PRO-PAC PACKAGING LIMITED

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

ACN 112 971 874
ABN 36 113 971 874

DIRECTORS

Jonathan Ling (Chair appointed 8 April 2019)
Rupert Harrington
Darren Brown (appointed 2 July 2018)
Marina Go (appointed 1 August 2018)
Leonie Valentine (appointed 1 August 2018)
Tim Welsh (appointed 28 May 2019)
Ahmed Fahour (resigned 30 June 2019)
Elliott Kaplan (resigned 31 August 2018)

COMPANY SECRETARY

Kathleen Forbes (appointed 17 October 2018)
Mark Saus (resigned 14 September 2018)

REGISTERED OFFICE

83-85 Banbury Road,
Reservoir VIC 3073

Phone: +61 3 9474 4200

PRINCIPAL PLACE OF BUSINESS

83-85 Banbury Road,
Reservoir VIC 3073

SHARE REGISTER

Boardroom Limited
Level 12, 225 George Street
Sydney NSW 2000

BANKERS

Australia and New Zealand Banking Group Limited in its capacity as Agent of the Lenders and each other lender specifically nominated to be Australia and New Zealand Banking Group Limited, ANZ Bank New Zealand Limited;

HSBC Bank Australia Limited, The Hong Kong and Shanghai Banking Corp. Limited (incorporated in HK SAR, acting through NZ Branch);

Westpac Banking Corporation, Westpac New Zealand Limited; and

The State Bank of India, Sydney Branch.

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX:PPG)

WEBSITE

www.ppgaust.com.au

CHAIRMAN'S REPORT

Dear Shareholders,

As recently appointed Chair, and on behalf of your Board of Directors of Pro-Pac Packaging Limited (the 'Company' or 'Pro-Pac'), I am pleased to present to you our 2019 Annual Report.

A year of significant change

Pro-Pac continues to undergo substantial change as it transitions from a distributor of general packaging, to a manufacturer and distributor of value-add packaging products and solutions to higher-growth segments of the market.

The November 2017 acquisition of Integrated Packaging, and the recently acquired PolyPak and Perfection Packaging businesses, has provided the Company with an opportunity to become a market leader in flexible packaging.

Over time, this strategy will transform your Company into a more resilient and diverse business with an established platform for future growth.

FY19 financial summary

Pro-Pac announced revenue of $486 million and EBITDA (before significant items) of $28.1 million, which was in line with our June 2019 guidance.

FY19 saw moderate sales growth in our Rigid packaging business contrasted by weaker sales in both our Industrial and Flexible packaging operations. The adverse movement in FX and higher raw material costs impacted operating margins.

The Company declared a statutory loss after tax of $151 million. This result included significant expense items of $159 million (including non-cash goodwill impairment losses of $149 million). This trading result, which led to the goodwill impairment, primarily reflected the less than expected earnings arising from the acquisition of Integrated Packaging.

Both the Board and management are focused on the identification and execution of integration initiatives following recent acquisitions and the extraction of operational efficiencies in order to improve earnings.

Pleasingly, our working capital reduction program led to a significant decrease in our net debt of $18.4 million to $82.9 million as at 30 June 2019, while our operating cash flow conversion for the year was 114.6%.

Strategic imperatives

The Company is embarking on a strategic review to facilitate the transformation of the business to become a leader in the packaging market. This transformation will be led by a new management team and a refreshed Board with vast experience across ASX and packaging & industrial environments.

Profit improvement plans including a business and product portfolio review, extraction of integration synergies, and strategic sourcing opportunities, underpin the strategic review.

The result of the strategic review will enable Pro-Pac to emerge as a leading manufacturer and distributor of specialised and diversified packaging products with a focus on flexible, industrial and rigid packaging.

Refreshed Board

I was appointed Chair on 8 April 2019 and would like to take this opportunity to thank outgoing Chair, Ahmed Fahour, for his significant contribution to the Company over the past few years. Darren Brown, Marina Go and Leonie Valentine have all joined the Board since July 2018, expanding the skills and experiences of your Board to meet the changing needs of the Company.

New Senior executive team

Tim Welsh joined the Company in May 2019 as our Managing Director and Chief Executive Officer. We are delighted to secure Tim's services given his significant manufacturing and packaging experience.

Tim joins new senior executives including Rick Rostolis, Chief Financial Officer, Preevy Sackville, General Manager, Procurement and Andrew Harris, General Manager, Flexibles. All appointments are highly experienced executives, substantially strengthening the leadership capability of our Company.

Dividends

In light of current high levels of gearing and the need to fund much-needed integration activities, no final dividend was determined by the Board. Restoring the business to a sustainable level of profitability is our key priority in order to provide long-term shareholder value.

Thank you

On behalf of the Board of Directors, I would like to thank our shareholders for their on-going support together with our customers, suppliers and other stakeholders.

I would also like to thank our leadership team and employees for their continued hard work and support of our Company.

Jonathan Ling
Chairman

DIRECTORS' REPORT

The Directors present their report on Pro-Pac Packaging Limited (the 'Company') and the entities it controlled (the 'Group') during the year ended 30 June 2019.

DIRECTORS

The Directors in office at the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Jonathan Ling B Engineering (Mechanical), MBA
(Non-Executive Chair – appointed 8 April 2019)

Mr Ling has extensive experience in complex manufacturing businesses. He was previously Managing Director and CEO of GUD Holdings Limited, a diversified ASX listed company with a market capitalisation of c.$1.3 billion, a role he held for 6 years. Prior to that, Mr Ling was Managing Director and CEO of Fletcher Building Limited, a manufacturer of construction and building materials, listed on both the ASX and NZX. He has also held senior management roles with Austrim, Nylex, Visy Recycling and Pacifica.

Mr Ling is currently a Non-Executive Director of Pact Group Limited and has previously served on the Boards of Melbourne Rebels Rugby Union as Chair, Pacific Brands Limited and ASB Bank Limited.

Rupert Harrington MSc, B Tech, CDipAF, MAICD
(Non-Executive Director – appointed 6 November 2017)

Mr Harrington is an experienced company Director with over 30 years' experience as a Non-Executive Director of companies operating in manufacturing, industrial services, health and technology.

Mr Harrington is currently Non-Executive Chair of Advent Partners, a mid-market Australian Private Equity, Non-Executive Chair of Clover Corporation Limited (ASX: CLV), Director of Integral Diagnostics Limited (ASX: IDX) and was previously a Director of Bradken Limited.

Darren Brown B Business, Grad Dipl Fin & Investment, CA
(Non-Executive Director – appointed 2 July 2018)

Mr Brown is an experienced finance and business professional, with a career spanning over 30 years in a variety of commercial and financial roles. He has significant packaging industry experience gained over several years as Chief Financial Officer of publicly listed Pact Group Holdings Limited, Southcorp Packaging and Amcor.

Mr Brown is currently Commercial Director at Kin Group.

Mr Brown is the Chair of the Audit, Business Risk and Compliance Committee.

Marina Go B Arts (Mass Communication), Exec MBA, MAICD
(Non-Executive Director – appointed 1 August 2018)

Ms Go is currently a Non-Executive Director of 7-Eleven, Energy Australia and Autosports Group and she is currently Chair of the Super Netball Commission and Ovarian Cancer Australia. She is also a Director of the PwC Diversity Advisory Board. Ms Go's executive career includes over 20 years' experience in branding, marketing, digital technologies and change leadership in the media industry. Ms Go was previously Country CEO for The Hearst Corporation and held a variety of senior positions with Fairfax, Private Media, Pacific Magazines and EMAP Australia.

Ms Go is the Chair of the Remuneration and Nomination Committee.

Leonie Valentine B Science, M Arts (Communication), BSc, Exec Cert B Admin, GAICD
(Non-Executive Director – appointed 1 August 2018)

Ms Valentine's executive experience includes over 25 years' experience in sales, marketing and operations. Ms Valentine is currently Managing Director, Sales & Operations of Google Hong Kong, having originally joined Google in 2014 as APAC Director of Customer Experience.

Prior to joining Google, Ms Valentine was Executive Vice President, Customer Service & Operations at CSL Limited. Earlier, she held the position of Chief of Staff Telstra International Group and was a member of the executive leadership team charged with managing Telstra Corp's business growth and assets outside of Australia and New Zealand.

Ms Valentine is currently a board member of Interactive Advertising Bureau (IAB: HK), Save the Children (HK), a Governor for the American Chamber of Commerce HK, as well as an advisor to CUHK's EMBA Program. She actively supports The Women's Foundation in Hong Kong, serving on the Women on Boards Advisory Panel (30% Club) and the Girls Go Tech Advisory Committee from 2014-2016.

DIRECTORS' REPORT

Tim Welsh B Manufacturing Technology, GAICD
(Managing Director and Chief Executive Officer – appointed 28 May 2019)

Mr Welsh is the Managing Director and Chief Executive Officer. He has extensive management experience gained at PPG Industries, a NYSE listed global manufacturer, where he was Australian and New Zealand Vice President and General Manager, Architectural Coatings. During his career with PPG Industries, Mr Welsh also held the roles of Manufacturing and Supply Chain Director, and Operations Manager. In addition, he has held operational management roles at Aperio Group, Detmold Packaging and Arnott's Snackfoods.

Ahmed Fahour B Econ, MBA
(Non-Executive Chairman – appointed 1 August 2018, resigned 7 April 2019, Executive Chairman – appointed 27 October 2017, resigned 31 July 2018, Non-Executive Chairman – appointed 25 November 2014, resigned 26 October 2017, Non-Executive Director – appointed 28 March 2014, resigned 30 June 2019)

Elliott Kaplan B. Acc, CA
(Non-Executive Director – appointed Director 1 March 2005, resigned 31 August 2018)

INTERESTS IN THE SHARES, RIGHTS AND OPTIONS OF THE COMPANY

The interests of the Directors in the shares, performance rights and share options of the Company are set out in the Remuneration Report.

COMPANY SECRETARY

Kathleen Forbes B Arts, B LLB
(Company Secretary and General Counsel - appointed 17 October 2018)

Ms Forbes has over 20 years of legal and company secretarial experience. Her past roles include General Counsel and Company Secretarial roles with ASX listed company Corporate Express Australia Limited and General Counsel at ASX listed Salmat Limited. She started her career at national law firm Clayton Utz where she spent 5 years. Kathleen is admitted as a solicitor of the NSW Supreme Court.

DIVIDENDS

The dividends paid or declared during the year up to the date of this report were as follows:

	Cents/ share	$'000
Final dividend for the previous year	1.0	7,573
Interim dividend for the current year	0.0	-
Dividends declared and paid during the year	**1.0**	**7,573**
Proposed but not recognised final dividend	**0.0**	**-**

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the manufacture and distribution of industrial, flexible and rigid packaging products.

There have been no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures.

Non-IFRS measures

This report includes the following non-IFRS measures:

- EBIT represents profit/(loss) before net finance costs, income taxes and significant items.
- EBITDA represents EBIT before depreciation and amortisation expenses.
- Significant items are identified as favourable or unfavourable transactions which are outside of normal operating activities and are excluded from the segment results presented to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.
- Net Debt is calculated as interest-bearing liabilities, less cash and cash equivalents.
- Gearing is calculated as Net Debt divided by rolling 12-months EBITDA (adjusted for material acquisitions).

Although the Directors believe that these measures provide useful information about the financial position and performance of the Group, they should be considered to be supplementary to the statement of comprehensive income and statement of financial position presented in accordance with Accounting Standards. As these non-IFRS measures are not defined in the Accounting Standards, the way the Group may calculate these measures may differ from similarly titled measures used by other companies.

Financial performance

	30 June 2019	30 June 2018	Change %
Revenue	485,810	371,455	30.8
Expenses	457,727	355,142	28.9
EBITDA	**28,083**	**16,313**	**72.2**
EBITDA margin	*5.8%*	*4.4%*	*1.4bps*
Depreciation and amortisation	9,336	5,910	(58.0)
EBIT	**18,747**	**10,403**	**80.2**
EBIT Margin	*3.9%*	*2.8%*	*1.1bps*
Significant items (before tax)	**(163,329)**	(11,671)	n/a
EBIT/(Loss)	**(144,582)**	**(1,268)**	**n/a**
Net finance costs	(8,081)	(5,069)	(59.4)
Income tax (expense)/benefit	(2,970)	(2,289)	(29.8)
Income tax benefit on significant items	4,299	3,501	22.8
Statutory NPAT/(Loss)	**(151,334)**	**(5,125)**	**n/a**

EBITDA, EBIT and NPAT are non-IFRS financial measures and have not been subject to audit by the Company's external auditor.

Revenue

Sales revenue of $485.8 million increased by 30.8% ($114.3 million) compared to the previous corresponding period (pcp), primarily due to:

- An incremental four-months sales revenue of $77.6 million from the 6 November 2017 acquisition of Integrated Packaging Group Pty Limited (IPG);
- Twelve-month's revenue of $15.0 million from the 1 July 2018 acquisition of the assets of Polypak Plastics Limited (Polypak); and
- Ten-month's revenue of $41.7 million from the 1 September 2018 acquisition of 100% of the units in the Perfection Packaging Unit Trust (Perfection Packaging).

Excluding the contribution from recent acquisitions, sales revenue was down $20.0 million when compared to the pcp with Rigid packaging delivering moderate sales volume growth while Industrial packaging suffered from a downturn in market conditions (primarily relating to a decrease in sales within the food segment) in the second half of the year.

Flexibles packaging sales were impacted by weaker than anticipated sales to the agricultural sector of the market due to drought conditions.

EBITDA and EBIT

Group EBITDA of $28.1 million was 72.2% ahead of the pcp, with a solid contribution from recent acquisitions and Rigid packaging offset by the negative impact on the Flexibles business of higher raw material and energy costs and adverse foreign exchange movements. The Industrial packaging business' second-half result was impacted by decreased sales and margin primarily in relation to the food segment of the market.

EBITDA margin of 5.8% was 1.4 bps better than the pcp due to higher margins from recent acquisitions and improved operational effectiveness and cost control across the business.

EBIT of $18.8 million for the year was 80.2% higher than the pcp notwithstanding additional depreciation and amortisation from acquisitions.

Significant Items

Pre-tax significant items for the year were a net expense of $163.3 million. This included goodwill impairment ($149.0 million), acquisition and integration costs ($10.5 million) primarily relating to the acquisitions of IPG (2018), Polypak and Perfection Packaging, and business interruption costs ($3.9 million) including the June 2019 Kewdale, WA site fire. The pre-tax significant items of $11.7 million in the prior year related to discontinued and redundant inventory lines ($3.4 million), onerous leases and exit costs ($2.6 million), and acquisition and integration costs ($5.6 million).

The Group has insurance that covers it for losses incurred with respect to the fire in Kewdale WA, and is in the process of finalising its claim with the insurance provider. No amounts have been recognised in respect of monies which may be recoverable as the outcome of the claim is yet to be determined.

Net Finance Costs

Net finance costs for the year of $8.1 million were $3.0 million higher than the pcp. The increase in net finance costs primarily related to higher average net debt as a result of funding acquisitions, and seasonal working capital requirements in the first half of the year.

Balance sheet

	30 June 2019 $'000	30 June 2018 $'000	Change %
Current assets	202,445	191,486	5.7
Non-current assets	135,586	235,834	(42.5)
Total assets	**338,031**	**427,320**	**(20.9)**
Current liabilities	103,791	111,646	7.0
Non-current liabilities	99,147	95,568	(3.7)
Total liabilities	**202,938**	**207,214**	**(2.1)**
Net assets	**135,093**	**220,106**	**(38.6)**
Net debt* (included in assets and liabilities above)	82,937	101,258	18.1

* Net debt as at 30 June 2018 has been restated to include the reclassification of trade finance from trade and other payables to interest-bearing liabilities of $7.2 million.

The Group has a debt and working capital facility with total commitments of $100.4 million. The maturity date for the facility is 2 November 2020.

Net debt at the end of the financial year was $82.9 million, a reduction of $18.4 million compared to the pcp. The reduction in net debt was primarily achieved through an inventory reduction program across the Flexibles packaging business, cash flows from operations and the proceeds of a capital raising.

Despite challenging macroeconomic conditions, the Group demonstrated disciplined management of inventories and general working capital during the second-half of the financial year.

The increase in the Group's current assets of $11.0 million relates primarily to receivables and inventories held by newly acquired businesses. The non-current assets of the Group have been impacted by a non-cash goodwill impairment of $149.0 million.

Financing metrics

	30 June 2019	30 June 2018
Gearing	2.8x	3.8x
Interest cover	4.6x	4.5x

As at 30 June 2019, gearing was 2.8x, an improvement from 3.8x in the pcp, driven by a combination of EBITDA growth and lower net debt.

Cash flows

	30 June 2019 $'000	30 June 2018 $'000	Change %
Net cash flows from operating activities	15,767	2,207	614.4
Payments for property, plant and equipment	(6,211)	(13,549)	54.2
Payments for businesses and controlled entities, net of cash acquired	(46,128)	(122,701)	62.4
Payments of dividends	(2,350)	(4,537)	48.2
Net proceeds from share issue	58,740	53,320	10.2

Statutory net cash flows from operating activities was $15.8 million in 2019, $13.6 million higher than the pcp. Higher underlying operating cash flows were achieved primarily due to the inventory reduction program that was implemented across the Flexibles packaging business.

Operating cash flow conversion for the year was 114.6%.

Payments for property, plant and equipment were $6.2 million in the financial year compared to $13.5 million in the pcp. The decrease of $7.3 million reflects lower capital expenditure throughout the Group following the recent acquisitions, and tighter controls over non-core capital expenditure.

Payments for the acquisition of businesses and controlled entities, net of cash acquired in 2019 was $46.1 million. This included $40.6 million for the acquisition of 100% of the units of Perfection Packaging (in addition to $10.0 million in shares issued) and $5.5 million for the acquisition of the business assets of Polypak (excluding contingent consideration of up to $0.8 million which may be paid in 2020).

Other key cash flows during the year were the receipt of net proceeds from the share issue completed in the first half of the year of $58.7 million and an ordinary dividend payment of $2.4 million.

REVIEW OF OPERATING SEGMENTS

Flexibles Packaging

	30 June 2019 $'000	30 June 2018 $'000	Change %
Revenue	271,132	150,177	80.5
EBITDA	18,804	5,587	236.6
EBITDA margin	*6.9%*	*3.7%*	*3.2bps*

Reconciliation from consolidated financial statements	30 June 2019 $'000	30 June 2018 $'000
Reported EBITDA	(103,075)	2,696
Add back: significant items	121,879	2,891
EBITDA	**18,804**	**5,587**

Sales revenue in the Flexibles operating segment increased by $121.0 million, due to:

- An incremental four-months sales revenue of $77.6 million from the 6 November 2017 acquisition of IPG;
- Twelve-month's revenue of $15.0 million from the 1 July 2018 acquisition of the assets of Polypak; and
- Ten-month's revenue of $41.7 million from the 1 September 2018 acquisition of Perfection Packaging.

Excluding the contribution from recent acquisitions, sales revenue was down $13.3 million when compared to the pcp. In particular, earnings were negatively impacted by weaker than anticipated sales to the agricultural sector of the market due to drought conditions.

In addition, gross margins were impacted by higher input costs (such as resin and energy costs) and adverse foreign exchange movements.

Industrial Packaging

	30 June 2019 $'000	30 June 2018 $'000	Change %
Revenue	152,591	160,185	(4.7)
EBITDA	3,660	6,004	(39.0)
EBITDA margin	*2.4%*	*3.7%*	*(1.3bps)*

Reconciliation from consolidated financial statements	30 June 2019 $'000	30 June 2018 $'000
Reported EBITDA	(36,550)	(959)
Add back: significant items	40,210	6,963
EBITDA	**3,660**	**6,004**

Sales revenue in the Industrial packaging business decreased by $7.6 million, primarily due to a reduction in customer demand (in particular, from sales within the food segment of the market) in the New South Wales and Victorian businesses. In addition, the relocation of the Victorian business' warehouse facilities caused a short-term increase in operating costs during the second-half of the year.

Rigid Packaging

	30 June 2019 $'000	30 June 2018 $'000	Change %
Revenue	62,087	61,063	1.7
EBITDA	6,635	5,222	27.1
EBITDA margin	*10.7%*	*8.6%*	*2.1bps*

Reconciliation from consolidated financial statements	30 June 2019 $'000	30 June 2018 $'000
Reported EBITDA	5,394	3,405
Add back: significant items	1,241	1,817
EBITDA	**6,635**	**5,222**

Sales revenue in the Rigid operating segment increased by $1.0 million due to higher sales volume while earnings were positively impacted by operational improvements despite increased input costs.

DIRECTORS' REPORT

OTHER SIGNIFICANT EVENTS

On 1 July 2018, the Group acquired the assets of the New Zealand based Polypak for $6.3 million (as adjusted for working capital). Polypak is a specialist soft flexibles packaging manufacturer and distributor of high-quality polythene bags, films and tubes which are supplied to primary food processors and a range of general packaging customers. The business is based in Glenfield, Auckland.

The cash transaction was structured as follows:

- 80% cash upfront ($4.7 million) after working capital adjustments, and
- 20% contingent consideration based on meeting certain performance criteria ($1.6 million).

In December 2018, the Group paid $0.8 million to the former owners of Polypak in satisfaction of the business meeting the first of two performance hurdles.

On 1 September 2018, the Group acquired 100% of the units in Perfection Packaging for $50.6 million. Perfection Packaging offers a range of hard flexible packaging solutions and focuses on customers in the fast-moving consumer goods market.

The transaction was structured as follows:

- $40.6 million in cash, after working capital adjustments, and
- $10.0 million in shares.

The Polypak and Perfection Packaging acquisitions were partly funded by a capital raising of $58.7 million (net proceeds) in the first half of the year.

OVERVIEW OF BUSINESS STRATEGY

The Group's primary strategy is to maximise long-term shareholder value. The Group seeks to deliver long-term shareholder value through:

- Organic growth - by improving the base (core) business and growing organically over the longer term:
  - Strategic review to facilitate transformation of the Group into a resilient and diverse business with the objective of becoming a leader in flexible, industrial and rigid packaging;
- Operational efficiency - by driving improved cost efficiencies and net working capital through policies, processes, automation and integration of like activities; and
- Inorganic growth - growth through earnings-per-share accretive acquisitions in existing and adjacent market segments.

BUSINESS RISKS

There are various internal and external risks that may have a material impact on the Group's future financial performance and economic sustainability. The Group makes every effort to identify material risks and to manage these effectively. Material risks include:

Credit Risk

Trade and related party receivables are considered to be the main source of credit risk; however, the Group does not have a concentration of credit risk with respect to any single counterparty or group of counter-parties, which mitigates the risk of significant losses of default.

The Group has policies in place to ensure that customers who trade on credit terms are subject to credit verification procedures. Amounts are considered as 'past due' when the debt has not been settled within the credit terms and conditions as agreed between the Group and the customer or counter-party to the transaction. Amounts past due are assessed for impairment by ascertaining the solvency of debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Commodity Risk

The Group is exposed to commodity price risk in relation to certain raw materials, specifically resin. In managing this risk, the Group passes on changes in commodity prices to customers, including through contractual rise and fall adjustments, where possible.

Foreign Currency Risk

As a result of its international activities, the Group is exposed to changes in foreign exchange rates on sales and purchases. In order to mitigate foreign currency risk, the Group regularly determines its net exposure to the primary currencies it trades in based on actual sales and purchases and in some cases enters into foreign currency forward contracts to hedge these exposures.

Liquidity Risk

The Group's objective is to maintain a balance between:

- Continuity of funding and flexibility through the use of bank loans, trade finance, finance leases and hire purchase arrangements; and
- Investment in strategic growth opportunities.

The Group manages liquidity risk through cash flow forecasting.

Interest Rate Risk

Bank loans are the main sources of interest rate risk because the interest rate is floating whereas interest payable on trade finance, hire purchase and finance lease liabilities are fixed for the term of the arrangement.

Interest earned on cash and cash equivalents is not significant.

The composition of the Group's funding is considered annually to ensure applicable interest rates are competitive and reflective of the Group's future funding requirements.

Loss of People

The Company's senior executives are instrumental in implementing the Group's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long- term incentive schemes) and succession planning.

Environmental Risk

The Group's activities have a level of environmental risk, particularly the manufacturing sites that utilise flammable and toxic materials.

Mergers and Acquisition Risk

The Group's strategy contemplates complementary acquisitions, which involve a risk during due diligence, negotiation, integration and execution.

OUTLOOK

The Group expects to achieve an increase in EBITDA (before significant items) in 2020, subject to macroeconomic conditions.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As mentioned above, the Group acquired Perfection Packaging and Polypak during the year. There were no other significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the Group, the results of the operations or the state of affairs of the Group in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group is focused on identifying higher-value packaging solutions, reducing working capital and strengthening its balance sheet to provide it with a solid foundation for organic and inorganic growth in the medium-term. The Company continues to evaluate and integrate businesses acquired in recent years, with the extraction of projected synergies being a key area of focus for the senior executives.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is committed to environmental sustainability and ethical standards. This is built around the Group's Environment Sustainability and Ethical Standards policy and provides a framework that promotes the sourcing of sustainable products, the implementation of energy efficient workplace practices and continual improvement.

The Group is a signatory to the Australian Packaging Covenant. As a signatory, the Group is committed to providing industry sustainable solutions for packaging handled by its business activities. The Group's commitment is published on the Australian Packaging Covenant's website (www.packagingcovenant.org.au) and is available on the Group's website.

In addition, the Group is a participant in the Packaging Recyclability Evaluation Portal ('PREP') and Australian Recycling Label ('ARL') programs, an industry first initiative developed to provide the public with the appropriate information to allow consumers to make better choices when recycling packaging.

The Group is a member of Sedex and Business Social Compliance Initiative ('BSCI'), internationally recognised programs that assist to regulate companies to ensure they meet ethical standards and provide a high level of social responsibility to the community and its partners.

The Group is compliant with all applicable Australian Standards, National Codes, State Legislation, and Local Council Guidelines.

The Group seeks to meet its social responsibility to the community and its shareholders and continues to strive to improve its processes and performance for a sustainable future.

The Directors are not aware of any breaches of environmental regulations or site-specific licenses during the year ended 30 June 2019 or subsequent to balance date.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into a deed of access, indemnity and insurance with each of the Directors, under which the Company has agreed to:

- continue to provide the Directors with access to certain relevant information after they cease to be Directors;
- to the extent permitted by law, indemnify the Directors against liabilities incurred in their capacity as Directors of the Company and its subsidiaries; and
- maintain certain Directors' liability insurance in respect of Directors, both during and after the period they are Directors.

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for the Directors of the Company. These contracts of insurance prohibit the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

INDEMNIFICATION AND INSURANCE OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during the year ended 30 June 2019 or subsequent to balance date.

The Company has not, during the year or since the end of the financial year, in respect of any person who is or has been an auditor of the Group, paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expense of defending legal proceedings.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year ended 30 June 2019 and the number of meetings attended by each Director were as follows:

		Board of Directors		Audit, Business Risk & Compliance Committee		Remuneration & Nomination Committee	
	Note	**Number of meetings held while in office**	**Number of meetings attended**	**Number of meetings held while in office**	**Number of meetings attended**	**Number of meetings held while in office**	**Number of meetings attended**
Jonathan Ling	(a)	3	3	-	-	-	-
Darren Brown	(b)	11	11	10	10	-	-
Marina Go	(c)	11	10	7	7	3	3
Rupert Harrington	(d)	11	11	10	9	1	1
Leonie Valentine	(e)	11	10	-	-	3	3
Ahmed Fahour	(f)	11	9	-	-	2	2
Tim Welsh	(g)	1	1	-	-	-	-
Elliott Kaplan	(h)	1	1	3	3	-	-

(a) Mr Ling was appointed to the Board of Directors as Chair on 8 April 2019.

(b) Mr Brown was appointed to the Board of Directors and as a member of the Audit, Business Risk & Compliance Committee on 2 July 2018. Mr Brown was appointed as Chair of the Audit, Business Risk & Compliance Committee on 23 August 2018.

(c) Ms Go was appointed to the Board of Directors and as a member of the Audit, Business Risk & Compliance Committee and Remuneration & Nomination Committee on 1 August 2018. Ms Go was appointed as Chair of the Remuneration & Nomination Committee on 27 May 2019.

(d) Mr Harrington was appointed as a member of the Remuneration & Nomination Committee on 27 May 2019.

(e) Ms Valentine was appointed to the Board of Directors and as a member of the Remuneration & Nomination Committee on 1 August 2018.

(f) Mr Fahour was Chair of the Remuneration & Nomination Committee until 27 May 2019. He resigned from the Board of Directors on 30 June 2019.

(g) Mr Welsh was appointed to the Board of Directors as Managing Director on 28 May 2019.

(h) Mr Kaplan resigned as Chair of the Audit, Business Risk & Compliance Committee and as a member of the Remuneration & Nomination Committee on 23 August 2018 and resigned from the Board of Directors on 31 August 2018.

The Remuneration and Nomination Committee was formerly known as the People Innovation and Culture Committee.

ROUNDING

The amounts contained in the Annual Report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this Instrument applies.

REMUNERATION REPORT

The Directors present the Company's Remuneration Report, which has been audited by Ernst & Young, on page 14 of the Annual Report.

AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 has been received and can be found on page 21 of the Annual Report.

NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$'000
Assurance related services	157
Tax compliance services	34
Advisory services	-
Non-audit services	**191**

This Directors' Report is signed in accordance with a resolution of the Board of Directors pursuant to Section 298(2)(a) of the *Corporations Act 2001*.

Signed in Melbourne on 27 August 2019.

Jonathan Ling
Chairman

Tim Welsh
Managing Director & CEO

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

The performance of Pro-Pac Packaging Limited (the 'Company') and its controlled entities (the 'Group') depends upon the quality of its Directors and senior executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and senior executives.

The Remuneration and Nomination Committee (the 'Committee') comprises Ms Marina Go (appointed to the Committee 1 August 2018 and as Chair on 27 May 2019), Ms Leonie Valentine (appointed 1 August 2018) and Rupert Harrington (appointed 27 May 2019) who are Non-Executive Directors. Mr Ahmed Fahour resigned as Chair and a member of the Committee on 27 May 2019.

The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and senior executives are set out in this Remuneration Report.

This Remuneration Report forms part of the Directors' Report and has been audited in accordance with Section 300A of the *Corporations Act 2001*.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate and distinct.

COMPANY PERFORMANCE

Table 1: The table below sets out information about the Company's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

Measure	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Net profit after tax ($'000)	(151,334)	(5,125)	5,016	6,938	5,842
Share price at balance date ($)	0.115	0.370	0.359	0.405	0.395
Basic earnings per share (cents)	(19.56)	(1.15)	2.11	3.01	2.60
Total dividends per share (cents)	0.00	2.00	2.00	2.75	2.50

INTERESTS IN THE SHARES, RIGHTS AND OPTIONS OF THE COMPANY

The interests of the Directors' interests in the shares of the Company are as follows:

	Ordinary Shares No.
Darren Brown	496,138
Rupert Harrington	4,449,881
Leonie Valentine	90,000

The Directors' do not have any interests in performance rights or share options of the Company.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Company seeks to set aggregate remuneration at a level which provides it with the ability to attract, retain and motivate Non-Executive Directors of the highest quality, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that Non-Executive Directors are entitled to receive remuneration for their services as determined by the Company in a General Meeting. The Company has resolved that the maximum quantum of Directors' fees (which does not include remuneration of Executive Directors and other non-Director services provided by Directors) is $600,000 per annum.

The remuneration arrangements for the Company's Non-Executive Directors for the year ended 30 June 2019 is comprised of Directors' fees and committee fees (inclusive of superannuation), and are summarised in the table below:

Roles	Position	$
Board of Directors	Chair	180,000
	Non-Executive Directors	76,650
Sub-committees	Chair	32,850
	Member	10,950

The additional fees for service on a sub-committee or being the Chair of a sub-committee recognises the additional responsibility and time commitment of those Non-Executive Directors who serve on those sub-committees.

Non-Executive Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A Non-Executive Director may also be remunerated as determined by the Directors if that Non-Executive Director performs additional or special duties for the Company.

The remuneration of the Company's Non-Executive Directors for the year ending 30 June 2019 is set out in Table 4 of this Remuneration Report. The Non-Executive Directors do not participate in any incentive programs.

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The Company aims to develop remuneration packages that properly reflect each person's duties and responsibilities and includes remuneration that is competitive in attracting, retaining and motivating people of the highest quality.

The Committee is responsible for:

- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior executives and Executive Directors; and
- providing advice to the Board with respect to Non-Executive Directors' remuneration.

The Board is responsible for determining remuneration packages applicable to the Board members and the Chief Executive Officer ('CEO'). The Committee approves the remuneration packages for the senior executives of the Company based on recommendations from the CEO in accordance with compensation guidelines set by the Board.

The remuneration of senior executives of the Company is comprised of the following components.

- Base salary, plus superannuation (Fixed Annual Remuneration ('FAR'));
- Short-term incentives ('STI') and long-term incentives ('LTI').

The remuneration structure for each KMP is shown in the table below:

KMP	Position	Term as KMP	FAR	STI	LTI	Total
Executive director						
Tim Welsh	Managing Director and CEO	14 May 2019 to present	36%	32%	32%	100%
Senior executives						
Grant Harrod	CEO	Until 22 February 2019	63%	23%	14%	100%
Mark Saus	Chief Financial Officer	Until 1 October 2018	82%	10%	8%	100%
Rick Rostolis	Chief Financial Officer	1 October 2018 to present	56%	24%	20%	100%

The remuneration of the CEO and senior executives for the year ending 30 June 2019 is set out in Table 4 of this Remuneration Report.

Short-Term Incentives

Senior executives of the Company are entitled to STIs, which are firstly based on the achievement of a Group EBITDA[1] target and once that has been achieved, amounts payable are weighted according to the achievement of the following performance measures for the year ended 30 June 2019:

Performance measure	Weighting	Overview of performance against target	Achievement
Profitability	20%	Group EBITDA target, which is based on the achievement of 100% of the target approved by the Board of Directors.	No
Working capital management	20%	Working capital management is based on an improvement in the components of net working capital (i.e. trade receivables, inventories and trade payables), which is measured with reference to the financial information contained in the financial statements.	No
Safety	10%	Safety is based on a targeted reduction in lost time injury frequency rate, which is measured according to reported work-place incidents.	No
Other	50%	These measures are based on certain operational and non-financial indicators, which are measured according to whether the item has been achieved or not by the due date.	No

Group EBITDA has been chosen as a gateway to align the remuneration of the senior executives with shareholder interests. Whether the Group EBITDA target has been satisfied is determined based on the audited financial statements of the Group.

The Group EBITDA target has not been achieved for the year ended 30 June 2019.

Working capital management, safety and certain other operational and non-financial indicators have been chosen to ensure the actions and behaviours of senior executives are aligned with its key stakeholders, being employees and shareholders.

Long-Term Incentives

Senior executives of the Company are entitled to LTIs, which vest subject to the senior executive remaining in service with the Group and the satisfaction of performance hurdles linked to Total Shareholder Return ('TSR') over a three-year period and is otherwise subject to the terms and conditions of the relative share plans in place.

EMPLOYMENT CONTRACTS

Chief Executive Officer

The Company has entered into an executive service agreement with Mr Tim Welsh in relation to his role as CEO of the Group. In his executive service agreement, Mr Welsh agrees that all intellectual property rights created, developed or acquired by him in the course of his employment, belong to the Company.

The Company or the executive may terminate the service agreement by giving the other party three months' notice. The Company may terminate the agreement at any time with immediate effect in the event of misconduct.

Mr Welsh is restrained for up to 6 months after termination of his employment from being in competition with the Company in Australia and New Zealand, and for up to 12 months after termination of his employment from soliciting the Company's customers to cease or reduce their business with the Company and employees to leave their employment with the Company.

Mr Grant Harrod resigned as CEO on 27 November 2018 and left the Company on 22 February 2019.

Senior Executives

Employment agreements entered into with senior executives contain the following key terms:

Event	Company Policy
Resignation / notice period	Six months or less
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

[1] EBITDA represents profit/(loss) before net finance costs, income taxes, depreciation and amortisation, and significant items.

Share-Based Payments

Remuneration packaging includes the awarded shares, performance rights and share options which vest upon the senior executive remaining in service with the Group and the achievement of certain performance hurdles by the end of the vesting period.

All share-based payment arrangements are equity-settled and there have been no cancellations or modifications to the awards in the current or comparative year.

The valuation technique and assumptions used to determine the fair value of each award depends on whether the vesting conditions include a market hurdle or non-market hurdle.

- The Monte Carlo simulation-based model is used to test the likelihood of attaining the market hurdle against the comparator group of entities using the following assumptions: expected volatility, risk-free interest rate, expected life of option, share price, dividend yield and probability of achievement. The Monte Carlo simulation incorporates the impact of this market condition on the fair value of the awards containing a market hurdle.

- The fair value of awards which do not contain a market hurdle is based on the share price on the grant date, less any expected dividends to be received between grant date and the vesting date.

EMPLOYEE SHARE PURCHASE PLAN ('ESPP')

The Company has established an ESPP to encourage employees to participate in the ownership of the Company and promote the long-term success of the Company as a common goal by the employees. The ESPP has been approved by shareholders of the Company for the purposes of Sections 260C(4)(a), 259B(2)(a), 257B(1) and paragraph (b) of the definition of employee share scheme buy-back in Section 9 of the Corporations Act.

The following are the key features of the ESPP:

- No shares under the ESPP will be allotted unless the requirements of the *Corporations Act 2001* and the ASX Listing Rules have been complied with;
- Performance hurdles apply to the ESPP. The key performance hurdle which has been used is that the TSR to shareholders of the Company must exceed the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index (or any equivalent or replacement of that index) over a three-year vesting period;
- Shares are allocated to employees at either the value of shares as detailed in the latest disclosure document issued by the Company or the 5-day Volume Weighted Average Price ('VWAP') immediately prior to the offer being made to the employee or the shares being issued;
- The Company may provide loans to participants to acquire shares under the ESPP. As security for the loans, participants will pledge the shares acquired under the ESPP to the Company at the time the loans are provided and will grant a charge over any benefits attributable to the shares, including bonus shares, rights, and dividends. Any dividends paid on the shares by the Company are treated as interest on the loan;
- The shares are registered in the names of the participants from allotment but remain subject to restrictions on dealing while they are pledged as security for a loan or subject to performance hurdles specified and may be forfeited;
- If the employee leaves the employment of the Group before vesting, the loan balance must be repaid in full or the shares surrendered in full settlement of the outstanding loan balance; and
- Under Australian Accounting Standards, shares issued to employees under the ESPP are considered to be options granted.

Table 2: A summary of the ESPP as at 30 June 2019 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Expired/ Forfeited*	Balance at end of year
7 October 2015	6 October 2018	$0.417	$0.075	1,900,000	-	-	(1,900,000)	-
27 November 2017	26 November 2020	$0.380	$0.100	14,910,000	-	-	(12,615,000)	2,295,000
14 January 2019	13 January 2022	$0.200	$0.020	-	2,890,000	-	-	2,890,000
Total				**16,810,000**	**2,890,000**	**-**	**(14,515,000)**	**5,185,000**

* Of the shares that have expired or were forfeited during the year ended 30 June 2019, 2,220,000 shares have been cancelled and 12,295,000 await cancellation or reallocation to a trustee who holds the shares for the purposes of reallocation to employees at a later date.

Going forward, the Board has resolved that long-term incentives will be offered to eligible employees under the Company's performance rights plan.

PERFORMANCE RIGHTS PLAN ('PRP')

The Company has established a PRP to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its return to shareholders. The PRP is also intended to assist the Company to attract and retain skilled and experienced senior executives and provide them with an incentive to have a greater involvement with, and focus on, the longer-term goals of the Company.

The following are the key features of the PRP:

- The Board may from time to time, in its absolute discretion, invite eligible employees to apply for rights under the PRP on terms set out in the PRP and any other terms the Board considers appropriate, subject to the grant complying with the *Corporations Act 2001* and the ASX Listing Rules;
- A right will vest where the eligible employee remains in service at vesting date and, in some cases, upon satisfaction of performance hurdles and other vesting conditions determined by the Board. The key performance hurdle which has been used is that the TSR to shareholders of the Company must exceed the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index (or any equivalent or replacement of that index);
- The exercise price of a grant of rights under the PRP may be zero, although a price may be set by the Board;
- A right will automatically lapse where the right has not been exercised by the expiry date; and
- Shares issued on the exercise of rights under the PRP will rank equally in all respects with all existing shares from the date of allotment, including in relation to voting rights and entitlements to distributions and dividends.

Table 3: A summary of the PRP as at 30 June 2019 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year*	Granted	Exercised	Expired/ Forfeited	Balance at end of year
27 November 2017	31 July 2018	$0.000	$0.450	500,000	-	-	(500,000)	-
27 November 2017	31 July 2020	$0.000	$0.080	500,000	-	-	(500,000)	-
4 December 2017	30 June 2018	$0.000	$0.430	375,000	-	-	(375,000)	-
16 January 2019	6 January 2020	$0.000	$0.190	-	320,000	-	-	320,000
14 May 2019	30 September 2019	$0.000	$0.140	-	333,333	-	-	333,333
Total				**1,375,000**	**653,333**	**-**	**(1,375,000)**	**653,333**

* The number of performance rights on issue at the beginning of the financial year has been restated as only the first year of Grant Harrod's three-year allotment of up to 3,000,000 performance rights had been granted by the Board of Directors prior to receiving his notice of resignation.

Other rights due under employment contracts of eligible employees at the date of this Remuneration Report have not been granted by the Company.

KEY MANAGEMENT PERSONNEL

In addition to the Directors, certain senior executives are considered to be key management personnel ('KMP') having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 4: A summary of the remuneration of KMP for the year ended 30 June 2019 is as follows:

			Short-term benefits	Long-term benefits	Post-employment benefits	Share-based payments		
KMP	Salary, wages and fees $	Short-term incentive $	Non-monetary benefits $	Employee Entitlements $	Super-annuation $	Shares, rights and options $	Total $	Performance based %
Non-executive directors								
Jonathan Ling	37,831	-	-	-	3,594	-	41,425	-
Darren Brown	96,822	-	-	-	9,198	-	106,020	-
Marina Go	84,219	-	-	-	8,001	-	92,220	-
Rupert Harrington	80,932	-	-	-	7,689	-	88,621	-
Leonie Valentine	73,205	-	-	-	6,954	-	80,159	-
Ahmed Fahour	171,959	-	-	-	16,336	(113,853)	74,442	(152.9%)
Elliott Kaplan	17,808	-	-	-	1,692	158,904	178,404	-
Executive director								
Tim Welsh	72,325	-	3,945	100	2,700	-	79,070	-
Senior executives								
Grant Harrod	557,727	-	-	(889)	20,531	(10,741)	566,628	(1.9%)
Mark Saus	390,571	-	5,096	(7,269)	19,161	(21,631)	385,928	(5.6%)
Rick Rostolis*	350,630	140,000	-	457	20,531	67,656	579,274	35.8%
Total	**1,934,029**	**140,000**	**9,041**	**(7,601)**	**116,387**	**80,335**	**2,272,191**	**2.7%**

* The Board resolved to increase the remuneration package of Mr Rostolis to $605,000 whilst acting as CEO in recognition of the responsibility over and above his existing role. Based on his contribution during this time, the Board approved a special bonus of $200,000 of which $140,000 was settled in cash and $60,000 is to be settled in shares.

The fees for Non-Executive Directors for the year ended 30 June 2019 were $596,928. During the year, $19,312 was paid to Ahmed Fahour in his capacity as Executive Chairman.

Table 5: A summary of the remuneration of KMP for the year ended 30 June 2018 is as follows:

			Short-term benefits	Post-employment benefits	Share-based payments	Termination benefits		
KMP	Salary, wages and fees $	Short-term incentive $	Non-monetary benefits $	Super-annuation $	Shares, rights and options $	Redundancy $	Total $	Performance based %
Non-executive directors								
Ahmed Fahour	156,199	-	-	10,546	122,553	-	289,298	-
Elliott Kaplan	81,744	-	-	-	29,448	-	111,192	-
Gary Weiss	21,231	-	-	2,017	-	-	23,248	-
Brandon Penn	39,231	-	-	3,727	-	-	42,958	-
Rupert Harrington	62,154	-	-	5,904	-	-	68,058	-
Senior executives								
Grant Harrod	562,270	-	-	20,049	49,266	-	631,585	-
Mark Saus	289,115	13,014	-	24,800	4,061	-	330,990	3.9%
Total	**1,211,944**	**13,014**	**-**	**67,043**	**205,328**	**-**	**1,497,329**	**3.9%**

Shares Issued under the ESPP During the Year

Table 6: A summary of shares granted to KMP and remain on foot as at 30 June 2019 is as follows:

KMP	Grant date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Expired/ Forfeited	Balance at end of year
Grant Harrod	27 November 2017	$0.380	$0.100	1,000,000	-	-	(1,000,000)	-
Mark Saus	7 October 2015	$0.417	$0.075	300,000	-	-	(300,000)	-
Mark Saus	27 November 2017	$0.380	$0.100	300,000	-	-	(300,000)	-
Rick Rostolis	14 January 2019	$0.200	$0.020	-	600,000	-	-	600,000
Total				**1,600,000**	**600,000**	**-**	**(1,600,000)**	**600,000**

Performance Rights Issued During the Year

Table 7: A summary of performance rights granted to KMP and remain on foot as at 30 June 2019 is as follows:

KMP	Grant date	Exercise Price	Fair Value	Balance at beginning of year*	Granted	Exercised	Expired/ Forfeited	Balance at end of year
Grant Harrod	27 November 2017	$0.000	$0.450	500,000	-	-	(500,000)	-
Grant Harrod	27 November 2017	$0.000	$0.080	500,000	-	-	(500,000)	-
Rick Rostolis	14 May 2019	$0.000	$0.140	-	333,333	-	-	333,333
Total				**1,000,000**	**333,333**	**-**	**(1,000,000)**	**333,333**

* The number of performance rights on issue at the beginning of the financial year has been restated as explained in the footnote to Table 3 above.

Mr Welsh's employment contract includes an entitlement to an award of performance rights as part of his STI and LTI, which are subject to shareholder approval at the AGM. Consequently, no performance rights have been granted to Mr Welsh at 30 June 2019.

Performance rights are granted with vesting conditional upon the achievement of certain performance conditions. Each performance right entitles the holder to subscribe for one share.

Option Holdings of Key Management Personnel

No options were issued to KMP during the year ended 30 June 2019.

On 28 November 2017, 1,200,000 options were granted to Mr Kaplan at a nil issue price in three tranches, which become exercisable if the following performance hurdles are met:

- In the first year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.38 on a VWAP basis over a three-month period of that first year and had a fair value of $0.100 at grant date;
- In the second year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.42 on a VWAP basis over a three-month period of that second year and had a fair value of $0.080 at grant date; and
- In the third year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.46 on a VWAP basis over a three-month period of that third year and had a fair value of $0.070 at grant date.

The tranche of options lapse where the applicable performance hurdle has not been met. However, if the performance hurdle has been met, the options may be exercised before the third anniversary of the issue date for the exercise price set out above. The first tranche of 400,000 options mentioned above vested during the year ended 30 June 2019 and remains exercisable at $0.38 per share.

Loans to Key Management Personnel

Other than loans issued in relation to the Company's ESPP shares, there were no loans to KMP during the year.

The information disclosed in this Remuneration Report is presented as at 30 June 2019 and it remains true and correct through to the date of the Annual Report.

This concludes the Remuneration Report, which has been audited.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Pro-Pac Packaging Limited

As lead auditor for the audit of the financial report of Pro-Pac Packaging Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pro-Pac Packaging Limited and the entities it controlled during the financial year.

Ernst & Young

Kester Brown
Partner
27 August 2019

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of Pro-Pac Packaging Limited (the 'Company') has been prepared in accordance with the Australian Securities Exchanges ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the Company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company has not followed a recommendation and any related alternative governance practice adopted.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, its website or Annual Report, is contained on its website at www.ppgaust.com.au.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the Company's Board of Directors ('Board') and is current as at 27 August 2019.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

The Company's Board maintains the following roles and responsibilities:

- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair and/or the 'senior independent Director';
- appointing, and when necessary replacing, the Chief Executive Officer ('CEO');
- assessing the performance of the CEO and overseeing succession plans for senior executives;
- overseeing management's implementation of the Company's strategic objectives including acquisitions and divestitures;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for market disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ensuring that the Company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;
- approving the Company's remuneration framework;
- monitoring the effectiveness of the Company's governance practices; and
- reporting to, and communications with, security holders.

The Board has delegated the day-to-day management of the Company to the CEO and other senior executives.

The Company's senior executives are responsible for the following:

- being accountable for the performance of the Company;
- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Company;
- managing the Company's reputation and operating performance in accordance with parameters set by the Board;
- day-to-day running of the Company;

- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

Recommendation 1.2 - A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointing a Director, or putting forward to shareholders a Director for appointment, the Company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy, and other appropriate checks.

An election of Directors is held each year. A Director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are generally appointed for a term of three years. Retiring Directors are not automatically re-appointed.

The Company provides to shareholders for their consideration information about each candidate standing for election or re-election as a Director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, experience, qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a Non-Executive Director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive Directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chair and is accessible to all Directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of Directors.

Recommendation 1.5 - A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company has a diversity policy that sets out its commitment to diversity, respecting people as individuals and valuing their differences. The policy reflects the Company's commitment to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce. The organisation employs people of various genders with varying skills, cultural backgrounds, ethnicities and experience. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The measurable objectives set by the Company for the achievement of gender diversity are as follows:

1. Foster an inclusive culture in order to support the development of all talent.
2. Ensure pay equity for equal work across the workforce, with strategies in place to manage pay equity
3. Achieve at least 33.3% female representation in Non-Executive Directors on the Board
4. Achieve at least 33.3% female representation in senior executive roles

These four objectives are reviewed annually by the Board, as well as the Company's progress in achieving these objectives. Indications of progress achieved against these objectives are outlined below:

1. Inclusive Culture

The Company maintains a working policy to provide flexible working arrangements including part-time employment, working from home, facilitating work-life balance of employees and aiding those with family and carer commitments to continue to work and meet their other responsibilities.

In 2019, 2.92% of workers took advantage of these flexible working arrangements (2018: 4.16%).

2. Pay Equity

In 2019, the Company measured pay equity across the top 2 managerial levels in the organisation. The gender pay gap is 11% with males being paid more favourably than females, which the Company aims to improve in 2020. Any apparent gaps are analysed to ensure that they can be explained with reference to market forces which may include, for example, different rates of pay in different industries, location, the relative supply and demand for different qualifications, individual performance and experience.

3 and 4. Non-Executive Directors and Senior Executives

The respective proportion of women and men in the Company including its controlled entities as at 30 June 2019 are as follows:

	Proportion of women 2019	**Proportion of women 2018**	**Proportion of men 2019**	**Proportion of men 2018**
Non-Executive Directors on the Board	40%	0%	60%	100%
In senior executive positions	40%	21%	60%	79%
Across the whole organisation	25%	28%	75%	72%

Senior executive positions include all executives and professionals reporting directly to the Chief Executive Officer.

The Board approved an updated Diversity Policy on 30 July 2019, together with additional initiatives of ensuring, wherever possible, interview panels for senior executive and board positions shall comprise both female and male interviewers, and short-listed candidates for such roles shall be both male and female. Further work is also being done to improve gender related pay disparity.

The Company is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 on the basis that the entity employs 100 or more employees in Australia. The Company makes annual filings of Gender Equality Indicators with the Workplace Gender Equality Agency (WGEA). This information is accessible on https://www.wgea.gov.au.

Recommendation 1.6 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has in place systems designed to fairly review and actively encourage enhanced Board and senior executive effectiveness. The Chair has the responsibility to review continually the performance of each Director and the Board as a whole. The performance of the Board is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and senior executives are assessed is aligned with the financial and non-financial objectives of the Company. From time to time and, as considered appropriate, the Chair will seek external assistance and advice to undertake these performance reviews. A review was conducted by the Chair during the year.

Recommendation 1.7 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Remuneration and Nomination Committee. A review of the CEO and senior executives was undertaken during the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board maintains a Remuneration and Nomination Committee (formerly the People, Innovation and Culture Committee), whose members during the financial year, were as follows:

Director's name	Executive status	Independence status
Marina Go (Chair)	Non-Executive Director	Independent
Leonie Valentine	Non-Executive Director	Independent
Ahmed Fahour	Non-Executive Director	Independent
Rupert Harrington	Non-Executive Director	Independent

Following the resignation of Elliott Kaplan (31 August 2018), Leonie Valentine and Marina Go were appointed to the Remuneration and Nomination Committee on 3 September 2018. Rupert Harrington replaced Ahmed Fahour on 27 May 2019.

The Charter of the Committee is available at the Company's website. It details the roles and responsibilities of the Committee.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of Directors' section of the Directors' report.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is therefore used when recruiting new Directors and assessing which skills need to be outsourced based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either, High, Medium or Low.

Skill category	Description of attributes required	Level of importance	Existence in current Board
Risk and compliance	Identification of key risks to the Company related to each key area of operations. Monitoring of risks, compliance issues and knowledge of legal and regulatory requirements.	High	High
Financial and audit	Analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution to budgeting and financial management of projects and Company, assessing and supervising capital management.	High	High
Strategic	Development of strategies to achieve business objectives, oversee implementation and maintenance of strategies, and identification and critical assessment of strategic opportunities and threats to the Company.	High	High
Industry experience	Relevant industry experience and expertise particularly in a manufacturing and/or distribution environment.	High	High
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	High
Executive management	Performance assessments of senior executives, succession planning for key executives, setting of key performance hurdles, experience in industrial relations and organisational change management programmes.	High	High
Age and gender	Board aims for balanced gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	High

The Board currently believes that its membership adequately represents the required skills as set out in the matrix and therefore does not intend to seek any new or alternative candidates. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

In addition to the specific areas that are required at Board level identified in the matrix above, all members of the Board are assessed for the following attributes before they are considered an appropriate candidate.

Board Member Attributes

Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, Company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced Director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.

Recommendation 2.3 - A listed entity should disclose:

(a) the names of the directors considered by the Board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

The Board assesses annually the independence of each Director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. In its assessment of independence as at the date of this Corporate Governance Statement, and in respect of the Directors in office at the end of the reporting period, the Board has considered the interests, positions, associations or relationships of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations 3rd Edition.

Details of the current Board of Directors, their date of appointment, length of service, and independence status is as follows:

Director's name	Date of Appointment	Length of service at reporting date	Independence status
Jonathan Ling	8 April 2019	3 months	Independent Non-Executive
Rupert Harrington (1)	6 November 2017	1 year and 8 months	Independent Non-Executive
Darren Brown (2)	2 July 2018	1 year	Independent Non-Executive
Leonie Valentine	1 August 2018	11 months	Independent Non-Executive
Marina Go	1 August 2018	11 months	Independent Non-Executive
Tim Welsh	28 May 2019	1 month	Executive Director

Notes:

1. Mr Harrington is Non-Executive Chairman of Advent Private Capital ('Advent') which currently holds 11.58% of the issued capital of the Company as manager of two investment trusts.

   Notwithstanding this relationship, the Board has resolved that Mr Harrington is an independent Director on the basis that:

   a) he has received no directions or general instructions from Advent as to his conduct as a Director of the Company, and in particular that he is not requested to, and does not, communicate with Advent on key issues material to the Group on an ongoing basis (separately from the public disclosures the Company is making from time to time);

b) he is functioning entirely independently of Advent in the discharge of his role as a Director of the Company;

c) he is not aware of any circumstances in which his knowledge of confidential information of the Company will be made available to Advent either directly or indirectly, and he recuses himself from any and all Advent Board discussions which relate to Advent's shareholding in the Company;

d) his remuneration by Advent is not directly affected by decisions made by the Company's Board or the performance of the Company; and

e) that he is not otherwise aware of any potential or actual conflict of interest.

2. Mr Brown is an employee of Kin Group Pty Limited, which is a 100% controlled entity of Mr Raphael Geminder. Bennamon Pty Ltd is a wholly owned controlled entity of Kin Group Pty Limited. Bennamon Pty Ltd owns 49.7% of the Company's issued capital.

   The Board has examined this relationship in detail, and has resolved that Mr Brown is an independent Director on the basis that:

   a) he has received no directions or general instructions from Mr Geminder as to his conduct as a Director of the Company, and in particular that he is not requested to, and does not, communicate with Mr Geminder on key issues material to the Group on an ongoing basis (separately from the public disclosures the Company is making from time to time);

   b) he is functioning entirely independently of Mr Geminder in the discharge of his role as a Director of the Company;

   c) he is not aware of any circumstances in which his knowledge of confidential information of the Company will be made available to Mr Geminder either directly or indirectly; and

   d) that he is not otherwise aware of any potential or actual conflict of interest.

As part of its independence assessment, the Board considers the length of time that the Director has been on the Board, as a prolonged service period may also be seen to impair independence. The Board concluded that no Non-Executive Director has been on the Board for a period which could be seen to compromise their independence.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, the majority of the Board is independent.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Mr Jonathan Ling is Chair of the Board and is an independent Director of the Company. Mr Tim Welsh is the Chief Executive Officer and Managing Director of the Company.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

New Directors undertake an induction program coordinated by the Company Secretary on behalf of the Remuneration and Nomination Committee. The program includes strategy briefings, explanations of Company policies and procedures, governance frameworks, cultures and values, Company history, Director and senior executive profiles and other pertinent Company information.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

The Company maintains a Code of Conduct. The purpose of the Code of Conduct is to guide all employees, including Directors as to the:

- practices necessary to maintain confidence in the Company's honesty and integrity;
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The overriding principle is that all business affairs of the Company must be conducted legally, ethically and with strict observance of the highest standards of propriety and business ethics.

The Code of Conduct sets standards for the Board and employees in dealing with the Company's customers, suppliers, shareholders and other stakeholders. A revised Code of Conduct was adopted by the Board on 30 July 2019. A copy of this code of conduct is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 - The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

To assist in the execution of its responsibilities, the Board has established an Audit Business Risk and Compliance Committee. A summary of the Charter setting out the Committee's responsibilities is available on the Company's website.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Business Risk and Compliance Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Committee comprises Mr Brown (Chair), Mr Harrington and Ms Go. Each member is financially literate (ie they are able to read and understand financial statements) and Mr Brown has financial expertise and experience (Mr Brown is a Chartered Accountant). All members have some understanding of the industry in which the Company operates. Previous Committee Chair, Mr Kaplan resigned on 31 August 2018.

Recommendation 4.1 requires that the composition of the Audit Business Risk and Compliance Committee comprises a majority of independent Directors and that the committee have at least three members. The Company satisfies this requirement.

For additional details of Directors' attendance at Audit Business Risk and Compliance Committee meetings and to review the qualifications of the members of the Committee, please refer to the Directors' Report.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In relation to the financial statements for the financial year ended 30 June 2019 and the half-year ended 31 December 2018, the Company's CEO (or Acting CEO in respect of the half-year ended 31 December 2018) and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the Company have been properly maintained;

- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- is based on a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor engagement partner for the Company attends the Annual General Meeting ('AGM') and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 - A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Consistent with *ASX Principle 5*, the Board aims to ensure that all investors have equal and timely access to material information concerning the Company, that there is compliance with continuous disclosure requirements and that announcements made by the Company are factual and presented in a clear and balanced way. During the reporting period the Company substantially revised and adopted a new Disclosure Policy reflecting the principles set out in *ASX Principle 5*. This policy replaced the previous External Communication Policy and is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The Company maintains information in relation to governance documents, Directors and senior executives, Board and committee charters, Annual Reports, ASX announcements and contact details on the Company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The Company has adopted a number of different practices designed to promote effective communication with shareholders as recommended by *ASX Principle* 6 and as reflected in the Company's Disclosure Policy, published on its website. These practices include placing on the Company's website relevant information, including ASX announcements, annual and half-year reports, copies of notices of meetings, analyst briefings and presentations given by the Chair or Chief Executive Officer. Annual Reports are distributed to all shareholders by mail or email (unless a shareholder has specifically requested not to receive these documents). Shareholders also send queries directly to the Company which are responded to.

A representative from the external auditors of the Company attends the AGM and any other meeting as required by the Board and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report. Shareholders are given the opportunity to raise questions with any of the Directors at shareholder meetings, both formally and informally.

The Disclosure Policy also elaborates on the Company's continuous disclosure policy.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

This option is available to security holders.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendations 7.1 and 7.2

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

In addition to its financial reporting obligations, the Audit Business Risk and Compliance Committee is responsible for reviewing the risk management framework and policies of the Company. The membership and independence of the Committee are disclosed under Principle 4. The structure of the Committee and its responsibilities reflect the requirements of *ASX Principle 7* and are set out in the Company's Audit Business Risk and Compliance Committee charter, published on its website. Details of Directors' attendance at Committee meetings are disclosed in the Directors' Report. The Committee has reviewed the Company's risk management framework during the reporting period.

In performing this function, the Committee receives reports from the Group's Management Risk Committee (comprising key stakeholders from management and the Group's insurance advisers), external auditor, and in some instances, external consultants detailing compliance with statutory requirements and the adequacy of the risk management programs and systems in place. In addition, the Committee reviews the adequacy of the Group's insurance program. In line with ASX Principle 7, the Company adopted the policy requiring the Chief Executive Officer and Chief Financial Officer to confirm in writing that, to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects. The Board has received the relevant declarations on 27 August 2019.

Recommendation 7.3 - A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Business Risk and Compliance Committee.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The management of the Company and the execution of its growth strategies are subject to a number of risks which could adversely affect the Company's future development.

The following is not an exhaustive list or explanation of all risks and uncertainties associated with the Company (and its controlled entities), but those considered by management to be the principal material risks:

Credit risk	Trade and related party receivables are considered to be the main source of credit risk; however, the Group does not have a concentration of credit risk with respect to any single counterparty or group of counter-parties, which mitigates the risk of significant losses of default. The Group has policies in place to ensure that customers who trade on credit terms are subject to credit verification procedures. Amounts are considered as 'past due' when the debt has not been settled within the credit terms and conditions as agreed between the Group and the customer or counter-party to the transaction. Amounts past due are assessed for impairment by ascertaining the solvency of debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.
Commodity risk	The Group is exposed to commodity price risk in relation to certain raw materials, specifically resin. In managing this risk, the Group passes on changes in commodity prices to customers, including through contractual rise and fall adjustments, where possible.
Foreign currency risk	As a result of its international activities, the Group is exposed to changes in foreign exchange rates on sales and purchases. In order to mitigate foreign currency risk, the Group regularly determines its net exposure to the primary currencies it trades in based on actual sales and purchases and in some cases enters into foreign currency forward contracts to hedge these exposures.
Liquidity risk	The Group's objective is to maintain a balance between: • Continuity of funding and flexibility through the use of bank loans, trade finance, finance leases and hire purchase arrangements; and • Investment in strategic growth opportunities. The Group manages liquidity risk through cash flow forecasting.
Interest rate risk	Bank loans are the main sources of interest rate risk because the interest rate is floating whereas interest payable on trade finance, hire purchase and finance lease liabilities are fixed for the term of the arrangement. Interest earned on cash and cash equivalents is not significant. The composition of the Group's funding is considered annually to ensure applicable interest rates are competitive and reflective of the Group's future funding requirements.
Loss of people	The Company's senior executives are instrumental in implementing the Group's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long- term incentive schemes) and succession planning.
Environmental risk	The Group's activities have a level of environmental risk, particularly the manufacturing sites that utilise flammable and toxic materials.
Mergers and acquisition risk	The Group's strategy contemplates complementary acquisitions, which involve a risk during due diligence, negotiation, integration and execution.

Refer to commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and senior executives by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board will link the nature and amount of Directors' remuneration to the Company's financial and operations performance.

The Board has in place a Remuneration and Nomination Committee to assist the Board in relation to human resources matters affecting the Group. The structure of this Committee and its responsibilities reflect in part the requirements of *ASX Principle 8.* The Committee comprises Ms Go (Chair), Ms Valentine, and Mr Harrington, all of whom are independent Directors. Mr Harrington replaced Mr Fahour on 27 May 2019. Mr Kaplan resigned on 31 August 2018. In addition to the members, the Chief Executive Officer is invited to the meetings at the discretion of the Committee. Details of Directors' attendance at Committee meetings are disclosed in the Directors' Report.

A charter setting out the responsibilities of the Committee has been adopted and a copy of this charter is available on the Company's website.

This Committee is responsible for ensuring that the recruitment and remuneration policies and practices of the Company are consistent with its strategic goals and human resources objectives and are designed to enhance corporate and individual performance as well as meet the appropriate recruitment and succession planning needs.

The Committee, among other things, is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans, executive succession planning and development programs to ensure that they are appropriate to the Group's needs and the remuneration framework for Director's (as approved by shareholders). The Committee may consult with remuneration advisors to the Company to assist in its role.

The Committee is also responsible for determining and reviewing compensation arrangements for Directors and to ensure that the Board continues to operate within established guidelines, including where necessary, selecting candidates for the position of Director. In carrying out its functions, the Committee considers remuneration issues annually and otherwise as required in conjunction with the regular meetings of the Board. Compensation arrangements are determined subject to the Company's constitution and prior shareholder approvals.

Remuneration of Non-Executive Directors is set within limits approved by shareholders. The Company does not have any schemes for retirement benefits, other than statutory superannuation for Non-Executive Directors.

Details of the Directors and key executive's remuneration are set out in the Directors' Report.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Non-Executive Directors are remunerated by way of cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance-based incentives are not available to Non-Executive Directors as it could be perceived to impair their independence in decision-making. For the same reason, equity-based remuneration is limited to non-performance-based instruments such as shares.

Executive Directors and senior executives are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long-term objectives. Share options and performance rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' Report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company operates an Executive Long-Term Incentive Plan to encourage employees to have ownership of the Company and promote long-term success of the Company as a goal shared by the employees. Participants are not permitted to enter into transactions which limit the economic risk of participating in the Plan.

Please see the Remuneration Report for further details of the plan.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the year ended	Notes	30 June 2019 $'000	30 June 2018 $'000
Revenue from contracts with customers	3	485,810	371,455
Raw materials and consumables used		(304,851)	(239,939)
Employee benefits expense	20	(83,420)	(64,051)
Occupancy, distribution, administration and selling expenses		(84,869)	(63,064)
Impairment losses	11	(149,000)	-
Depreciation and amortisation expense		(9,336)	(5,910)
Other income	23	1,084	241
Interest income	23	54	222
Finance costs	16	(8,135)	(5,291)
Profit/(loss) before income tax		**(152,663)**	**(6,337)**
Income tax (expense)/benefit	4	1,329	1,212
Profit/(loss) after income tax		**(151,334)**	**(5,125)**
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss in subsequent years (net of income tax):			
Change in fair value of cash flow hedges		(471)	(415)
Exchange differences arising on translation of foreign operations		541	-
Other comprehensive income/(loss), net of income tax		**70**	**(415)**
Total comprehensive income/(loss)		**(151,264)**	**(5,540)**
Earnings/(losses) per share			
EPS (cents) – Basic	2	(19.56)	(1.15)
EPS (cents) – Diluted	2	(19.56)	(1.15)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at	Notes	30 June 2019 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents	15	23,559	3,206
Trade and other receivables	7	90,278	83,221
Inventories	8	78,108	95,463
Current tax assets		6,303	-
Derivative financial assets		111	470
Other assets		4,086	9,126
Total current assets		**202,445**	**191,486**
Non-current assets			
Property, plant and equipment	10	60,882	36,490
Intangible assets	11	66,548	184,689
Deferred tax assets	4	8,156	14,530
Other non-current assets		-	125
Total non-current assets		**135,586**	**235,834**
Total assets		**338,031**	**427,320**
Current liabilities			
Trade and other payables	9	74,104	86,029
Interest-bearing liabilities	14	11,623	13,240
Current tax liability		-	292
Other liabilities		889	-
Employee entitlements	19	10,869	11,281
Other provisions	13	6,306	804
Total current liabilities		**103,791**	**111,646**
Non-current liabilities			
Interest-bearing liabilities	14	94,873	91,224
Employee entitlements	19	1,692	675
Other provisions	13	2,582	3,669
Total non-current liabilities		**99,147**	**95,568**
Total liabilities		**202,938**	**207,214**
Net assets		**135,093**	**220,106**
Equity			
Issued capital	17	291,618	217,695
Reserves	18	1,221	1,250
Retained earnings		(157,746)	1,161
Total equity		**135,093**	**220,106**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended	Notes	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Balances as at 1 July 2018		**217,695**	**1,161**	**1,250**	**220,106**
Profit/(loss) after income tax		-	(151,334)	-	(151,334)
Other comprehensive income/(loss), net of income tax		-	-	70	70
Total comprehensive income/(loss)		**-**	**(151,334)**	**70**	**(151,264)**
Issue of shares for dividend reinvestment plan	17	5,223	-	-	5,223
Shares issued to vendors of businesses acquired	17	9,960	-	-	9,960
Transaction cost of raising shares	17	(1,060)	-	-	(1,060)
Shares issued under share placement	17	59,800	-	-	59,800
Share-based payments expense	21	-	-	(99)	(99)
Dividends paid	5	-	(7,573)	-	(7,573)
Balances as at 30 June 2019		**291,618**	**(157,746)**	**1,221**	**135,093**
Balances as at 1 July 2017		**98,194**	**14,427**	**1,062**	**113,683**
Profit/(loss) after income tax		-	(5,125)	-	(5,125)
Other comprehensive income/(loss), net of income tax		-	-	(415)	(415)
Total comprehensive income/(loss)		**-**	**(5,125)**	**(415)**	**(5,540)**
Issue of shares for dividend reinvestment plan	17	3,604	-	-	3,604
Shares issued to vendors of businesses acquired	17	62,577	-	-	62,577
Transaction cost of raising shares	17	(1,482)	-	-	(1,482)
Shares issued under share placement	17	54,802	-	-	54,802
Share-based payments expense	21	-	-	102	102
Other reserves		-	-	501	501
Dividends paid	5	-	(8,141)	-	(8,141)
Balances as at 30 June 2018		**217,695**	**1,161**	**1,250**	**220,106**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended	Notes	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers		492,359	383,479
Payments to suppliers and employees		(464,701)	(373,647)
Income tax paid		(4,424)	(518)
Interest received		54	222
Interest paid		(7,521)	(7,329)
Net cash flows from operating activities	**15**	**15,767**	**2,207**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,211)	(13,549)
Proceeds from sale of property, plant and equipment		-	757
Payments for businesses acquired, net of cash acquired		(46,128)	(122,701)
Net cash flows used in investing activities		**(52,339)**	**(135,493)**
Cash flows from financing activities			
Repayment of hire purchase and finance lease liabilities		(185)	(1,255)
Proceeds from hire purchase and finance lease liabilities		-	510
Repayment of bank loans and trade finance		(5,035)	(2,506)
Proceeds from bank loans and trade finance		6,638	78,701
Proceeds from shares issued		59,800	54,802
Payment of transaction costs from shares issued		(1,060)	(1,482)
Dividends paid		(2,350)	(4,537)
Net cash flows from financing activities		**57,808**	**124,233**
Net increase/(decrease) in cash and cash equivalents		21,236	(9,053)
Cash and cash equivalents at the beginning of the year		3,206	12,259
Effect of foreign exchange on cash and cash equivalents		(883)	-
Cash and cash equivalents at the end of the year	**15**	**23,559**	**3,206**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE
FINANCIAL STATEMENTS

Overview

This section provides context to enable readers to understand the information presented in the financial report.

CORPORATE INFORMATION

The consolidated financial statements of Pro-Pac Packaging Limited (the 'Company') and its controlled entities (the 'Group') for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 27 August 2019.

The Company is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group is principally engaged in the manufacture and distribution of flexible, industrial and rigid packaging products. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report.

BASIS OF PREPARATION

This is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, unless otherwise stated. The financial report is presented in Australian dollars and all values have been rounded to the nearest one thousand dollars ($'000), unless otherwise indicated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

The consolidated financial statements provide comparative information in respect of the previous year. Certain amounts relating to the comparative year have been reclassified to align with the classification applied in the current year as shown in the table below:

As at	30 June 2018 $'000	(a) $'000	(b) $'000	(c) $'000	*Restated* 30 June 2018 $'000
Trade and other receivables	83,346	-	-	(125)	83,221
Other non-current assets	-	-	-	125	125
Trade and other payables	93,265	-	(7,236)	-	86,029
Interest-bearing liabilities – current	6,004	-	7,236	-	13,240
Provisions – current	8,210	3,875	-	-	12,085
Provisions – non-current	8,219	(3,875)	-	-	4,344
Other assets and liabilities, net	21,062	-	-	-	21,062
Net assets	**220,106**	**-**	**-**	**-**	**220,106**

(a) Reclassification of long service leave as current where employees have met the vesting requirements.

(b) Reclassification of trade finance from trade and other payables to interest-bearing liabilities.

(c) Reclassification of deposits paid to landlords for terms greater than twelve-months.

Net assets as at 30 June 2018 presented in the Consolidated Statement of Financial Position remain unchanged from net assets disclosed in the Annual Report for the year ended 30 June 2018.

GOING CONCERN

At balance date, the Group has secured syndicated financing facilities of $100.4 million (2018: $102.0 million), of which $100.1 million was utilised (2018: $95.3 million) and cash and cash equivalents of $23.6 million (2018: $3.2 million).

Notwithstanding the loss after tax, the Directors believe the Group is a going concern based on the following factors:

- The Directors assessment of current trading performance; and
- The Directors consideration of forecast trading results and cash flows.

Consequently, the consolidated financial statements for the year ended 30 June 2019:

- Have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business; and
- Do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

NEW ACCOUNTING STANDARDS & INTERPRETATIONS

The Group has adopted all applicable new, revised or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current year. The Group has adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* using the full retrospective approach. There was no material impact on balances recognised at 1 July 2018 or the start of the comparative year (i.e. 1 July 2017) from applying the recognition and measurement requirements of AASB 9 and AASB 15.

A qualitative explanation of the impact is set out in Note 27 below.

The most significant new Accounting Standard issued, but not yet effective, is AASB 16 *Leases*. AASB 16 replaces AASB 117 *Leases* and requires the lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under AASB 117, and it became effective for the Group on 1 July 2019. Consequently, a right-of-use asset (and a corresponding lease liability) is to be recognised in the consolidated financial statements from 1 July 2019. The Group is finalising its impact assessment, which approximates the right-of-use asset (and a corresponding lease liability) to be the present value of the Group's current operating lease commitments.

All other new Accounting Standards, interpretations and amendments do not have a material impact on the Group.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

The judgements, estimates and assumptions 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 in each note below as applicable.

Our Performance

This section highlights the results and performance of the Group for the year ended 30 June 2019. A key element of our strategy is to maximise long-term shareholder value.

NOTE 1. SEGMENT & GROUP RESULTS

Key accounting policy – segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports regularly provided to the chief operating decision-maker.

The chief operating decision-maker is responsible for the allocation of resources to operating segments and assessing their financial performance.

The Group has identified its operating segments based on the internal reports that are regularly reviewed and used by the chief operating decision-maker in assessing financial performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Segments

The Group is organised into the following operating segments:

Flexibles	Industrial	Rigid	Unallocated
The Flexibles packaging segment manufactures flexible packaging materials incorporating products such as stretch and shrink wrap, agricultural silage packaging, fresh produce bags, barrier and lidding films and industrial protective films. The Flexibles packaging segment also installs, supports and maintains packaging machines.	The Industrial packaging segment sources and distributes industrial packaging materials and related consumer products.	The Rigid packaging segment manufactures, sources and distributes containers, closures and related products and services.	Unallocated contains the elimination of intersegment transactions within the Group and certain Group level charges that are not allocated to respective segments for the purpose of evaluating financial performance as they are not considered part of the core operations of any operating segment.

Segment revenues

For the year ended 30 June 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
External revenues	271,132	152,591	62,087	-	485,810
Inter-segment revenues	8,352	3,946	10,700	(22,998)	-
Segment revenues	**279,484**	**156,537**	**72,787**	**(22,998)**	**485,810**

For the year ended 30 June 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
External revenues	150,177	160,185	61,093	-	371,455
Inter-segment revenues	1,878	10,238	9,660	(21,776)	-
Segment revenues	**152,055**	**170,423**	**70,753**	**(21,776)**	**371,455**

NOTE 1. SEGMENT & GROUP RESULTS (CONT'D)

Segment results

Non-IFRS measures

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Accounting Standards and therefore, these are considered to be non-IFRS measures.

This report includes the following non-IFRS measures:

- EBIT represents profit/(loss) before net finance costs, income taxes and significant items.
- EBITDA represents EBIT before depreciation and amortisation expenses.
- Significant items are identified as favourable or unfavourable transactions which are outside of normal operating activities and are excluded from the segment results presented to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

For the year ended 30 June 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
EBITDA	**18,804**	**3,660**	**6,635**	**(1,016)**	**28,083**
Depreciation and amortisation	(6,417)	(1,227)	(1,554)	(138)	(9,336)
Segment results (EBIT)	**12,387**	**2,433**	**5,081**	**(1,154)**	**18,747**

For the year ended 30 June 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
EBITDA	**5,587**	**6,004**	**5,222**	**(500)**	**16,313**
Depreciation and amortisation	(1,961)	(1,951)	(1,627)	(371)	(5,910)
Segment results (EBIT)	**3,626**	**4,053**	**3,595**	**(871)**	**10,403**

Group results	Note	30 June 2019 $'000	30 June 2018 $'000
Segment results (EBIT)		**18,747**	**10,403**
Significant items		(163,329)	(11,671)
Interest income	23	54	222
Finance costs	16	(8,135)	(5,291)
Profit/(loss) before income tax		**(152,663)**	**(6,337)**
Income tax (expense)/benefit	4	1,329	1,212
Profit/(loss) after income tax		**(151,334)**	**(5,125)**

NOTE 1. SEGMENT & GROUP RESULTS (CONT'D)

Significant items

	Notes	30 June 2019 $'000	30 June 2018 $'000
Impairment losses	(a)	149,000	-
Onerous lease and exit costs	(b)	962	2,600
Acquisition and integration costs	(c)	10,450	9,071
Reversal of contingent consideration	(d)	(1,000)	-
Business interruption costs	(e)	3,917	-
Significant items		**163,329**	**11,671**

(a) Impairment losses relate to the impairment testing completed at 31 December 2018.

(b) Onerous leases and exit costs relate to the remaining lease term on leases sites that have been relocated and consolidated into existing sites following the acquisition of Integrated Packaging.

(c) Acquisition and integration costs relate to business restructuring, transaction costs and business optimisation across the Group.

(d) Reversal of contingent consideration relates to the previous acquisition of the Cosmic Packaging business on the basis that earnings targets have not been met.

(e) Business interruption costs include asset write-offs and provisions in relation to business disruptive events during the year (e.g. fire at Kewdale, WA). The Group has insurance that covers it for losses incurred with respect to the fire in Kewdale, WA and is in the process of finalising its claim with the insurance provider. No amounts have been recognised in respect of monies which may be recoverable as the outcome of the claim is yet to be determined.

NOTE 2. EARNINGS/(LOSSES) PER SHARE ('EPS')

	30 June 2019	30 June 2018
EPS (cents) – Basic	(19.56)	(1.15)
EPS (cents) – Diluted	(19.56)	(1.15)
Calculated using:		
Profit/(loss) after income tax ($'000)	(151,334)	(5,125)
Weighted average of ordinary shares (number) – Basic	773,655,507	446,961,654
Weighted average of ordinary shares (number) – Diluted*	774,855,507	457,714,567

* Includes share options as disclosed in Note 21.

Key accounting policy – earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 30 June 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Type of goods of services					
Sale of manufactured goods	273,902	-	27,047	(6,548)	294,401
Sale of distribution goods	-	156,537	45,740	(14,646)	187,631
Installation and maintenance services	5,582	-	-	(1,804)	3,778
Revenue from contracts with customers	**279,484**	**156,537**	**72,787**	**(22,998)**	**485,810**
Geographic markets					
Australia	220,827	156,537	72,787	(22,998)	427,153
New Zealand	55,907	-	-	-	55,907
Canada	2,750	-	-	-	2,750
Revenue from contracts with customers	**279,484**	**156,537**	**72,787**	**(22,998)**	**485,810**
Timing of revenue recognition					
Goods transferred at a point in time	217,170	156,537	72,787	(22,998)	423,496
Services transferred over time	62,314	-	-	-	62,314
Revenue from contracts with customers	**279,484**	**156,537**	**72,787**	**(22,998)**	**485,810**

For the year ended 30 June 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Type of goods of services					
Sale of manufactured goods	149,791	-	26,120	(1,878)	174,033
Sale of distribution goods	-	170,423	44,633	(19,898)	195,158
Installation and maintenance services	2,264	-	-	-	2,264
Revenue from contracts with customers	**152,055**	**170,423**	**70,753**	**(21,776)**	**371,455**
Geographic markets					
Australia	123,795	170,423	70,753	(21,776)	343,195
New Zealand	24,242	-	-	-	24,242
Canada	4,018	-	-	-	4,018
Revenue from contracts with customers	**152,055**	**170,423**	**70,753**	**(21,776)**	**371,455**
Timing of revenue recognition					
Goods transferred at a point in time	149,491	170,423	70,753	(21,776)	368,891
Services transferred over time	2,564	-	-	-	2,564
Revenue from contracts with customers	**152,055**	**170,423**	**70,753**	**(21,776)**	**371,455**

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Key accounting policy – revenue recognition

The Group adopted AASB 15 Revenue from Contracts with Customers on 1 July 2018, with full retrospective application to the beginning of the comparative year.

Sale of goods

The Group's contracts with customers for the sale of products generally include either one performance obligation or are bundled together with delivery services. The Group allocates the transaction price to each performance obligation based on a stand-alone selling price basis. The Group has concluded that revenue from sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Manufacturing of goods

For certain bespoke products where there is a right to payment and no alternative use exists for the product, revenue is recognised at the time of manufacturing. The transaction price recognised over time reflects the sales invoice value and is not judgemental.

Variable consideration

Some contracts for the sale of products provide customers with a right of return and volume rebates which give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under AASB 15, which the Group accounts for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its practice prior to the adoption of AASB 15.

Rendering of service

Distribution services are occasionally provided together with the sale of products to a customer. In the case of contracts with multiple performance obligations, the transaction price is allocated to different performance obligations based on their stand-alone selling prices. Revenue from distribution services is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

Key estimate and judgement – revenue recognition

A key judgement is whether the goods manufactured for customers have an alternate use to the Group, including whether these goods can be repurposed and sold without significant economic loss to the Group. Where the goods are manufactured for a specific customer with no alternate use and where at all times throughout the contract the Group has the enforceable right to payment for performance completed to date, then the performance obligation would be the service of manufacturing of the specific goods (revenue recognised over time) rather than the sale of goods (revenue recognised at point in time).

NOTE 4. TAXATION

Income tax expense	30 June 2019 $'000	30 June 2018 $'000
Current income tax		
Current income tax charge	202	(763)
Adjustments in respect of previous years	173	703
Deferred income tax		
Relating to origination and utilisation of temporary differences	(1,704)	(1,152)
Income tax expense/(benefit)	**(1,329)**	**(1,212)**

Reconciliation of income tax to accounting profit at the statutory income tax rate:

	30 June 2019 $'000	30 June 2018 $'000
Profit/(loss) before income tax	**(152,663)**	**(6,337)**
At the statutory income tax rate of 30% (2018: 30%)	(45,799)	(1,901)
Differential income tax rates	70	(14)
Adjustments in respect of previous years	173	703
Non-deductible impairment losses	44,700	-
Other items	(473)	-
Income tax expense/(benefit)	**(1,329)**	**(1,212)**

Deferred tax balances	30 June 2019 $'000	30 June 2018 $'000
Deferred tax assets		
Provisions and other timing differences	9,637	9,798
Carry forward tax losses	3,704	4,278
Transaction costs	1,536	454
Deferred tax assets	**14,877**	**14,530**
Deferred tax liabilities		
Intangibles	6,691	-
Other items	30	-
Deferred tax liabilities	**6,721**	**-**
Deferred tax assets/(liabilities), net	**8,156**	**14,530**

Movements in the deferred tax balances during the year ended:

	30 June 2019 $'000	30 June 2018 $'000
Balance as at beginning of the year	**14,530**	**2,224**
Recognised through profit or loss	(108)	1,152
Recognised through other comprehensive income	-	445
Recognised through business combination	(6,266)	10,709
Balance as at end of the year	**8,156**	**14,530**

NOTE 4. TAXATION (CONT'D)

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Key estimate and judgement – taxation

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the year in which such determination is made.

Recovery of deferred tax assets

Significant judgement and estimation is involved in establishing internal earnings forecasts upon which further taxable income is estimated.

Carry-forward losses

Entities acquired by the Group have unutilised carry-forward losses, which can only be utilised by the consolidated group post-acquisition date where certain tests as prescribed in the income tax legislation have been satisfied. The Group's assessment that these carry-forward losses are available to the consolidated group post-acquisition is based on independent tax advice.

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Key accounting policy – current and deferred tax

The income tax expense or benefit for the year is the tax payable or receivable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable income will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each balance date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable income will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there is future taxable income available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidation

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The parent entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the parent entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

NOTE 4. TAXATION (CONT'D)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the parent entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

NOTE 5. DIVIDENDS

On 28 August 2018, the Company declared a fully-franked final dividend for the year ended 30 June 2018 of 1.0 cent per share. The record date for determining entitlements to the dividend was 11 September 2018 and the dividend was paid on 6 November 2018.

	30 June 2019		30 June 2018	
	Cents/ share	$'000	Cents/ share	$'000
Final dividend for the previous year	1.0	7,573	1.0	2,390
Interim dividend for the current year	0.0	-	1.0	5,751
Dividends declared and paid during the year	**1.0**	**7,573**	**2.0**	**8,141**
Proposed but not recognised final dividend	**0.0**	**-**	**1.0**	**7,595**

Key accounting policy – dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Movements in the franking credit balance during the year ended:

	30 June 2019 $'000	30 June 2018 $'000
Franking account balance as at the end of the year	12,195	12,451
Franking credits that will arise from the payment of income tax payable for the year	(6,303)	292
Franking credits that will be utilised upon payment of dividends at the end of the year	-	(3,246)
Franking credits available for subsequent years	**5,892**	**9,497**

Our Operational Footprint

This section provides details of acquisitions which the Group has made in the financial year, as well as details of controlled entities.

NOTE 6. BUSINESSES ACQUIRED

On 1 July 2018, the Group acquired the business assets of Polypak Plastics Limited ('Polypak'), a company based in New Zealand. The investment is aimed at increasing market share and providing a platform for growth opportunities in the New Zealand market. This business is included in the Flexibles packaging operating segment.

On 1 September 2018, the Group acquired 100% of the units in Perfection Packaging Unit Trust ('Perfection Packaging'), which offers a range of hard flexible packaging solutions and focuses on customers in the fast-moving consumer goods market. This business is included in the Flexibles packaging operating segment.

In the previous year:

- On 11 September 2017, the Group acquired the business assets of Selmac Group Pty Ltd (formerly known as Cosmic Packaging Pty Ltd ('Cosmic Packaging')), a business that sources produce packaging and related products from local and international suppliers for distribution into the Australian market. This business is included in the Industrial packaging operating segment.
- On 6 November 2017, the Group acquired 100% of the equity in Integrated Packaging Group Pty Ltd ('Integrated Packaging'), a leading Australasian flexible packaging manufacturer. The business has four flexible packaging production sites in Australia, one in New Zealand and various distributions sites across Australia, New Zealand and Canada. This business is included in the Flexibles packaging operating segment.

The value of goodwill arising on acquisition of these businesses relates to the anticipated cost savings, margin expansion, incremental sales growth via vertical cross-selling, elimination of duplicate costs and leveraging the collective scale of the combined group to achieve total group synergies.

	Final **Cosmic Packaging $'000**	*Final* **Integrated Packaging $'000**	*Final* **Perfection Packaging $'000**	*Final* **Polypak $'000**
Fair value of consideration at acquisition date:				
Cash consideration paid	2,761	125,519	42,436	4,648
Contingent consideration*	1,046	-	-	1,613
Share consideration	-	60,000	9,960	-
Fair value of gross consideration payable	**3,807**	**185,519**	**52,396**	**6,261**
Less: cash acquired	-	(6,153)	(1,763)	-
Fair value of net consideration payable	**3,807**	**179,366**	**50,633**	**6,261**
Fair value of net assets at acquisition date:				
Trade and other receivables	-	57,513	12,749	857
Inventories	897	48,387	2,236	380
Other assets	-	-	998	6
Property, plant and equipment	471	24,741	10,241	970
Intangible assets	-	22,872	-	-
Deferred tax assets	-	376	363	203
Trade and other payables	(470)	(46,877)	(6,336)	(727)
Income tax payable	-	(548)	-	-
Employee entitlements	(10)	(7,325)	-	(174)
Other provisions	-	(1,873)	(1,211)	(550)
Fair value of identifiable net assets	**888**	**97,266**	**19,040**	**965**
Goodwill arising on acquisition	**2,919**	**82,100**	**31,593**	**5,296**

* The contingent consideration for Cosmic Packaging is not payable on the basis that earnings targets have not been met. In relation to Polypak, the performance hurdles have been met and the first payment of $806,000 was paid in December 2018. The second payment of $807,000 is due within 3 months of 30 June 2019.

NOTE 6. BUSINESSES ACQUIRED (CONT'D)

Details of the goodwill impairment assessment is contained in Note 11 below.

The Consolidated Statement of Comprehensive Income includes the results of Cosmic Packaging and Integrated Packaging for the year ended 30 June 2019 as they were acquired in the comparative year whereas the results of Perfection Packaging and Polypak have been consolidated from the date of acquisition.

Impacts of each acquisition on Consolidated Statement of Comprehensive Income is:

	Final **Perfection Packaging $'000**	*Final* **Polypak $'000**
Acquisition costs expensed through profit or loss	25	-
Revenue from date of acquisition	41,709	15,023
Profit before tax from date of acquisition	3,374	2,274
Revenue if acquisition had occurred on 1 July 2018	50,052	15,023
Profit before tax if acquisition had occurred on 1 July 2018	4,423	2,274

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Key accounting policy – businesses acquired

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. All acquisition costs are expensed as incurred to profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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Key estimate and judgement – businesses acquired

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the balance date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the year the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Our Operating Assets

This section highlights the primary operating assets used and liabilities incurred to support the Group's operating activities.

WORKING CAPITAL

	Notes	30 June 2019 $'000	30 June 2018 $'000
Trade and other receivables	7	90,278	83,221
Inventories	8	78,108	95,463
Other assets	(a)	4,086	9,126
Trade and other payables	9	(74,104)	(86,029)
Working capital		**98,368**	**101,781**

(a) Other assets are comprised of deposits paid to suppliers, prepaid insurance and other administrative costs.

NOTE 7. TRADE & OTHER RECEIVABLES

	30 June 2019 $'000	30 June 2018 $'000
Trade receivables	81,480	80,720
Receivables from related parties	1,088	402
Trade and related party receivables	82,568	81,122
Allowance for expected credit losses	(1,065)	(744)
Trade and related party receivables, net of provision	81,503	80,378
Contract assets	6,683	-
Other debtors	2,092	2,843
Trade and other receivables	**90,278**	**83,221**

Trade and related party receivables are non-interest bearing and are generally due for settlement within 30-90 days.

Key accounting policy – trade and other receivables

Trade and related party receivables

Trade and related party receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

NOTE 7. TRADE & OTHER RECEIVABLES (CONT'D)

Key estimate and judgement – allowance for expected credit losses

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Managing credit risk

Trade and related party receivables are considered to be the main source of credit risk; however, the Group does not have a concentration of credit risk with respect to any single counterparty or group of counterparties, which mitigates the risk of significant losses of default.

The Group has policies in place to ensure that customers who trade on credit terms are subject to credit verification procedures. Amounts are considered as 'past due' when the debt has not been settled within the credit terms and conditions as agreed between the Group and the customer or counterparty to the transaction. Amounts past due are assessed for impairment by ascertaining the solvency of debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The aging profile and related provisioning of trade and related party receivables as at:

	Gross trade and related party receivables		Allowance for expected credit losses	
	30 June 2019 $'000	30 June 2018 $'000	30 June 2019 $'000	30 June 2018 $'000
Current to less than 30 days overdue	50,092	39,238	277	180
31 days to 60 days overdue	24,562	30,489	378	180
61 days to 90 days overdue	4,918	7,675	274	224
Greater than 90 days overdue	2,996	3,720	136	160
Trade and related party receivables	**82,568**	**81,122**	**1,065**	**744**

Movements in the allowance for expected credit losses during the year ended:

	30 June 2019 $'000	30 June 2018 $'000
Balance as at beginning of the year	**(744)**	**(407)**
Additional amounts provided for	(1,294)	(703)
Amounts written-off as uncollectible	1,119	366
Recognised through business combination	(146)	-
Balance as at end of the year	**(1,065)**	**(744)**

NOTE 8. INVENTORIES

	30 June 2019 $'000	30 June 2018 $'000
Raw materials	15,961	23,267
Work-in-progress	4,056	4,999
Finished goods	64,426	71,066
Engineering spares	804	1,229
Provision for obsolete inventories	(7,139)	(5,098)
Inventories	**78,108**	**95,463**

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Key accounting policy – inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost in relation to work-in-progress and finished goods comprises direct materials and delivery costs, direct labour, import duties and other taxes, and an allocation of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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Key estimate and judgement – provision for obsolete inventories

The provision for obsolete inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account recent sales experience, ageing of inventories and other factors that affect inventory obsolescence.

Movements in the provision for obsolete inventories during the year ended:

	30 June 2019 $'000	30 June 2018 $'000
Balance as at beginning of the year	**(5,098)**	**(489)**
Additional amounts provided for	(2,487)	(9,101)
Amounts written-off as obsolete	465	4,492
Recognised through business combination	(19)	-
Balance as at end of the year	**(7,139)**	**(5,098)**

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Managing commodity risk

The Group is exposed to commodity price risk in relation to certain raw materials, specifically resin. In managing this risk, the Group passes on changes in commodity prices to customers, including through contractual rise and fall adjustments, where possible.

NOTE 9. TRADE & OTHER PAYABLES

	30 June 2019 $'000	30 June 2018 $'000
Trade payables	58,938	66,697
Payables to related parties	-	-
GST and other taxes payable	2,356	1,239
Contract liabilities	35	-
Other payables	12,775	18,093
Trade and other payables	**74,104**	**86,029**

NOTE 9. TRADE & OTHER PAYABLES (CONT'D)

Trade and related party payables are non-interest bearing, unsecured and are generally settled on 60-day terms, or less. Goods & Services Tax ('GST') is remitted to the appropriate government body on a quarterly basis, whereas other taxes payable are remitted on a monthly basis.

Key accounting policy – trade and other payables

Trade and related party payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which remain unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted.

GST and other taxes payable

Revenues, expenses and assets are recognised net of the amount of applicable GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Managing foreign currency risk

As a result of its international activities, the Group is exposed to changes in foreign exchange rates on sales and purchases. In order to mitigate foreign currency risk, the Group regularly determines its net exposure to the primary currencies listed below based on actual sales and purchases and in some cases enters into foreign currency forward contracts to hedge these exposures.

The net carrying amount of financial assets/(liabilities) denominated in foreign currencies at balance date were:

	30 June 2019 $'000	30 June 2018 $'000
United States dollars	831	6,226
Canadian dollars	648	613
New Zealand dollars	1,785	1,322
Euros	(2,362)	(418)
Great British pounds	164	-

The table below illustrates the sensitivity of balances outstanding in foreign currencies at balance date to reasonably possible changes in foreign exchange rates in isolation and the consequential impact on the profit or loss of the Group:

	30 June 2019 $'000	30 June 2018 $'000
+/- 10% in AUD/USD	83	623
+/- 10% in AUD/CAD	65	61
+/- 10% in AUD/NZD	179	132
+/- 10% in AUD/EUR	(236)	(42)
+/- 10% in AUD/GBP	16	-

NON-CURRENT ASSETS

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Key estimate and judgement – estimated useful lives of non-current assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite-life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event and therefore, increase the depreciation and amortisation charges.

NOTE 10. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements $'000	Plant & Equipment $'000	Computer & Office Equipment $'000	Motor Vehicles $'000	Total $'000
Balances as at 1 July 2018	**1,306**	**32,246**	**1,425**	**1,513**	**36,490**
Acquired through business combination	77	22,360	44	318	22,799
Additions	111	8,832	2,320	658	11,921
Disposals	(2)	(944)	(61)	(289)	(1,296)
Depreciation expense	(176)	(7,872)	(643)	(341)	(9,032)
Balances as at 30 June 2019	**1,316**	**54,622**	**3,085**	**1,859**	**60,882**
Represented by:					
At cost	3,773	93,243	4,574	4,478	106,068
Accumulated depreciation and impairment	(2,457)	(38,621)	(1,489)	(2,619)	(45,186)
Balances as at 30 June 2019	**1,316**	**54,622**	**3,085**	**1,859**	**60,882**
Balances as at 1 July 2017	**249**	**12,147**	**1,307**	**1,455**	**15,158**
Acquired through business combination	1,092	12,731	-	-	13,823
Additions	284	12,089	868	592	13,833
Disposals	(12)	(402)	(110)	(123)	(647)
Depreciation expense	(307)	(4,319)	(640)	(411)	(5,677)
Balances as at 30 June 2018	**1,306**	**32,246**	**1,425**	**1,513**	**36,490**
Represented by:					
At cost	4,083	98,410	4,962	3,826	111,281
Accumulated depreciation and impairment	(2,777)	(66,164)	(3,537)	(2,313)	(74,791)
Balances as at 30 June 2018	**1,306**	**32,246**	**1,425**	**1,513**	**36,490**

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Key accounting policy – property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred to get the asset to a location and condition ready for use.

Depreciation rates and methods used for each class of assets are as follows:

Class of asset	*Depreciation rates*	*Method*
Plant and equipment	5% - 40%	Straight-line and diminishing value
Motor vehicles	7% - 25%	Straight-line and diminishing value
Computer equipment	20% - 50%	Straight-line and diminishing value
Office equipment	5% - 33%	Straight-line and diminishing value

Leasehold improvements and plant and equipment acquired under a finance lease are depreciated over the asset's useful life or the lease term, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses being the difference between the carrying amount and disposal proceeds are taken to profit or loss.

NOTE 11. INTANGIBLE ASSETS

	Goodwill $'000	Brand Names $'000	Customer Contracts $'000	Other $'000	Total $'000
Balances as at 1 July 2018	**162,050**	**21,472**	**1,167**	**-**	**184,689**
Acquired through business combination	31,161	-	-	-	31,161
Amortisation expense	-	-	(304)	-	(304)
Impairment loss	(149,000)	-	-	-	(149,000)
Movement in foreign exchange rates	-	-	2	-	2
Balances as at 30 June 2019	**44,211**	**21,472**	**865**	**-**	**66,548**
Represented by:					
At cost	193,211	21,472	1,402	-	216,085
Accumulated amortisation and impairment	(149,000)	-	(537)	-	(149,537)
Balances as at 30 June 2019	**44,211**	**21,472**	**865**	**-**	**66,548**
Balances as at 1 July 2017	**71,281**	**-**	**-**	**-**	**71,281**
Acquired through business combination	90,769	21,472	1,400	-	113,641
Amortisation expense	-	-	(233)	-	(233)
Balances as at 30 June 2018	**162,050**	**21,472**	**1,167**	**-**	**184,689**
Represented by:					
At cost	162,050	21,472	1,400	-	184,922
Accumulated amortisation and impairment	-	-	(233)	-	(233)
Balances as at 30 June 2018	**162,050**	**21,472**	**1,167**	**-**	**184,689**

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Key accounting policy – goodwill and other intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite-life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trademarks

Trademarks are assigned an indefinite life and tested for impairment at each balance date unless there are indications of impairment.

Customer Contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

NOTE 11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and other intangible assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and its value-in-use ('VIU'). The VIU is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset. Assets that do not have independent cash flows are grouped together to form a cash-generating unit ('CGU').

The Group performs its annual impairment test in June; however, an indication of impairment existed at 31 December 2018 as the Company's market capitalisation was below the carrying amount of the Group's net assets. Following a detailed assessment under VIU, it was identified that the carrying amount of goodwill was impaired by $149.0 million in the Industrial & Flexibles segment.

Upon the departure of the previous CEO, Grant Harrod, a reorganisation was completed such that the Group now has three operating segments, each with their own General Manager reporting to the new CEO, Tim Welsh. Consequently, the annual impairment test as at 30 June 2019 was performed on this basis and no further impairment losses were recognised.

As at balance date, the carrying amount of goodwill and other intangibles has been allocated to the following businesses, representing the smallest group of identifiable assets that generate cash inflows that are largely independent of the cash inflows from other assets and group of assets.

	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Goodwill	22,116	-	22,095	-	44,211
Other intangibles	22,337	-	-	-	22,337
Total	**44,453**	**-**	**22,095**	**-**	**66,548**

Of the $149.0 million impairment loss, $96.9 million has been recognised in the Flexibles packaging division and $52.1 million has been recognised in the Industrial packaging division.

Methodology and Testing of Recoverable Amount

Value-in-Use

The recoverable amount of each group of CGUs is based on VIU, which has been determined using a discounted cash flow model based on a one-year projection approved by the Directors and extrapolated for a further four years based on steady growth rates, together with a terminal value.

The cash flow forecasts are comprised of earnings before interest, income tax, depreciation and amortisation ('EBITDA') as a proxy for operating cash flows, less expected working capital movements and sustainable levels of maintenance capital expenditure.

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Key estimate and judgement – recoverability of carrying amounts

The recoverable amounts of CGUs have been determined based on VIU calculations. These calculations require the use of assumptions, which may not be observable (e.g. earnings growth rates) and estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The residual values, useful lives and depreciation methods are reviewed at each balance date and adjusted where there is evidence that the expected pattern of consumption differs from the useful life assumed.

NOTE 11. INTANGIBLE ASSETS (CONT'D)

Key assumptions

The following key assumptions have been used to determine the recoverable amounts of each group of CGUs and the assumptions adopted are set out below.

- *Discount rates*

  Discount rates applied in determining the recoverable amounts are based on the pre-tax weighted average cost of capital of the respective industries in which the group of CGU's operates, which is considered reflective of the current market assessment of the risks specified to each CGU taking into consideration the time value of money.

  The pre-tax discount rates adopted were 11.26% (2018: 10.40%) for Rigid packaging, 11.55% (2018: 10.40%) for Industrial packaging and 11.41% (2018: 10.40%) for Flexibles packaging.

- *Growth rates*

  The earnings forecast in the first year of the forecast period is consistent with the budget approved by the Directors.

  The EBITDA assumptions adopted to determine the forecast cash flows for the second year and each subsequent year within the forecast period ('EBITDA compound annual growth rates') are in line with, or below, independent published expectations of growth in these industries.

  The EBITDA compound annual growth rates adopted were 1.90% (2018: 2.60%) for Rigid packaging, 8.42% (2018: 3.00%) for Industrial packaging and 0.79% (2018: 3.00%) for Flexibles packaging.

- *Long-term growth rate*

  A long-term growth rate adopted to extrapolate cash flows beyond the five-year forecast period is considered in line with, or below, external market expectations of long-term growth in these industries.

  The long-term growth rates adopted were 2.00% (2018: 2.00%) for Rigid packaging, 2.00% (2018: 2.00%) for Industrial packaging and 2.00% (2018: 2.00%) for Flexibles packaging.

Sensitivity analysis

The table below includes details of the amount by which the recoverable amount exceeded its carrying amount ('Headroom') for each group of CGUs at 30 June 2019, together with value assigned to each key assumption used in determining the recoverable amount ('Adopted assumption') and the value of each key assumption at which the recoverable amount is equal to its carrying amount when moved in isolation ('Breakeven assumption').

	Flexibles	Industrial	Rigid
Headroom ($'000)	17,417	5,720	18,187
Discount rates			
Adopted assumption (%)	11.41	11.55	11.26
Breakeven assumption (%)	12.68	13.10	16.16
EBITDA compound annual growth rates			
Adopted assumption (%)	0.79	8.42	1.90
Breakeven assumption (%)	(1.65)	5.02	(6.63)
Long-term growth rates			
Adopted assumption (%)	2.00	2.00	2.00
Breakeven assumption (%)	(1.20)	(8.47)	(9.45)

The Directors consider that a reasonably possible unfavourable movement in key assumptions used to determine the recoverable amount may result in impairment.

NOTE 11. INTANGIBLE ASSETS (CONT'D)

The table below discloses the sensitivity of the recoverable amount of each group of CGUs to reasonable possible changes in each key assumption when moved in isolation.

	Flexibles	Industrial	Rigid
Discount rates			
Revised assumption (%)	12.41	12.55	12.26
Impact on recoverable amount ($'000)	(14,105)	(3,896)	(5,118)
EBITDA compound annual growth rates			
Revised assumption (%)	(0.21)	7.42	0.90
Impact on recoverable amount ($'000)	(7,282)	(1,737)	(2,364)
Long-term growth rates			
Revised assumption (%)	1.00	1.00	1.00
Impact on recoverable amount ($'000)	(6,598)	(1,037)	(3,206)

NOTE 12. COMMITMENTS & CONTINGENCIES

Operating lease commitments

The Group has entered into commercial leases for production, warehousing and office space as lessee under non-cancellable arrangements. These leases have varying terms, rent review and escalation clauses, and renewal rights at the option of the lessee. On renewal, the terms of the leases are renegotiated.

Future minimum lease payments under operating leases as at:

	30 June 2019 $'000	30 June 2018 $'000
Less than one year	13,540	10,624
Greater than one year, but less than five years	30,577	22,096
Greater than five years	8,783	5,643
Operating lease commitments	**52,900**	**38,363**

Finance lease and hire-purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery.

Future minimum lease payments under finance leases and hire purchase contracts as at:

	30 June 2019 $'000	30 June 2018 $'000
Less than one year	879	1,079
Greater than one year, but less than five years	875	1,026
Finance lease and hire-purchase commitments	**1,754**	**2,105**

NOTE 12. COMMITMENTS & CONTINGENCIES (CONT'D)

Key accounting policy – leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the Group substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Capital expenditure commitments	30 June 2019 $'000	30 June 2018 $'000
Less than one year	169	1,873
Capital expenditure commitments	**169**	**1,873**

Contingencies	30 June 2019 $'000	30 June 2018 $'000
Security deposit guarantees given to landlords	4,831	806
Standby letters of credits given to overseas suppliers	6,057	12,572
Contingent liabilities	**10,888**	**13,378**

Additional contingent liabilities may exist in respect of product claims and other legal matters. By their nature, the outcome of these cases is uncertain. Where practicable, amounts have been provided in the consolidated financial statements to recognise the estimated costs to settle the claims based on legal advice and best estimate assumptions.

Key accounting policy – contingencies

A contingent liability is, either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events but is not recognised because (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability.

NOTE 13. OTHER PROVISIONS

	30 June 2019 $'000	30 June 2018 $'000
Current		
Onerous contracts	649	606
Business restructuring	1,805	198
Lease make-good	1,039	-
Other	2,813	-
Current other provisions	**6,306**	**804**
Non-current		
Onerous contracts	-	623
Lease make-good	2,582	3,046
Non-current other provisions	**2,582**	**3,669**

Movements in other provisions during the year ended:

	Business Restructuring $'000	Onerous Contracts $'000	Lease Make-Good $'000	Other $'000	Total $'000
Balances as at 1 July 2018	**198**	**1,229**	**3,046**	**-**	**4,473**
Additional amounts provided for	1,805	-	-	2,813	4,618
Amounts utilised	(198)	(580)	-	-	(778)
Recognised through business combination	-	-	550	-	550
Unwinding of discounting	-	-	25	-	25
Balances as at 30 June 2019	**1,805**	**649**	**3,621**	**2,813**	**8,888**

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Key accounting policy – other provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

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Key estimate and judgement – other provisions

A provision has been made for the present value of anticipated costs for future restoration of leased premises (make-good). The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time.

Our Capital Structure

This section outlines the Group's capital structure.

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern and ensure the lowest cost of capital available to the Group, so that the Company can provide returns for shareholders and to maintain an optimum capital structure to reduce the cost of capital.

The Group's financing arrangements contain financial covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. In order to maintain or adjust the capital structure, the Group may adjust the quantum of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NET DEBT

	Notes	30 June 2019 $'000	30 June 2018 $'000
Interest-bearing liabilities	14	106,496	104,464
Cash and cash equivalents	15	(23,559)	(3,206)
Net debt		**82,937**	**101,258**

NOTE 14. INTEREST-BEARING LIABILITIES

	30 June 2019 $'000	30 June 2018 $'000
Current		
Finance lease and hire purchase	815	992
Trade finance	4,659	7,236
Bank loans	6,149	5,012
Current interest-bearing liabilities	**11,623**	**13,240**
Non-current		
Finance lease and hire purchase	969	977
Bank loans	93,904	90,247
Non-current interest-bearing liabilities	**94,873**	**91,224**

Bank loans are secured by first ranking registered equitable mortgage over the Company and all controlled entities and cross-interlocking guarantees from the Company and all controlled entities.

Key accounting policy – interest-bearing liabilities

Bank loans

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the balance date, the loans or borrowings are classified as non-current.

Finance lease and hire purchase

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

NOTE 14. INTEREST-BEARING LIABILITIES (CONT'D)

At balance date, the bank loans were subject to the following financial covenants:

	30 June 2019 $'000	30 June 2018 $'000
Interest coverage ratio	≥ 4.0:1	≥ 4.0:1
Leverage ratio	≤ 3.5:1	≤ 4.0:1
Debt service cover ratio	≥ 1.1:1	≥ 1.1:1

At balance date, the Group had unrestricted access to the following lines of credit:

As at 30 June 2019	Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft	-	5,000	5,000
Bank loans	100,100	282	100,382
Contingent funding facilities	7,872	20,998	28,870
Total facilities	**107,972**	**26,280**	**134,252**

As at 30 June 2018	Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft	4,916	84	5,000
Bank loans	97,301	4,715	102,016
Contingent funding facilities	13,547	15,853	29,400
Total facilities	**115,764**	**20,652**	**136,416**

Managing liquidity risk

The Group's objective is to maintain a balance between:

- Continuity of funding and flexibility through the use of bank loans, trade finance, finance leases and hire purchase arrangements; and
- Investment in strategic growth opportunities.

The Group manages liquidity risk through cash flow forecasting.

The contractual maturities of financial liabilities of the Group at balance date were:

30 June 2019	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Trade and other payables	-	74,104	-	-	-	74,104
Other liabilities	-	889	-	-	-	889
Interest-bearing liabilities	-	6,012	5,611	94,873	-	106,496
Total	**-**	**81,005**	**5,611**	**94,873**	**-**	**181,489**

30 June 2018	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Trade and other payables	-	85,984	-	-	-	85,984
Other liabilities	-	45	-	-	-	45
Interest-bearing liabilities	-	7,496	5,744	91,224	-	104,464
Total	**-**	**93,525**	**5,744**	**91,224**	**-**	**190,493**

NOTE 15. CASH & CASH EQUIVALENTS

	30 June 2019 $'000	30 June 2018 $'000
Cash on hand	21	20
Cash at bank	23,538	8,104
Bank overdrafts	-	(4,918)
Cash and cash equivalents	**23,559**	**3,206**

Cash at bank earns, and bank overdrafts incur, interest based on floating daily bank deposit rates.

Key accounting policy – cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, bank overdrafts and deposits held with short-term original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Reconciliation of net cash flows from operating activities to accounting profit for the year ended:

	Notes	30 June 2019 $'000	30 June 2018 $'000
Profit/(loss) before income tax		**(152,663)**	**(6,337)**
Non-cash items:			
Impairment losses	11	149,000	-
Depreciation and amortisation expense		9,336	5,910
Loss/(gain) on disposal of assets		313	885
Share-based payments expense	20	(99)	102
Amortisation of borrowing costs	16	614	-
Changes in assets and liabilities:			
Decrease/(increase) in trade and other receivables		6,549	12,024
Decrease/(increase) in inventories		19,971	(11,257)
Decrease/(increase) in derivatives		359	416
Decrease/(increase) in other assets		6,169	(5,877)
Increase/(decrease) in trade and other payables		(23,010)	5,029
Increase/(decrease) in other liabilities		889	-
Increase/(decrease) in employee entitlements		(1,102)	266
Increase/(decrease) in other provisions		3,865	1,564
Income tax paid		(4,424)	(518)
Net cash flows from operating activities		**15,767**	**2,207**

NOTE 16. FINANCE COSTS

	30 June 2019 $'000	30 June 2018 $'000
Interest expense	7,521	5,291
Amortisation of borrowing costs	614	-
Finance costs	**8,135**	**5,291**

Key accounting policy – finance costs

Finance costs are expensed in the year in which they are incurred, including interest on the bank overdraft, interest on short-term and long-term borrowings, interest on finance leases and unwinding of the discount on provisions.

Managing interest rate risk

Bank loans are the main source of interest rate risk because the interest rate is floating whereas interest payable on trade finance, hire purchase and finance lease liabilities are fixed for the term of the arrangement.

Interest earned on cash and cash equivalents is not significant.

The composition of the Group's funding is considered annually to ensure applicable interest rates are competitive and reflective of the Group's future funding requirements.

The table below illustrates the sensitivity of interest-bearing balances outstanding at balance date to reasonably possible changes in interest rates in isolation and the consequential impact on the profit or loss of the Group:

	30 June 2019 $'000	30 June 2018 $'000
+/- 1% in interest rates	1,091	941

EQUITY

NOTE 17. ISSUED CAPITAL

Movements in the issued, authorised and fully-paid ordinary shares during the year ended:

	30 June 2019		30 June 2018	
	Number	$'000	Number	$'000
Ordinary shares as at beginning of the year	**583,665,341**	**217,695**	**241,771,819**	**98,194**
Issue of shares for dividend reinvestment plan	24,964,031	5,223	8,380,864	3,604
Shares issued to vendors of businesses acquired	25,538,462	9,960	158,421,024	62,577
Shares issued under share placement	175,882,354	59,800	161,181,634	54,802
Shares issued under Executive LTI plan	-	-	14,910,000	-
Cancellation of shares issued under Executive LTI plan	(2,220,000)	-	(1,000,000)	-
Cost of raising shares	-	(1,060)	-	(1,482)
Ordinary shares as at beginning of the year	**807,830,188**	**291,618**	**583,665,341**	**217,695**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid, on the shares held. The fully-paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 17. ISSUED CAPITAL (CONT'D)

Key accounting policy – issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

NOTE 18. RESERVES

	Notes	30 June 2019 $'000	30 June 2018 $'000
Share-based payments reserve	(a)	179	278
Cash flow hedge reserve	(b)	-	471
Foreign currency translation reserve	(c)	1,042	501
Reserves		**1,221**	**1,250**

(a) The share-based payments reserve is used to recognise the fair value of share options and performance rights granted to certain employees over the vesting period, subject to the employee still being employed at that vesting date.

(b) The cash flow hedge reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

(c) The foreign currency translation reserve is used to accumulate differences that arise on translation of foreign operations where the functional currency is other than Australian dollars.

Key accounting policy – reserves

Share-based payments reserves

The fair value of equity-settled transactions determined at grant date is amortised over the vesting year with a corresponding increase in equity. The cumulative charge to profit or loss is calculated based on the fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the year is the cumulative amount calculated at each balance date less amounts already recognised in previous years.

Cash flow hedge reserve

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices.

Where hedging documentation is in place, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Foreign currency translation reserve

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

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the balance date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the year. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Remunerating Our People

This section provides financial insight into employee reward and recognition designed to attract, retain, reward and motivate high performing individuals so as to achieve the objectives of the Group in alignment with the interests of our shareholders.

This section should be read in conjunction with the Remuneration Report, contained within the Directors' Report, which provides specific details on the setting of remuneration of Key Management Personnel.

NOTE 19. EMPLOYEE ENTITLEMENTS

	30 June 2019 $'000	30 June 2018 $'000
Current		
Annual leave	5,554	5,258
Time off in lieu and rostered days off	58	-
Long service leave	5,257	6,023
Current employee entitlements	**10,869**	**11,281**
Non-current		
Long service leave	1,692	675
Non-current employee entitlements	**1,692**	**675**

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Key estimate and judgement – employee entitlements

The liability for employee entitlements expected to be settled more than twelve months from the balance date is measured at the present value of the estimated future cash flows to be made in respect of all employees at the balance date, irrespective of whether the liability is classified as current.

In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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Key accounting policy – employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within twelve months of the balance date are recognised in current liabilities in respect of employees' services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave that does not meet the vesting conditions within twelve months of balance date is recognised in non-current liabilities. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. 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 balance date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 20. EMPLOYEE BENEFITS EXPENSE

	30 June 2019 $'000	30 June 2018 $'000
Wages and salaries	74,272	58,798
Superannuation contributions	5,895	5,151
Share-based payments expense	(99)	102
Other employee benefits	3,352	-
Employee benefits expense	**83,420**	**64,051**

NOTE 21. SHARE-BASED PAYMENTS

The Company aims to develop remuneration packages that properly reflect each person's duties and responsibilities and includes remuneration that is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration packaging include the awarded shares, performance rights and share options which vest upon the eligible employee remaining in service with the Group and the achievement of certain performance hurdles by the end of the vesting period.

All share-based payment arrangements are equity settled and there have been no cancellations or modifications to the awards in the current or comparative year.

The valuation technique and assumptions used to determine the fair value of each award depends on whether the vesting conditions include a market hurdle or non-market hurdle.

- The Monte Carlo simulation-based model is used to test the likelihood of attaining the market hurdle against the comparator group of entities using the following assumptions: expected volatility, risk-free interest rate, expected life of option, share price, dividend yield and probability of achievement. The Monte Carlo simulation incorporates the impact of this market condition on the fair value of the awards containing a market hurdle.

- The fair value of awards which do not contain a market hurdle is based on the share price on the grant date, less any expected dividends to be received between grant date and the vesting date.

Employee Share Purchase Plan ('ESPP')

The Company has established an ESPP to encourage employees to participate in the ownership of the Company and promote the long-term success of the Company as a common goal by the employees.

The key performance hurdle which has been used is that the Total Shareholders Return ('TSR') of the Company must exceed the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index (or any equivalent or replacement of that index) over a three-year vesting period. Shares are allocated to employees at either the value of shares as detailed in the latest disclosure document issued by the Company or the 5-day Volume Weighted Average Price ('VWAP') immediately prior to the offer being made to the employee or the shares being issued.

The Company may provide loans to participants to acquire shares under the ESPP. As security for the loans, participants will pledge the shares acquired under the ESPP to the Company at the time the loans are provided and will grant a charge over any benefits attributable to the shares, including bonus shares, rights, and dividends. Any dividends paid on the shares by the Company are treated as interest on the loan.

The shares are registered in the names of the participants from allotment but remain subject to restrictions on dealing while they are pledged as security for a loan or subject to performance hurdles specified and may for forfeited.

If the employee leaves the employment of the Group before vesting, the loan balance must be repaid in full or the shares surrendered in full settlement of the outstanding loan balance.

Under Australian Accounting Standards, shares issued to senior executives under the ESPP are considered to be options granted.

NOTE 21. SHARE-BASED PAYMENTS (CONT'D)

A summary of the shares granted during the year ended 30 June 2019 is as follows:

Grant date	Vesting date	Fair Value	Number	Exercise Price
14 January 2019	13 January 2022	$0.020	2,890,000	$0.200

The following table shows the number and weighted average exercise prices ('WAEP') of, and movements in, shares granted under the ESPP during the year ended:

	30 June 2019		30 June 2018	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	**16,810,000**	**$0.384**	**2,050,000**	**$0.417**
Granted	2,890,000	$0.200	14,910,000	$0.380
Forfeited *	(13,315,000)	$0.382	(150,000)	$0.417
Expired *	(1,200,000)	$0.417	-	-
Outstanding as at end of the year	**5,185,000**	**$0.280**	**16,810,000**	**$0.384**
Exercisable	-	-	-	-

* Of the shares that have expired or were forfeited during the year ended 30 June 2019, 2,220,000 shares have been cancelled and 12,295,000 await cancellation or reallocation to a trustee who holds the shares for the purposes of reallocation to employees at a later date.

Going forward, the Board has resolved that long-term incentives will be offered to eligible employees under the Company's performance rights plan.

Performance Rights Plan ('PRP')

The Company has established a PRP to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its returns to shareholders. The PRP is also intended to assist the Company to attract and retain skilled and experienced senior executives and provide them with an incentive to have a greater involvement with and focus on the longer-term goals of the Company.

The Board may from time to time, in its absolute discretion, invite eligible employees to apply for rights under the PRP on terms set out in the PRP and any other terms the Board considers appropriate, subject to the grant complying with the *Corporations Act 2001* and the ASX Listing Rules. A right will vest where the eligible employee remains in service at vesting date and, in some cases, upon satisfaction of performance hurdles and other vesting conditions determined by the Board.

The key performance hurdle which has been used is that the TSR to shareholders of the Company must exceed the rate of growth over the same period of the S&P/ASX Small Ordinaries Accumulation Index (or equivalent or replacement of that index).

The exercise price of a grant of rights under the PRP may be zero, although a price may be set by the Board. A right will automatically lapse where a vesting condition has not been satisfied. Shares issued on the exercise of rights under the PRP will rank equally in all respects with all existing shares from the date of allotment, including in relation to voting rights and entitlements to distributions and dividends.

A summary of the performance rights granted during the year ended 30 June 2019 is as follows:

Grant date	Vesting date	Fair Value	Number	Exercise Price
16 January 2019	6 January 2020	$0.190	320,000	$0.000
14 May 2019	30 September 2019	$0.140	333,333	$0.000

NOTE 21. SHARE-BASED PAYMENTS (CONT'D)

The following table shows the number and weighted average exercise prices ('WAEP') of, and movements in, performance rights under the PRP during the year ended:

	30 June 2019		30 June 2018	
	Number	**WAEP**	**Number**	**WAEP**
Outstanding as at beginning of the year*	**1,375,000**	**$0.000**	**-**	**-**
Granted	653,333	$0.000	1,375,000	$0.000
Forfeited	(1,000,000)	$0.000	-	-
Expired	(375,000)	$0.000	-	-
Outstanding as at end of the year*	**653,333**	**$0.000**	**1,375,000**	**$0.000**
Exercisable	-	-	-	-

* The number of performance rights on issue at the beginning of the financial year has been restated as only the first year of Grant Harrod's three-year allotment of up to 3,000,000 performance rights had been granted by the Board of Directors prior to receiving his notice of resignation.

Share Options

No options were issued during the year ended 30 June 2019.

On 28 November 2017, 1,200,000 options were granted to Mr Kaplan at a nil issue in three tranches, which become exercisable if the following performance hurdles are met:

- In the first year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.38 on a VWAP basis over a three-month period of that first year;
- In the second year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.42 on a VWAP basis over a three-month period of that second year; and
- In the third year from issue date, 400,000 options may be exercised if the Company's share price exceeds $0.46 on a VWAP basis over a three-month period of that third year; and

The tranche of options lapse where the applicable performance hurdle has not been met. However, if the performance hurdle has been met, the options may be exercised before the third anniversary of the issue date for the exercise price set out above.

The first tranche of 400,000 options mentioned above vested during the year ended 30 June 2019 and remains exercisable at $0.38 per share.

The following table shows the number and weighted average exercise prices ('WAEP') of, and movements in, share options during the year ended:

	30 June 2019		30 June 2018	
	Number	**WAEP**	**Number**	**WAEP**
Outstanding as at beginning of the year	**1,200,000**	**$0.420**	**-**	**-**
Granted	-	-	1,200,000	$0.420
Outstanding as at end of the year	**1,200,000**	**$0.420**	**1,200,000**	**$0.420**
Exercisable	400,000	$0.380	-	-

NOTE 21. SHARE-BASED PAYMENTS (CONT'D)

Key accounting policy – share based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The fair value of equity-settled transactions is measured at grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied (e.g. continuity of service).

NOTE 22. KEY MANAGEMENT PERSONNEL

Employee benefits expense

	30 June 2019 $'000	30 June 2018 $'000
Short-term employee benefits	2,083	1,225
Long-term benefits	(7)	-
Post-employment benefits	116	67
Share-based payments	80	205
Compensation to key management personnel	**2,272**	**1,497**

Other Disclosures

This section includes additional financial information that is required under the accounting standards and the *Corporations Act 2001*.

NOTE 23. OTHER GAINS & INCOME

	30 June 2019 $'000	30 June 2018 $'000
Interest income	54	222
Other	1,084	241
Other income	**1,138**	**463**

Key accounting policy – other gains and income

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other gains and income

Other gains and income are recognised when it is received or when the right to receive payment is established.

NOTE 24. PARENT ENTITY FINANCIAL INFORMATION

Supplementary financial information for the Company is as follows:

Statement of financial position

As at	30 June 2019 $'000	30 June 2018 $'000
Current assets	229,111	231
Non-current assets	121,941	215,955
Total assets	**351,052**	**216,186**
Current liabilities	(72,180)	(950)
Non-current liabilities	-	-
Total liabilities	**(72,180)**	**(950)**
Net assets	**278,872**	**215,236**
Issued capital	291,710	215,160
Retained earnings	(12,838)	76
Equity	**278,872**	**215,236**

Statement of comprehensive income

For the year ended	30 June 2019 $'000	30 June 2018 $'000
Other income	3,259	3,923
Expenses	-	-
Profit/(loss) before income tax	**3,259**	**3,923**
Income tax (expense)/benefit	(4,207)	(661)
Profit/(loss) after income tax	**(948)**	**3,262**
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	**(948)**	**3,262**

NOTE 25. AUDITORS' REMUNERATION

Amounts paid or payable by the Group to its auditors are as follows:

	30 June 2019 $'000	30 June 2018 $'000
Audit and assurance services		
Audit and review of the financial statements	376	303
Other assurance related services	157	-
Total remuneration for audit and other assurance services	**533**	**303**
Other services		
Tax compliance services	34	-
Total remuneration for other services	**34**	**-**
Total auditors' remuneration	**567**	**303**

The auditor of the Group for the year ended 30 June 2019 was Ernst & Young (2018: Haines Norton and KPMG) and amounts shown above reflect amounts paid or payable by the Group whilst each firm was appointed as the auditor of the Group.

NOTE 26. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

As at 30 June 2019	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial instruments	(a)	-	111	-	111
Contingent consideration payable	(b)	-	-	(883)	(883)
Total		**-**	**111**	**(883)**	**(772)**

As at 30 June 2018	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial instruments	(a)	-	470	-	470
Contingent consideration payable	(b)	-	-	(1,093)	(1,093)
Total		**-**	**470**	**(1,093)**	**(623)**

(a) Derivative financial instruments have been valued using external valuations, leveraging market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

(b) Contingent consideration has been valued based on management's best estimate of the amounts to be settled using internal earnings forecasts.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Key accounting policy – fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either (a) in the principal market, or (b) in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 27. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other Accounting Standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised when, or as control transfers to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 using the full retrospective method of adoption, with the initial application date of 1 July 2018 and adjusting the comparative year beginning 1 July 2017 (if applicable). The assessment of the impact of adopting AASB 15 for the Group identified certain bespoke products which are manufactured to customer specifications with no alternative use, including whether the goods can be repurposed and sold without significant economic loss to the group.

Specifically, all the products manufactured by Perfection Packaging and PolyPak are customised and manufactured for its customers upon receipt of a sales order resulting in a change to revenue recognition over time. This resulted in a change in accounting policy upon acquisition to align revenue recognition with Group accounting policies and consequently, the provisional purchase price accounting disclosed in the interim financial report for the half-year ended 31 December 2018 has been adjusted following completion of the AASB 15 impact assessment.

In addition, whilst the Flexibles packaging business sells certain bespoke products to its customers, the products are manufactured for stock in advance of receiving a sales order from the customer for efficiency reasons. As the Group doesn't have an enforceable right to payment for the performance completed until it receives the sales order, revenue continues to be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

AASB 9 *Financial instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* bringing together all three aspects of accounting for financial instruments; classification and measurement, impairment, and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and adjusting the comparative year beginning 1 July 2017 (if applicable).

Classification and measurement

Except for certain trade receivables, under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss ('FVPL'), amortised cost, or fair value through other comprehensive income ('FVOCI'). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding on specified dates (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are that debt instruments at amortised cost are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet SPPI criterion. This category includes the Group's trade and other receivables.

Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECL's for all debt financial assets not held at FVPL. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The short fall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied AASB 9's simplified approach and has calculated ECL's based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted to forward-looking factors specific to the debtors and the economic environment. Individual debts that are known to be uncollectible are written off when identified.

The adoption of the ECL requirements of AASB 9 did not result in a material change in impairment allowances of the Group's debt financial assets as at 1 July 2018 or 1 July 2017 and hence, the comparative information has not been restated.

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Pro-Pac Packaging Limited is the ultimate parent entity for the Group.

Transactions with related parties

The Group entered into the following transactions with entities considered to be related parties of the Group:

For the year ended 30 June 2019	Notes	Sales $'000	Purchases $'000	Rents $'000
Entity with significant influence over the Group				
Kin Group Pty Ltd	(a)	5,353	-	-
Pact Group Limited	(a)	2,427	(4,734)	-

For the year ended 30 June 2018	Notes	Sales $'000	Purchases $'000	Rents $'000
Entity with significant influence over the Group				
Kin Group Pty Ltd	(a)	-	-	-
Pact Group Limited	(a)	7,195	(7,322)	-
Other director interests of key management personnel				
Morrall Penn Holdings Pty Ltd and The Penn Morrall Partnership	(b)	-	-	65

(a) Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Amounts outstanding at balance date are unsecured, interest free and settlement occurs in cash.

(b) Transactions with Morrall Penn Holdings Pty Ltd and The Penn Morrall Partnership related to the following properties:

- 9 Widemere Road, Wetherill Park NSW
- Unit 15/129 Robinson Road, Geebung QLD

Kin Group Pty Ltd

Mr Raphael Geminder owns 49.7% (2018: 45.1%) of the Company through Bennamon Pty Ltd. Kin Group Pty Ltd owns 100% of the shares in Bennamon Pty Ltd and the Group supplies flexible film packaging and other food packaging products to Kin Group Pty Ltd and its controlled entities.

Pact Group Limited

The Group is an exclusive supplier of certain raw materials such as flexible film packaging, plastic bags and tapes to Pact Group Limited under an agreement through to 31 December 2021. The supply arrangement is at arm's length.

Mr Jonathan Ling is an Independent Non-Executive Director of Pact Group Limited.

NOTE 29. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following entities, which have the same financial year as that of the Company.

	Country of Incorporation	Class of Shares	Equity Holding 30 June 2019	Equity Holding 30 June 2018
Direct Controlled Entities:				
Pro-Pac Group Pty Ltd*	Australia	Ordinary	100%	100%
Plastic Bottles Pty Ltd*	Australia	Ordinary	100%	100%
PPG Services Sdn Bhd	Malaysia	Ordinary	100%	100%
Pro-Pac Finance Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Finance (NZ) Limited	New Zealand	Ordinary	100%	100%
Integrated Packaging Group Pty Ltd*	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Group Pty Ltd				
Pro-Pac Packaging (Aust) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac (GLP) Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Plastic Bottles Pty Ltd				
Australian Bottle Manufacturers Pty Ltd	Australia	Ordinary	100%	100%
Bev-Cap Pty Ltd	Australia	Ordinary	100%	100%
Ctech Closures Pty Ltd	Australia	Ordinary	100%	100%
Specialty Products and Dispensers Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Packaging (Aust) Pty Ltd				
Creative Packaging Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Packaging Manufacturing (Syd) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Packaging Manufacturing (Melb) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Packaging Manufacturing (Bris) Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Bev-Cap Pty Ltd				
Finpact Pty Ltd	Australia	Ordinary	100%	100%
Great Lakes Moulding Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Integrated Packaging Group Pty Ltd				
Goodstone International Pty Ltd*	Australia	Ordinary	100%	100%
Integrated Packaging WA Pty Ltd*	Australia	Ordinary	100%	100%
Integrated Recycling Pty Ltd*	Australia	Ordinary	100%	100%
IP Canada Packaging Group Ltd	Canada	Ordinary	100%	100%
Perfection Packaging Pty Ltd	Australia	Ordinary	100%	-
Controlled Entities owned 100% by Goodstone International Pty Ltd				
Integrated Packaging Ltd (NZ)	New Zealand	Ordinary	100%	100%
Integrated Packaging Australia Pty Ltd*	Australia	Ordinary	100%	100%
IP Americas Inc.	United States	Ordinary	100%	100%
Controlled Entities owned 100% by Integrated Packaging Australia Pty Ltd				
Integrated Machinery Pty Ltd*	Australia	Ordinary	100%	100%

* Party to a deed of cross-guarantee with the Company, under which each entity guarantees the debts of the entities within the closed group.

NOTE 29. CONTROLLED ENTITIES (CONT'D)

Key accounting policy – controlled entities

The consolidated financial statements incorporate the assets and liabilities of the Company and the entities it controlled at balance date.

The Group controls an entity when the Group 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 to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Where the Group loses control over an entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the entity together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 30. SUBSEQUENT EVENTS

There were no matters or circumstances that have occurred subsequent to balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent years.

NOTE 31. DEED OF CROSS-GUARANTEE

By entering into the deed of cross-guarantee, the wholly-owned entities have been relieved from the requirement to lodge an audited financial report with ASIC under Class Order 2016/785 (as amended).

The consolidated financial statements of the closed group are set out below.

Consolidated statement of comprehensive income

For the year ended	30 June 2019 $'000	30 June 2018 $'000
Revenue from contracts with customers	427,153	343,156
Raw materials and consumables used	(267,632)	(217,300)
Employee benefits expense	(77,086)	(62,545)
Occupancy, distribution, administration and selling expenses	(75,757)	(59,148)
Impairment losses	(141,777)	-
Depreciation and amortisation expense	(8,672)	(5,577)
Other income	1,080	463
Finance costs	(7,257)	(4,910)
Profit/(loss) before income tax	**(149,948)**	**(5,861)**
Income tax (expense)/benefit	2,043	956
Profit/(loss) after income tax	**(147,905)**	**(4,905)**
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss in subsequent years (net of income tax):		
Change in fair value of cash flow hedges	-	-
Exchange differences arising on translation of foreign operations	-	-
Total other comprehensive income/(loss)	-	**-**
Total comprehensive income/(loss)	**(147,905)**	**(4,905)**

NOTE 31. DEED OF CROSS GUARANTEE (CONT'D)

Summary of movements in consolidated retained earnings

For the year ended	30 June 2019 $'000	30 June 2018 $'000
Balance as at beginning of the year	**(5,754)**	**7,292**
Profit/(loss) after income tax	(147,905)	(4,905)
Dividends provided for or paid	(7,573)	(8,141)
Balance as at end of the year	**(161,232)**	**(5,754)**

Consolidated statement of financial position

As at	30 June 2019 $'000	30 June 2018 $'000
Current assets		
Cash and cash equivalents	17,400	1,715
Trade and other receivables	80,083	72,433
Inventories	66,285	81,649
Current tax receivable	6,061	55
Derivative financial assets	111	470
Other assets	3,954	8,718
Total current assets	**173,894**	**165,040**
Non-current assets		
Property, plant and equipment	54,496	31,328
Intangible assets	68,357	179,560
Investments	8,074	8,199
Deferred tax assets	3,108	14,548
Total non-current assets	**134,035**	**233,635**
Total assets	**307,929**	**398,675**
Current liabilities		
Trade and other payables	64,258	75,586
Interest-bearing liabilities	10,833	12,629
Employee entitlements	10,445	10,984
Other provisions	6,036	804
Total current liabilities	**91,572**	**100,003**
Non-current liabilities		
Interest-bearing liabilities	82,129	81,137
Employee entitlements	1,692	675
Other provisions	2,008	3,669
Total non-current liabilities	**85,829**	**85,481**
Total liabilities	**177,401**	**185,484**
Net assets	**130,528**	**213,191**
Equity		
Issued capital	291,611	217,695
Reserves	149	1,250
Retained earnings	(161,232)	(5,754)
Total equity	**130,528**	**213,191**

DIRECTORS' DECLARATION

The directors of the Pro-Pac Packaging Limited (the 'Company') declare that:

1. The consolidated financial statements and notes, as set out on pages 34 to 77 are in accordance with the *Corporations Act 2001* and:

    a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

    b) give a true and fair view of the Group's financial position at 30 June 2019 and of its performance for the year ended on that date; and

    c) comply with International Financial Reporting Standards as disclosed in the notes to the consolidated financial statements.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

    a) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;

    b) the consolidated financial statements and notes for the financial year comply with the accounting standards; and

    c) the consolidated financial statements and notes for the financial year give a true and fair view; and

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. At the date of this declaration, there are reasonable grounds to believe that the entities that are party to the deed of cross-guarantee as described in Note 31 of the consolidated financial statements will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee.

Signed in accordance with a resolution of the Board of Directors pursuant to Section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Board on 27 August 2019.

Jonathan Ling
Chairman

Tim Welsh
Managing Director and CEO

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of Pro-Pac Packaging Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pro-Pac Packaging Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

1. Impairment assessment of non-current assets, including goodwill

Why significant	How our audit addressed the key audit matter
As detailed in Note 6 to the financial report, the Group has made four acquisitions in the last two years. As a consequence of the acquisitions, the Group recognised goodwill and identifiable intangibles. AASB 136 requires an impairment test to be performed at least annually for cash generating units ("CGUs") to which goodwill or intangibles with an indefinite useful life have been allocated. Management identified three CGUs – Flexibles, Industrial and Rigid. Impairment assessments are complex and judgemental as they include the modelling of a range of assumptions and estimates will be impacted by future performance and market conditions. As a result, this was considered a key audit matter. Details of the Group's impairment assessment are set out in Note 11 to the financial report. The assessment result in an impairment of goodwill of $149.0 million was recorded in the profit and loss for the year ended 30 June 2019. The balance of Intangibles as at 30 June 2019 was $66.5 million.	Our audit procedures included an evaluation of the assumptions and methodologies used in the impairment assessments, with an emphasis on those relating to the determination of cash generating units, forecast cash flows, growth rates, discount rates, comparative industry valuation multiples and other market evidence. We involved our valuation specialists to evaluate the appropriateness of key inputs, where relevant to the impairment tests, including: ► Discount rates ► Terminal growth rates ► Market evidence of industry earnings valuation multiples ► Long-term inflation and growth rate assumptions ► Performing sensitivity analysis on the model forecasts and key assumptions. We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 11.

2. Acquisition accounting and integration

Why significant	How our audit addressed the key audit matter
The Group made two acquisitions during 2019 financial year and two in the 2018 financial year as detailed in Note 6 to the financial report. All four acquisitions were finalised during the year. The PolyPak Plastics Limited (PolyPak) and Perfection Packaging Unit Trust (Perfection) acquisitions made in 2019 financial year resulted in goodwill of $37.6 million. The Integrated Packaging Pty Ltd (IPG) acquisition made on 1 November 2017 resulted in goodwill of $82.1 million. The Cosmic acquisition made on 11 September 2017 resulted in the goodwill of $2.9 million. The accounting for the businesses acquired was a key audit matter due to the value of the acquisitions made, contingent consideration included and the allocation of the purchase consideration to the fair value of the acquired assets and liabilities.	We read the acquisition agreements, including amendments where applicable, for both acquisitions to understand the key terms of the agreement in considering the accounting applied. With respect to the contingent consideration applicable to PolyPak acquisitions, we assessed: ► The nature of the milestones associated with the contingent consideration; ► The Group's assessment of the timing and probability of the milestones being achieved; and ► The adequacy of the Group's disclosures in relation to contingent consideration and the factors relevant in determining the balances. With respect to the identification and fair value measurement of the acquired assets and liabilities, we assessed:

Why significant	How our audit addressed the key audit matter
	► The tangible assets and liabilities that were acquired and the method for determining the fair value allocated to them; ► Whether the Group appropriately identified the intangible assets acquired and its methodology for determining fair value, including the recognised deferred tax liabilities and the assessment of the useful life of the assets; and ► The value of goodwill recognised and the allocation of goodwill to the Group's cash-generating units.

3. Bank loans and covenant compliance

Why significant	How our audit addressed the key audit matter
The Group has $100.1 million of bank loans as at 30 June 2019, as disclosed in Note 14 to the financial report. The maturity of the bank loan is November 2020 with some of the facility being repaid throughout the term of the loan. The company has $0.3 million of facility available to be drawn upon at 30 June 2019. In addition, the Group had $23.6 million of cash at 30 June 2019. This is a key audit matter because of the amount of borrowings as at 30 June 2019 and the importance of access to adequate funding for the Group.	As part of our audit procedures over bank loans we: ► Read the bank facility agreement and related amendments, to understand the key terms of the agreement; ► Obtained the bank confirmation of the Group's borrowings and bank balances as at 30 June 2019; ► Reviewed the Group's assessment of compliance with covenants at year-end and for the next financial year; and ► Assessed the classification of borrowings as current and non-current.

4. Inventory costing and valuation

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group held inventories of $84.0 million which were recorded at the lower of cost and net realisable value.	Our audit procedures in respect of the valuation of inventories included the following: ► The existence of inventories has been tested substantively through attendance at year-end inventory stocktakes conducted close to the year end in all locations with significant stock holdings; ► Selected a sample of inventory items and agreed the cost price of inventory recorded to supporting documentation such as supplier invoices; and

Why significant	How our audit addressed the key audit matter
Provisions can be recognised for all components of inventories, including raw materials, work in progress and finished goods. Given judgement was required to be exercised by the Group to determine the net realisable value for items which may be ultimately sold below cost, this was considered a key audit matter. These judgements include consideration of expectations for future sales based on historical experience. The Group's disclosures with respect to inventories are included in Note 8 to the financial report.	► Assessed the basis for inventory provisions recorded by the Group for slow moving and surplus inventories. In doing so, we assessed the Group's judgements in identifying slow moving and surplus inventories. Considered the impact of sales subsequent to year end on the value of inventories at balance date by comparing the actual selling price to the carrying value of the relevant product line.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Building a better working world

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Pro-Pac Packaging Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

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

Ernst & Young

Kester Brown
Partner

Melbourne
27 August 2019

ADDITIONAL COMPANY INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 18 August 2019.

DISTRIBUTION OF EQUITY SECURITIES

Table 1: The number of holders, by size of holding, of ordinary shares (including ESPP shares) are:

Holdings Ranges	Holders	Total Units	%
1-1,000	109	12,235	0.002
1,001-5,000	283	955,180	0.118
5,001-10,000	243	1,992,950	0.247
10,001-100,000	1,309	54,270,339	6.718
100,001 and over	304	750,599,484	92.915
Totals	**2,248**	**807,830,118**	**100.00**

There are 262 holders of unmarketable parcels of ordinary shares totalling 375,232 shares representing 0.056% of the Company's issued capital.

Table 2: The number of holders, by size of holding, of performance share rights are:

Holdings Ranges	Holders	Total Units	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001-10,000	-	-	-
10,001-100,000	-	-	-
100,001 and over	2	653,333	100
Totals	**2**	**653,333**	**100.00**

TWENTY LARGEST HOLDERS

Table 3: The names of the twenty largest holders of ordinary shares are:

Rank	Holder	Number	%
1	BENNAMON PTY LTD	366,565,794	45.377
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	75,556,424	9.353
3	APC I PTY LTD <ADVENT V TRUST A A/C>	46,949,439	5.812
4	APC II PTY LTD <ADVENT V TRUST B A/C>	46,949,439	5.812
5	BENNAMON PTY LTD	36,789,449	4.554
6	EQUITAS NOMINEES PTY LIMITED <PB - 601513 A/C>	25,000,000	3.095
7	SELJAX PTY LTD <THE CADAVDAN A/C>	12,769,231	1.581
8	HYLMIC PTY LTD <THE JOMY A/C>	12,769,231	1.581
9	BEACHLANE PTY LTD <BEACHLANE INVESTMENT A/C>	10,600,000	1.312
10	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,306,585	1.276
11	MR JOHN JOSEPH CERINI	9,865,214	1.221
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,371,470	0.541
13	CORLETTE POINT ROAD PTY LTD <POINT A/C>	3,657,000	0.453
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	2,416,666	0.299
15	WILBOW GROUP PTY LTD <WILBOW GROUP A/C>	2,414,863	0.299
16	MR HAMID ROBOUBI & MRS JILLIAN ANNE ROBOUBI	2,115,330	0.262
17	MR ALASTAIR SPIERS & MRS UNA SPIERS <SPIERS SUPER FUND A/C>	2,000,000	0.248
18	MS PATSY SEOW LEE CH'NG	1,565,356	0.194
19	MR PHILIP WEINMAN & MS ROCHELLE WEINMAN & MR DEAN WEINMAN <WEINMAN SUPER FUND A/C>	1,300,000	0.161
20	FORUM INVESTMENTS PTY LIMITED	1,250,000	0.155
	Total Securities of Top 20 Holdings	**675,211,491**	**83.586**

ADDITIONAL COMPANY INFORMATION

SUBSTANTIAL SHAREHOLDERS

Table 4: The names of substantial shareholders who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

Holder	Number
Bennamon Pty Limited & Kin Group Pty Limited	402,018,176
Advent Partners Pty Limited	86,292,672
Investors Mutual Limited	65,237,176

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Performance share rights carry no voting rights.

RESTRICTED SECURITIES

Table 5: The following shares are restricted securities subject to voluntary escrow and disclosed below in accordance with Listing Rule 4.10.14:

Description	Escrow Date	Number
Shares related to the Integration Packaging acquisition	6 November 2019	98,788,606
Shares related to the Perfection Packaging acquisition	13 September 2020	25,538,462

ON MARKET BUY-BACK

There is no current on market buy-back. No securities were purchased on-market during the financial year ended 30 June 2019.

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