. No impairment triggers were identified in relation to these CGU's in the current or prior interim reporting periods.

Impairment reversals/(charges)

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

Note 12. Loans and borrowings

For the half-year ended 31 December	2018 $000	2017 $000
Balance at beginning of period	-	2,042
Borrowings:		
Net drawdowns/(repayments)	2,126	(452)
Capitalised borrowing costs paid	-	(26)
Total changes from financing cash flows	2,126	(478)
Amortisation of capitalised borrowing costs	10	5
Transfer of capitalised borrowing costs from prepayments	(29)	-
Effect of changes in foreign exchange rates	66	73
Balance at end of period	2,173	1,642
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	2,192	1,681
• Capitalised borrowing costs	(19)	(39)
Total loans and borrowings	2,173	1,642

Debt classification

	Currency	Nominal interest rate *(1)*	Year of Maturity	As at 31 December 2018 $000	As at 30 June 2018 $000
Current					
• Bank loans - secured *(2)*	AUD	BBSR *(3)*	2019	-	-
• Bank loans - secured *(5)*	NZD	BKBM *(4)*	2019	2,192	-
• Other bank loans - secured	MYR	various	uncommitted	-	-
• Capitalised borrowing costs				(19)	-
Bank loans - secured				2,173	-
Total loans and borrowings - current				2,173	-
Total loans and borrowings				2,173	-

(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

The asset backed loan facility in Australia matures in November 2019. There are no covenant measures associated with this facility. The amount of receivables pledged as part of the loan facility at balance date was $nil (December 2017: $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.

Refer to the going concern assessment (Note 2) in relation to the maturity of existing loan facilities.

Note 13. Issued capital

	As at 31 December 2018 $000	As at 30 June 2018 $000
Issued capital		
Issued and paid-up share capital - 2,056,942,649 ordinary shares (June 2018: 2,056,942,649)	1,934,824	1,934,824
Total issued capital	1,934,824	1,934,824

Options

At the reporting date, there are 1,039,100 (December 2017: 7,061,100) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The movement in options on issue during the reporting period are as follows:

For the half-year ended 31 December	2018 number	2017 number
Outstanding at the beginning of the period	1,039,100	7,061,100
Cancelled during the period	-	-
Outstanding at the end of the period	1,039,100	7,061,100

Note 13. Issued capital – (continued)

Rights

At the reporting date, there are 50,200,000 (December 2017: nil) rights to potentially acquire fully paid ordinary shares in the Company. The movement in the rights on issue during the reporting period are as follows:

For the half-year ended 31 December	2018 number	2017 number
Outstanding at the beginning of the period	40,200,000	-
Granted during the period	10,000,000	-
Exercised	-	-
Outstanding at the end of the period	50,200,000	-

Note 14. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	Note	2018 $000	2017 $000
Reconciliation of (loss)/profit after tax to net cash from operating activities			
(Loss)/profit for the period		(6,651)	1,879
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles		621	611
• Loss on disposal of controlled entities	7	13,352	406
• Loss/(profit) on disposal of property, plant and equipment		(9)	7
• Employee share based payments expense		52	52
• Amortisation of capitalised borrowing costs	12	10	5
Add back other items classified as investing/financing:			
• Borrowing costs expensed		46	19
Increase in trade and other receivables		(2,544)	(366)
(Increase)/decrease in inventories		(876)	17,010
Decrease in trade and other payables		(15,561)	(19,417)
Decrease in provisions and employee benefits		(2,085)	(796)
Increase in current and deferred taxes		(9)	(325)
Net cash used in operating activities		(13,654)	(915)
Reconciliation of cash For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash as at 31 December as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		41,143	27,083
Bank overdrafts		(1,996)	(931)
		39,147	26,152

Note 15. Contingent liabilities

	As at 31 December 2018 $000	As at 30 June 2018 $000
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	500	500
• Other guarantees	2,862	2,823
Total contingent liabilities	3,362	3,323

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

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

Under the terms of the ASIC Corporations Instrument 2016/785 effective 29 September 2016, the Company and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities.

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

Sale warranties and indemnities

The Consolidated Entity has given certain vendor warranties and indemnities for operations divested in Asia and 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 amount has 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. Based on current knowledge it is considered unlikely that a material future liability will arise.

During the current interim reporting period, the Company entered into a settlement agreement with the Bankruptcy Trustees of PaperlinX Netherlands Holdings B.V., the holding company of PaperlinX's former continental European operations, primarily in relation to legacy loan obligations – refer ASX release dated 12 November 2018 entitled "Settlement with the Netherlands Holdings Bankruptcy Trustees".

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

Note 16. Events subsequent to balance date

Scheme implementation deed with Kokusai Pulp & Paper

On 17 January 2019, the Company announced that it has entered into a binding Scheme Implementation Deed with Kokusai Pulp & Paper Co., Ltd ("KPP"), under which KPP would acquire all of the shares in the Company pursuant to a Scheme of Arrangement. Refer Note 5.

Update on sale of Singapore property

On 24 January 2019, the Company announced that, further to previous announcements on the sale of the Consolidated Entity's Asian operations (refer Note 9), Spicers Paper (Singapore) Pte Ltd has now entered into an agreement with HLS Property Pte Ltd for the sale of the property at 3 Gul Crescent, Singapore ("the Singapore Property"). A value of SGD 10.1 million has been agreed between the parties. Under the terms of the agreement for the sale of the Consolidated Entity's Asian operations, the Consolidated Entity is entitled to receive net proceeds from the sale of the Singapore Property (expected to be approximately SGD 9.9 million) as deferred consideration. The agreement for the sale of the Singapore Property is subject to the satisfaction of certain conditions. Further details are contained in an ASX Release dated 24 January 2019 entitled "Update on Sale of Singapore Property".

Other than the above, there have been no events subsequent to 31 December 2018 which would have a material effect on the condensed consolidated interim financial report of the Consolidated Entity at 31 December 2018.

DIRECTORS' DECLARATION

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

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

- Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

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

In accordance with a resolution of the Directors, dated at Melbourne, this 15th day of February 2019.

Signed in accordance with a resolution of the Directors:

Jonathan Trollip
Chairman

Nigel Burgess
Director

Independent Auditor's Review Report

To the shareholders of Spicers Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2018 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Condensed consolidated statement of financial position as at 31 December 2018
- Condensed consolidated income statement Condensed consolidated statement of comprehensive income, Condensed Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Interim Period*** is the six months ended on 31 December 2018.

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Spicers Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

BW Szentirmay
Partner

Melbourne
15 February 2019