PRO-PAC PACKAGING LIMITED

Annual Report

FOR THE YEAR ENDED 30 JUNE 2020

Contents

Corporate Information

ACN 112 971 874
ABN 36 112 971 874

Directors

Jonathan Ling
Rupert Harrington
Darren Brown
Marina Go
Leonie Valentine
Tim Welsh

Company secretary

Kathleen Forbes

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

Annual General Meeting

Thursday, 26 November 2020 – 11am

Bankers

Australia and New Zealand Banking Group Limited;
Commonwealth Bank of Australia;
HSBC Bank Australia Limited; and
Westpac Banking Corporation.

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,

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 2020 Annual Report.

A year like no other

Our communities comprised of our customers, suppliers and employees have been faced with, and continue to face, some of the most catastrophic events in recent history.

In January, the bushfires caused widespread devastation up and down the Eastern seaboard. During this time, Australians came together providing voluntary support to those regions most affected and donated generously to help those communities seek relief. Meanwhile, a new strain of coronavirus ('COVID-19') was starting to spread throughout the world and no one anticipated the threat to human life which unfolded in the following months. As long as COVID-19 remains a threat, our highest priority is the safety, health and wellbeing of our employees.

Pro-Pac, through the leadership of our CEO and Managing Director, Tim Welsh, has managed the business well through these difficult operating conditions. Strict protocols have been established to ensure continuity of our operations during the year, while supporting our suppliers and customers supplying essential services.

The financial implications of COVID-19 have been severe in many parts of the business community; however, Pro-Pac's earnings have exceeded the previous corresponding period and the Company now has a stronger balance sheet.

FY20 financial summary

- Revenues of $478.2M (2019: $485.8M)
- Profit after tax[1] of $8.7M (2019: $151.3M loss)
- EBITDA[1] before significant items of $32.4M (2019: $28.1M)

Earnings growth has been achieved by a combination of improved business mix, increased contribution from a strategic focus on the Flexibles business, operational efficiencies and centralised procurement disciplines including improved resin price outcomes.

In addition, recent acquisitions, Perfection Packaging and PolyPak, continue to grow above expectations providing complementary flexible packaging solutions.

Impressively, our earnings and cash management disciplines have led to a reduction in net debt by $38.8M during the year to $46.1M (2019: $82.9M), while our operating cash flow conversion for the year increased to 150.0% (2019: 114.6%) of EBITDA[1].

Strategic imperatives

Our objective is to transform the business to become a leading manufacturer and distributor of specialised and diversified packaging products with a focus on flexible, industrial and rigid packaging.

Tim Welsh has been in the seat now for more than 12-months and he has completed his strategic review of the entire portfolio of businesses to assess the maturity of each business according to the following key phases:

- Established business fundamentals
- Being 'match fit'; and
- Ready for growth

Profit improvement plans including a product portfolio review, extraction of integration synergies and strategic sourcing opportunities have improved EBITDA[1] margin for the year to 6.8% (2019: 5.8%).

Further, our decision to close the Chester Hill manufacturing facility is a demonstrable first phase in our commitment to lower our overheads and consolidate the property footprint.

Dividends

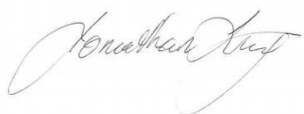
While the current trading environment is uncertain, gearing levels have significantly reduced and earnings have improved. Consequently, the Board has declared a final dividend of 0.4 cents per share.

Thank you

On behalf of the Board of Directors, I would like to thank our shareholders for their ongoing support and patience over the past 12-24 months while the new leadership team has set about re-establishing business fundamentals, embedding operating disciplines and improving the overall 'match fitness' of Pro-Pac as a larger, combined group.

As a result, Pro-Pac has emerged from the year ended 30 June 2020 with momentum and in a position of financial flexibility enabling future investment in growth – it's an exciting time to be a shareholder.

I would also like to thank our customers and suppliers for their partnership throughout the year, as well as our employees for their continued hard work, commitment and loyalty to Pro-Pac.



Jonathan Ling
Chairman

[1] Excluding adjustments relating to AASB 16 *Leases*

CEO & Managing Director's Report

As I reflect on my first year as CEO & Managing Director, I am proud of the achievements of the Pro-Pac team and the positive steps we have taken in progressing our strategy.

Embedding the Right Team

During the year, we implemented a new structure for the Executive Leadership Team and the recruitment of high calibre individuals to fill this team is now largely complete.

Of particular note is the investment we have made in establishing dedicated and experienced teams in Health Safety & Environment (HSE) and in People & Culture. The positive impacts of establishing these teams is already evident within the business and is also reflected in our improved safety metrics.

I am confident that we now have the right team on board to deliver on our strategic imperatives and to continue to improve our business.

Strengthening the Balance Sheet

Key strategic objectives during the year were to strengthen our balance sheet and to refinance our debt facilities to ensure we had the right arrangements in place with our bankers. We have achieved both.

During the year, we reduced our net debt[1] by $36.8m to $46.1m (FY19: $82.9m). This improved our balance sheet gearing[1] to 1.4x (FY19: 2.8x) and was achieved through improved earnings and a strong focus on working capital management.

In March, we refinanced our senior debt facilities for 3 years and combined with the improved net debt position, this now gives us the flexibility and capacity to fund growth and transformational projects.

Zero Harm Focus

A Zero Harm Focus is our commitment to driving a culture of safety through leadership, systems, education and compliance.

As well as establishing the HSE team, we have rolled out a best practice safety management system across the organisation, and have embedded safe systems of work and life saving standards across every site.

The prioritised focus on HSE cadence and engagement of the workforce has seen a strong improvement in our LTIFR, reducing by 14.1% to 6.9 and further improvements in this metric are expected.

Transformational projects

Strengthening the balance sheet has enabled us to embark on two transformational projects that will help us deliver on our strategy of improving earnings through operational efficiencies. These projects are the Chester Hill transition and the ERP Replacement Project.

Chester Hill - in May, in line with its strategy to optimise its operational footprint and increase manufacturing capability, the company announced its decision to close the manufacturing facility at Chester Hill, NSW. Production will be relocated to existing facilities across Australia and the transition will be completed in FY21. The project will involve capital investment of circa $7m and one-off costs of circa $12.6m. Non-cash asset write offs will be circa $4.0m. Annualised benefits of $7.0m are expected to be realised from FY22.

ERP Replacement - in June, in line with its strategy to ensure efficiency in operations, Pro-Pac commenced its ERP replacement project. This will consolidate multiple disparate existing systems onto a single, integrated ERP platform for Pro-Pac and create a standard business framework to support effective and efficient operational and financial management.

Strategic Partnership

A strategic partnership was established with global agricultural packaging company Tama Group in June, with Pro-Pac divesting its Australian agricultural forage distribution business in conjunction with signing a 10 year agreement for Tama to exclusively distribute Pro-Pac's range of SilaWRAP film to the agricultural sector. This is a very positive outcome for Pro-Pac, underpinning our earnings with guaranteed and increasing minimum annual volumes and providing improvements in working capital.

Looking to the future

FY21 to date has started well and carried forward positive momentum with volumes currently tracking ahead of prior year.

The broader macroeconomic conditions remain uncertain due to the ongoing impact of COVID-19. Our commitment is to continue to prioritise the safety, health & wellbeing of our people in Australia, New Zealand and Malaysia, while doing everything within our control to ensure continuing operations and the supply of essential products and services to our customers.

Thank you

The Pro-Pac team has risen to the challenges of improving safety, strengthening the balance sheet and executing operational improvements to increase earnings. Their achievements in FY20 have laid a solid foundation for further improvements in FY21. I would like to thank them for their outstanding contribution and look forward to working with them to deliver successful outcomes in the year ahead.

Tim Welsh
CEO & Managing Director

[1] Excluding adjustments relating to AASB 16 *Leases*

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 2020.

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 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 Chairman of Planet Innovation Limited. He 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.

Mr Harrington is a member of the Audit, Business Risk and Compliance Committee, and the Remuneration and Nomination Committee.

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, Ovarian Cancer Australia and The Walkley Foundation. She is also a Director of the PwC Diversity Advisory Board and a Member of the UNSW Business Advisory Council. 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 and a member of the Audit, Business Risk and Compliance Committee.

Directors' Report

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

Ms Valentine is an IT&T executive with over 25 years' experience in sales, marketing and operations. Ms Valentine is currently Managing Director, Sales & Operations of Google Hong Kong.

Ms Valentine is currently a Board member of Save the Children (HK) and Governor for the American Chamber of Commerce HK. 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 2014-2019.

Ms Valentine is a member of the Remuneration and Nomination Committee.

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 Arnotts Snackfoods.

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, BA LLB
(Company Secretary and General Counsel - appointed 17 October 2018)

Ms Forbes has over 25 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	0.0	-
Interim dividend for the current year	0.0	-
Dividends declared and paid during the year	**0.0**	**-**
Proposed but not recognised final dividend	**0.4**	**3,244**

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.

Directors' Report

Operating and financial review

COVID-19

During the year, a new strain of coronavirus ('COVID-19') spread throughout the world and has impacted the business community in different ways, with some industries have been impacted more than others.

How has COVID-19 impacted the Group during the year ended 30 June 2020?

- All administrative team members were quickly relocated and have been working from home since mid-March.
- On-site team members are exercising strict protocols of social distancing, hygiene, segregation of teams working on site, with restricted access to third parties visiting site.
- Temporary supply chain disruption while countries around the world adjusted to operating during the pandemic and border restrictions in place.
- Nimble, domestic manufacturing capability in Australia and New Zealand provided security of supply to existing and new customers.
- Increased demand for products in the grocery, personal care and household segments.
- Nil operating days lost at any of our manufacturing and distribution sites within the Group.
- Nil Government JobKeeper assistance or rent relief received.
- Less than $0.2M in bad debt write-offs, while aging of amounts due for collection improved significantly.

While the Group has managed the business well through these difficult operating conditions during the financial year, the future is increasingly uncertain. Strict protocols have been established and are ongoing to ensure continuity of our operations, while supporting our suppliers and customers supplying of essential goods and services.

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 Australian Accounting Standards or International Financial Reporting Standards ('IFRS') 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.
- 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.

The analysis below of the financial performance, balance sheet and cash flows of the Group compares financial information for the year ended 30 June 2020 before adjusting for AASB 16 *Leases* ('AASB 16') to the previous corresponding period (pcp) because the comparative financial information has not been restated to account for AASB 16.

Directors' Report

Financial performance

	30 June 2020			30 June 2019 $'000	Change
	Post-AASB 16 $'000	AASB 16 Adjustments $'000	Pre-AASB 16 $'000		
Revenue	478,200	-	478,200	485,810	(1.6)%
Expenses	(431,800)	13,990	(445,790)	(457,727)	(2.6)%
EBITDA	**46,400**	**13,990**	**32,410**	**28,083**	**15.4%**
EBITDA margin	*9.7%*	*2.9%*	*6.8%*	*5.8%*	*100bps*
Depreciation and amortisation	(20,245)	(11,015)	(9,230)	(9,336)	(1.1)%
EBIT	**26,155**	**2,975**	**23,180**	**18,747**	**23.6%**
EBIT Margin	*5.5%*	*0.6%*	*4.8%*	*3.9%*	*99bps*
Significant items	(5,041)	-	(5,041)	(163,329)	(96.9)%
Net finance costs	(11,672)	(5,915)	(5,757)	(8,081)	28.8%
Profit/(loss) before income tax	**9,442**	**(2,940)**	**12,382**	**(152,663)**	**(108.1)%**
Income tax (expense)/benefit	(2,799)	882	(3,681)	1,329	(377.0)%
Profit/(loss) after income tax	**6,643**	**(2,058)**	**8,701**	**(151,334)**	**(105.7)%**

Revenue

Revenues of $478.2M decreased by 1.6% compared to the previous corresponding period (pcp), primarily due to a targeted and successful focus on shifting business mix towards higher margin products in the Flexibles and Rigid businesses, offset by lower revenue levels from the Industrial business.

Despite the challenging trading conditions with the bushfires and COVID-19 continuing to impact the business community, the Group was able to identify opportunities in the market and capitalise on being a nimble, domestic manufacturer of packaging solutions. This enabled the Group to provide security of supply to existing customers and convert new customers where their supply chains had been disrupted by COVID-19 restrictions overseas.

The domestic agriculture season benefited from the unseasonal rains from late summer into early spring, while New Zealand suffered a number of damaging weather events which brought a premature end to their season.

EBITDA

EBITDA of $32.4M increased by 15.4% and EBITDA margin increased to 6.8% (2019: 5.8%) driven by a combination of improved business mix, increased contribution from a strategic focus on Flexibles business, improved resin price outcomes and centralised procurement disciplines.

Significant items

Pre-tax significant items for the year were a net expense of $5.0M (2019: $163.3M). This included restructuring costs ($3.2M), program costs related to the closure of the Chester Hill manufacturing facility ($9.2M), site rationalisation costs ($2.1M) partially offset by the profit on divestment of our forage business ($4.7M) , insurance proceeds net of business interruption costs stemming from the Kewdale fire in June 2019 ($2.0M) and reversal of excess provisions and other liabilities ($2.8M).

The Group has insurance that covers it for losses incurred with respect to the fire at the Kewdale manufacturing facility in Western Australia in June 2019 and progressed its claim with the insurance provider. As at 30 June 2020, the Group has received insurance proceeds of $5.9M in settlement instalments against losses incurred, which has been recognised as income during the year.

The pre-tax significant items of $163.3M in the prior year related to goodwill impairment ($149.0M), acquisition and integration costs ($10.5M) primarily relating to the acquisitions of Integrated Packaging (November 2017), Polypak (July 2018) and Perfection Packaging (September 2018), and business interruption costs ($3.9M).

Directors' Report

Net finance costs

Net finance costs for the year of $5.8M were $2.3M lower than the pcp. The decrease in net finance costs primarily related to lower average net debt and lower interest margins partially off-set by $0.6M in unamortised borrowing costs on the legacy facility expensed upon refinancing the senior debt facility.

Balance sheet

	30 June 2020				
	Post-AASB 16 $'000	AASB 16 Adjustments $'000	Pre-AASB 16 $'000	30 June 2019 $'000	Change
Current assets	172,566	-	172,566	202,445	(14.8)%
Non-current assets	188,759	53,788	134,971	135,586	(0.5)%
Total assets	**361,325**	**53,788**	**307,537**	**338,031**	**(9.0)%**
Current liabilities	107,888	7,101	100,787	103,791	(2.9)%
Non-current liabilities	113,889	48,745	65,144	99,147	(34.3)%
Total liabilities	**221,777**	**55,846**	**165,931**	**202,938**	**(18.2)%**
Net assets	**139,548**	**(2,058)**	**141,606**	**135,093**	**4.8%**
Working capital	82,346	-	82,346	98,368	(16.3)%
Net debt	103,804	56,690	46,093	82,937	(44.4)%
Gearing	2.2x	0.8x	1.4x	2.8x	(1.4)x

The Group has a senior debt facility and an overdraft facility with total commitments of $102.5M. The maturity date for the senior debt facility is in March 2023.

Net debt at the end of the financial year was $46.1M, a reduction of $36.8M compared to the pcp. The reduction in net debt was primarily achieved through further reductions in working capital ($16.0M) and other cash flows from operations ($29.2M) partially offset by net capital expenditure ($5.8M).

As at 30 June 2020, gearing was 1.4x reduced from 2.8x in the pcp.

Cash flows

	30 June 2020				
	Post-AASB 16 $'000	AASB 16 Adjustments $'000	Pre-AASB 16 $'000	30 June 2019 $'000	Change
Net cash flows from operating activities	53,445	8,523	44,922	15,767	184.9%
Payments for plant and equipment, net of proceeds	(5,836)	-	(5,836)	(6,211)	(6.0)%
Payments for intangible assets	(368)	-	(368)	-	(100.0)%
Payments for businesses, net of cash acquired	(889)	-	(889)	(46,128)	(98.1)%
Payments of dividends	-	-	-	(2,350)	(100.0)%
Proceeds from/(repayments of) interest-bearing liabilities	(48,033)	(8,523)	(39,510)	1,418	2,886.3%
Proceeds from share issue, net of transaction costs	-	-	-	58,740	(100.0)%

Net cash flows from operating activities were $44.9M (2019: $15.8M), an increase of $29.1M on pcp. Higher underlying operating cash flows were achieved primarily due to the working capital reduction program, resulting in operating cash flow conversion for the year of 150.0% (2019: 114.6%).

Payments for property, plant and equipment were $5.8M (2019: $6.2M) net of proceeds on disposal, which included $2.2M on the 7-layer machine being installed at our manufacturing facility in Reservoir, Victoria.

Directors' Report

Payments for the acquisition of businesses and controlled entities, net of cash acquired was $0.9M (2019: $46.1M), which was the second and final deferred consideration instalment paid to the vendors of Polypak in New Zealand. The acquisition payments in the prior year related to the acquisition of 100% of the units of Perfection Packaging ($40.6M) and the acquisition of the business assets of Polypak ($5.5M).

Other key cash flows during the year were the repayment of interest-bearing liabilities of $39.5M.

Review of operating segments

Flexibles packaging

	30 June 2020 $'000	30 June 2019 $'000	Change
Revenue	285,136	271,132	5.2%
EBITDA*	24,022	18,804	27.7%
*EBITDA margin**	*8.4%*	*6.9%*	*149bps*

** Based on EBITDA before accounting for AASB 16 (refer Note 3 of the Financial Report)*

Revenue in the Flexibles packaging business increased by $14.0M compared to pcp, primarily due to a combination of new and existing customer growth, an improved agricultural season in Australia following better weather conditions and an incremental two-months revenue of $8.4M from the 1 September 2018 acquisition of Perfection Packaging.

A highlight was the EBITDA margin expansion during the year to 8.4% (2019: 6.9%) through effective execution of profit improvement initiatives, improved resin price outcomes, and a continuing focus on customer engagement and value-added products.

Industrial packaging

	30 June 2020 $'000	30 June 2019 $'000	Change
Revenue	123,226	152,591	(19.2)%
EBITDA*	658	3,660	(82.0)%
*EBITDA margin**	*0.5%*	*2.4%*	*(186)bps*

** Based on EBITDA before accounting for AASB 16 (refer Note 3 of the Financial Report)*

Revenue in the Industrial packaging business decreased by $29.4M compared to pcp, primarily due to a reduction in customer demand (in particular, from sales within the food segment) in the New South Wales and Victorian businesses, supply chain and sourcing disruption through COVID-19, which are now improving.

In addition, the Group divested a small non-core business in the half-year ended 31 December 2019, which resulted in a decrease in revenues of $7.9M and EBITDA of $0.2M compared to pcp.

Rigid packaging

	30 June 2020 $'000	30 June 2019 $'000	Change
Revenue	69,838	62,087	12.5%
EBITDA*	8,686	6,635	30.9%
*EBITDA margin**	*12.4%*	*10.7%*	*175bps*

** Based on EBITDA before accounting for AASB 16 (refer Note 3 of the Financial Report)*

Revenue in the Rigid packaging business increased by $7.7M compared to pcp, primarily due to higher sales volume in food, beverage, personal care and household segments while earnings were positively impacted by operational improvements.

Directors' Report

Other significant events

Debt refinance

On 23 March 2020, the Group announced the successful refinancing of its senior debt facility for a further 3 years, with total committed facilities of $95.0M maturing in March 2023.

This facility provided the Group with:

- Lower cost of debt, which contributed to lower gearing; and
- Financial flexibility and stability to embark on the Chester Hill closure program with confidence as part of our commitment to lower the overall cost base of the Group.

Strategic partnership in agriculture

On 20 May 2020, the Group agreed to enter into a strategic partnership with the Tama group of companies. The Group has been trading with Tama as a customer and a supplier in the Australian agricultural market for over 15 years.

This agreement resulted in the following benefits to the Group:

- 5 year extension to current supply agreement for cotton wrap manufactured at our Kewdale facility in Western Australia;
- 10 year exclusive supply and distribution agreement to license the Group's silage brands, with guaranteed minimum annual volumes;
- An exclusive licence agreement for Tama to use the know-how and technical support services; and
- Divestment of our Australian forage business comprised of non-manufactured product including netting, twine, grain bags and pit covers for $5.0M in sale proceeds payable in annual instalments over 4 years.

Nil proceeds were received during the year ended 30 June 2020.

Chester Hill closure program

In May, in line with its strategy to optimise its operational footprint and increase manufacturing capability, the Group announced its decision to close the manufacturing facility at Chester Hill, New South Wales, and relocate production requirements to existing facilities in Sydney, Melbourne, Adelaide and Perth.

The key features of this initiative are as follows:

- Relocation of valuable existing assets and retirement of obsolete assets; and
- Redeployment of production volumes to existing manufacturing facilities.

The following amounts have been recognised in the financial statements for the year ended 30 June 2020:

- Investment of $2.5M in new technology and state of the art equipment
- Redundancy provisions ($5.2M), asset write-offs of plant and equipment ($3.2M) and discontinued inventories ($0.8M); and

Annualised benefits of $7.0M to be realised from the year ending 30 June 2022.

ERP replacement project

In June, in line with its strategy to ensure efficiency in operations, Pro-Pac commenced its ERP replacement project. This will consolidate multiple disparate existing systems onto a single, integrated ERP platform for Pro-Pac and create a standard business framework to support effective and efficient operational and financial management

Directors' Report

Refocused on core business

Following a detailed review of the portfolio of businesses and the operating footprint during the year, the Group has exited a small non-core business and certain sites that weren't considered complementary or adjacent to our core business, and which lacked scale and strategic purpose to make a meaningful contribution to the Group's operations in the near term.

Overview of business strategy

The Group's primary strategy is to maximise 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 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, lease liabilities; and
- Investment in strategic growth opportunities.

The Group manages liquidity risk through cash flow forecasting.

Directors' Report

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, 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.

Health and safety risk

The Group has a safety management system and processes. In the reporting period, the additional risks posed by COVID-19 were monitored and managed by an extended senior management committee on a daily basis.

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.

Cyber security risk

IT application and data security are fundamental not only in protecting confidential and commercially sensitive information, but also enables day to day operations. COVID-19 has increased the risk of cyber crime with all administrative staff working from home and increased reliance on electronic documents and other correspondence.

Cyber-attacks, if successful, could have implications ranging from reputational damage to cessation of business trading.

Supply risk

Continuity of supply of critical raw materials and consumables is critical to ensure an effective and efficient manufacturing resource and demand planning. Unfavourable changes in price and availability of raw materials and consumables are likely to impact upon financial performance. Supply arrangements are in place for key raw materials and consumables (particularly resin) with a number of suppliers in different geographical locations, which provides the Group with sourcing options and diversifies the risk of a localised event disrupting operations.

Outlook

Looking forward, the broader macroeconomic conditions remain uncertain due to the ongoing impact of COVID-19.

Consequently, the Group will continue to drive and prioritise a culture of health, safety and wellbeing and enforcing the rigorous protocols across all sites in Australia, New Zealand and Malaysia to reduce the risk of potential transmission of COVID-19. The security of supply of essential products and services to our customers will be at the forefront of everything we do.

Against that backdrop, the Group will continue to focus on its primary strategy of maximising long-term shareholder value through:

- Organic growth – by improving the core business and growing organically over the longer term;

Directors' Report

- Operational efficiency – by driving further improved cost efficiencies and net working capital through centralised procurement, process improvements, automation and integration of like activities; and
- Inorganic growth – growth through earnings accretive acquisitions in existing and adjacent market segments.

Next year will be a period of consolidation as the Group delivers on critical transformational projects that will drive a step change in our cost base from the year ended 30 June 2020 and beyond. Key objectives for management over the coming 12 months include:

- Transitioning production from the facility at Chester Hill and the deployment of new and existing equipment to our other sites to consolidate the Group's operational footprint; and
- Successfully delivering on the implementation of a new ERP to enable business rationalisation and efficiency.

Significant changes in the state of affairs

Other than the decision to close the manufacturing facility at Chester Hill, New South Wales, as announced to the market on 27 May 2020, there were no other significant changes in the state of affairs of the Group during the year.

Significant events subsequent to balance date

On 2 August 2020, the Victorian Government announced Stage 4 restrictions for the metropolitan Melbourne area in response to the COVID-19 pandemic, which required workplaces in Melbourne to close unless the workplace is part of a permitted activity or all employees are working from home. On 12 August 2020, the New Zealand Government announced the Auckland Region moved up to alert level 3, while the rest of the country was moved to level 2 to contain a localised outbreak of COVID-19 cases.

The Group's manufacturing and distribution sites in Melbourne and Auckland have been permitted to continue operating as a supplier of essential packaging solutions.

Whilst the future remains uncertain, 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, minimising working capital and maintaining a strong balance sheet to provide it with a solid foundation for organic and inorganic growth in the medium-term. The Company continues to evaluate its operating model and integrate businesses acquired in recent years, with the extraction of projected synergies and further opportunities to leverage operational and cost reductions being key areas 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.

Directors' Report

The Directors are not aware of any breaches of environmental regulations or site-specific licenses during the year ended 30 June 2020 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 2020 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 2020 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
J. Ling	(a)	11	10	-	-	-	-
D. Brown	(b)	11	11	7	7	-	-
M. Go	(c)	11	11	7	7	5	5
R. Harrington	(d)	11	10	7	7	5	3
L. Valentine	(e)	11	9	-	-	5	4
T. Welsh	(f)	11	11	-	-	-	-

(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.

Directors' Report

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

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 16 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 2020 has been received and can be found on page 24 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
Other assurance related services	59
Tax compliance services	163
Advisory services	-
Non-audit services	**222**

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 25 August 2020.

Jonathan Ling
Chairman

Tim Welsh
Managing Director and CEO

Remuneration Report

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.

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 senior 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 total returns attributable to shareholders for the past five years up to and including the current financial year.

Measure	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Profit after tax ($'000)*	6,643	(151,334)	(5,125)	5,016	6,938
Share price at balance date ($)	0.180	0.115	0.370	0.359	0.405
Basic earnings per share (cents)	0.82	(19.56)	(1.15)	2.11	3.01
Total dividends per share (cents)	0.40	0.00	2.00	2.00	2.75

** Before accounting for AASB 16 for the years ended 30 June 2016, 2017, 2018 and 2019 as AASB 16 was adopted on 1 July 2019*

Interests in the shares, rights and options of the Company

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

Director	Ordinary Shares No.
J. Ling	1,405,000
D. Brown	496,138
M. Go	81,598
R. Harrington	6,164,881
L. Valentine	442,000
T. Welsh	181,818

Tim Welsh holds 3,333,333 performance rights of the Company. The Non-Executive Directors' do not have any interests in performance rights or share options of the Company.

Remuneration Report

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 2020 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 ended 30 June 2020 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').

Remuneration Report

The remuneration structure for each KMP for the year ended 30 June 2020 is shown in the table below:

KMP	Position	Term as KMP	FAR	STI	LTI	Total
Executive director						
T. Welsh	Managing Director and CEO	Full year	36%	32%	32%	100%
Senior executives						
R. Rostolis	Chief Financial Officer	Until 4 Mar-20	52%	24%	24%	100%
I. MacPherson	Chief Financial Officer	30 Mar-20 to present	52%	24%	24%	100%

The remuneration of the CEO and senior executives for the year ended 30 June 2020 is set out in Table 4 of this Remuneration Report. The Board of Directors may consider remuneration structures that incentivise and reward senior executives for outperformance against targets for future years.

Short-term incentives

Senior executives of the Company are entitled to STIs, which are firstly based on the Company's Statement of Values and Code of Conduct, the achievement of a Group EBITDA[1] and Lost Time Injury Frequency Rate (LTIFR) targets. Once those gateways have been achieved, amounts payable are weighted according to the achievement of the following performance measures for the year ended 30 June 2020:

Performance measure	Weighting	Overview of performance against target	Achievement
Profitability	80%	Group EBITDA target, which is based on the achievement of 100% of the target approved by the Board of Directors.	Yes
Operating Cash Conversion	20%	Operating Cash Conversion is based on an improvement year on year, which is measured with reference to Operating Cash Flow from Operations (excluding interest, tax payments and cash impacts of significant items) divided by Group EBITDA[1].	Yes

Group EBITDA and LTIFR have been chosen as the gateways 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 and LTIFR targets have been achieved for the year ended 30 June 2020.

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 LTI's, 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.

[1] EBITDA represents profit/(loss) before accounting for AASB 16, net finance costs, income taxes, depreciation and amortisation, and significant items.

Remuneration Report

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 Chief Executive Officer 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.

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

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.

Historical LTI Plan – Employee Share Purchase Plan ('ESPP')

The Company 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 2001*.

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 2020 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited*	Balance at end of year
27 Nov-17	26 Nov-20	$0.380	$0.100	2,295,000	-	-	(1,410,000)	885,000
14 Jan-19	13 Jan-22	$0.200	$0.020	2,890,000	-	-	(2,110,000)	780,000
Total				**5,185,000**	**-**	**-**	**(3,520,000)**	**1,665,000**

* Of the shares that have expired or were forfeited during the year ended 30 June 2020, nil shares have been cancelled. The shares are held by the share plan trustee for 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.

Current LTI 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.

Remuneration Report

Table 3: A summary of the PRP as at 30 June 2020 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
16 Jan-19	6 Jan-20	$0.000	$0.190	320,000	-	(320,000)	-	-
14 May-19	30 Sep-19	$0.000	$0.140	333,333	-	-	(333,333)	-
9 Dec-19	30 Jun-22	$0.000	$0.046	-	8,359,273	-	(1,166,667)	7,192,606
Total				**653,333**	**8,359,273**	**(320,000)**	**(1,500,000)**	**7,192,606**

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 ('KMP')

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 KMP

Table 4: A summary of the remuneration of KMP for the year ended 30 June 2020 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								
J. Ling	164,384	-	-	-	15,616	-	180,000	-
D. Brown	100,000	-	-	-	9,500	-	109,500	-
M. Go	110,000	-	-	-	10,450	-	120,450	-
R. Harrington	90,000	-	-	-	8,550	-	98,550	-
L. Valentine	80,000	-	-	-	7,600	-	87,600	-
Executive director								
T. Welsh	527,996	500,000	30,000	758	20,531	33,345	1,112,630	47.9%
Senior executives								
R. Rostolis[1]	263,987	-	-	(457)	13,856	39,011	316,397	12.3%
I. MacPherson[2]	142,213	65,000	-	192	5,217	-	212,622	30.6%
Total	**1,478,580**	**565,000**	**30,000**	**493**	**91,320**	**72,356**	**2,237,749**	**28.5%**

[1] Mr Rostolis ceased to be a KMP of the Company on 4 March 2020.
[2] Ms MacPherson became a KMP of the Company on 30 March 2020.

The fees for Non-Executive Directors for the year ended 30 June 2020 were $596,100.

Remuneration Report

Table 5: 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								
J. Ling[1]	37,831	-	-	-	3,594	-	41,425	-
D. Brown[2]	96,822	-	-	-	9,198	-	106,020	-
M. Go[3]	84,219	-	-	-	8,001	-	92,220	-
R. Harrington	80,932	-	-	-	7,689	-	88,621	-
L. Valentine[4]	73,205	-	-	-	6,954	-	80,159	-
A. Fahour[5]	171,959	-	-	-	16,336	(113,853)	74,442	(152.9%)
E. Kaplan[6]	17,808	-	-	-	1,692	158,904	178,404	-
Executive director								
T. Welsh[7]	72,325	-	3,945	100	2,700	-	79,070	-
Senior executives								
G. Harrod[8]	557,727	-	-	(889)	20,531	(10,741)	566,628	(1.9%)
M. Saus[9]	390,571	-	5,096	(7,269)	19,161	(21,631)	385,928	(5.6%)
R. Rostolis[10]	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%**

[1] Mr Ling became a KMP of the Company on 8 April 2019.
[2] Mr Brown became a KMP of the Company on 2 July 2018.
[3] Ms Go became a KMP of the Company on 1 August 2018.
[4] Ms Valentine became a KMP of the Company on 1 August 2018.
[5] Mr Fahour ceased to be a KMP of the Company on 30 June 2019.
[6] Mr Kaplan ceased to be a KMP of the Company on 31 August 2018.
[7] Mr Welsh became a KMP of the Company on 28 May 2019.
[8] Mr Harrod ceased to be a KMP of the Company on 22 February 2019.
[9] Mr Saus ceased to be a KMP of the Company on 1 October 2018.
[10] Mr Rostolis became a KMP of the Company on 1 October 2018.

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 was settled in shares.

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 2020 is as follows:

KMP	Grant date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
R. Rostolis	14 Jan-19	$0.200	$0.020	600,000	-	-	(600,000)	-
Total				**600,000**	**-**	**-**	**(600,000)**	**-**

Remuneration Report

Performance rights issued during the year

Table 7: A summary of performance rights granted to KMP and remain on foot as at 30 June 2020 is as follows:

KMP	Grant date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
R. Rostolis*	14 May-19	$0.000	$0.140	333,333	-	-	(333,333)	-
T. Welsh	9 Dec-19	$0.000	$0.046	-	3,333,333	-	-	3,333,333
Total				**333,333**	**3,333,333**	**-**	**(333,333)**	**3,333,333**

* Performance rights were forfeited by mutual agreement between the Board of Directors and Mr Rostolis, whereby Mr Rostolis was paid a $50,000 cash bonus.

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 KMP

No options were issued to KMP during the year ended 30 June 2020.

Option holdings of former KMP

On 28 November 2017, 1,200,000 options were granted to Mr Kaplan (who ceased to be a KMP on 31 August 2018) 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 until 28 November 2020. The performance hurdle of the second tranche of 400,000 options mentioned above has not been met and therefore, lapsed during the year ended 30 June 2020.

Loans to KMP

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 2020 and it remains true and correct through to the date of the Annual Report.

This concludes the Remuneration Report, which has been audited

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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 2020, 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
25 August 2020

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 4th Edition ('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 25 August 2020.

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;
- defining the Company's purpose, approving its Statement of Values and its Code of Conduct;
- 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, within the parameters of the delegations of management authority set by the Board:

- 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 director or senior executive, or putting forward 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 senior executive, 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 and time commitments, 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 and the reasons why.

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 entered into with each director personally, 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 any interest or relationships which may affect independence or represent a conflict, requirements to comply with corporate policies and procedures (including the Company's Code of Conduct, Anti-Bribery Policy and its Securities Trading Policy), indemnity, access and insurance arrangements, confidentiality obligations 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.

A Director is entitled to access independent professional advice when he or she judges it to be necessary to carry out his or her duties, at the Company's expense, with the Chairman's consent, which may not be unreasonably withheld.

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 professional development of Directors.

Recommendation 1.5 - A listed entity should:

(a) have and disclose a diversity policy;

(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives, and workforce generally; and

(c) disclose as at the end of each reporting period:

(1) the measurable objectives set for that period to achieve gender diversity;

(2) the entity's progress towards achieving those objectives; and

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

(B) 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 2020, 38% of workers took advantage of these flexible working arrangements, significantly more than last year due to COVID-19 impacts. (2019: 2.92%).

2. Pay Equity

In 2020, the Company measured pay equity across the top 2 managerial levels in the organisation. The gender pay gap is 11% (2019:11%) with males being paid more favourably than females. 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.

Corporate Governance Statement

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 2020 are as follows:

	Proportion of women 2020	Proportion of women 2019	Proportion of men 2020	Proportion of men 2019
Non-Executive Directors on the Board	40%	40%	60%	60%
In senior executive positions	44%	40%	56%	60%
Across the whole organisation	26%	25%	74%	75%

Senior executive positions include all executives reporting directly to the Chief Executive Officer. Where an executive has changed during the financial year, the measurement is taken as at 30 June 2020.

The Remuneration and Nomination Committee of the Board approved an updated Diversity Policy on 20 February 2020.Wherever possible, interview panels for senior executive and board positions comprise both female and male interviewers, and short-listed candidates for such roles are both male and female.

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 or in respect of 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, in conjunction with an annual self-assessment and feedback process. 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 or in respect of 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.

Corporate Governance Statement

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
Rupert Harrington	Non-Executive Director	Independent

The Charter of the Committee is available at the Company's website. It details the roles and responsibilities of the Committee. The Charter was reviewed by the Board during the reporting period.

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

Corporate Governance Statement

Skill category	Description of attributes required	Level of importance	Existence in current Board
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.

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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 4th 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	1 year and 3 months	Independent Non-Executive
Rupert Harrington (1)	6 November 2017	2 years and 8 months	Independent Non-Executive
Darren Brown (2)	2 July 2018	2 years	Non-Independent Non-Executive
Leonie Valentine	1 August 2018	1 year and 11 months	Independent Non-Executive
Marina Go	1 August 2018	1 year and 11 months	Independent Non-Executive
Tim Welsh	28 May 2019	1 year and 1 month	Executive Director

Notes:

1. Mr Harrington is Non-Executive Chairman of Advent Private Capital ('Advent') which until 6 July 2020, held 11.6% of the issued capital of the Company as manager of two investment trusts. Advent is no longer a shareholder. The Board has resolved that Mr Harrington is an independent Director. The Board notes that, during the reporting period, Mr Harrington:

   (a) received no directions or general instructions from Advent as to his conduct as a Director of the Company, and in particular that he was not requested to, and did 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) functioned entirely independently of Advent in the discharge of his role as a Director of the Company;

   (c) was 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 recused himself from any and all Advent Board discussions which relate to Advent's shareholding in the Company;

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

   (e) was 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. As at 30 June 2020, Bennamon Pty Ltd owned 49.7% of the Company's issued capital.

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.

The majority of the Board is independent.

Corporate Governance Statement

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. Regular professional development sessions are held, in conjunction with regular in-depth business briefings.

Principle 3: Act ethically and responsibly

Recommendation 3.1 - A listed entity should articulate and disclose its values.

The Company maintains a Statement of Values, which was adopted by the Board on 28 July 2020. A copy is available on the Company's website. Our Values underpin all our actions and are embedded in our culture. These are:

- **Deliver Sustainability** – We seek to deliver high quality outcomes in a socially responsible and safe way.
- **Unite** – We develop and empower high functioning, collaborative, inclusive and supportive teams. We engage employees through fair treatment, open communication, and active collaboration with purpose.
- **Innovate & Simplify** – We find smarter and more efficient ways of doing things. We seek new products and markets. We challenge the status quo.
- **Win/Win Relationships** – We anticipate the needs and exceed expectations of our customers, stakeholders, and partners. We develop respectful and mutually beneficial relationships, which are critical to our business' success and optimizing outcomes
- **Integrity & Accountability** – We act honestly, ethically and with integrity. We are true to our word and we stand by our principles. We are accountable for our actions and treat each other and all our stakeholders authentically and with respect.

Our values guide our behaviour and reflect our commitment to our customers, communities, and each other, and are referenced and reinforced by our senior executive team across the organization.

Recommendation 3.2 - A listed entity should

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

(b) ensure that the board or a committee of the board is informed of any material breaches of that code.

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 and material breaches are reported to the Board. The Code of Conduct was reviewed and revised by the Board in March 2020. A copy of this code of conduct is available on the Company's website.

Corporate Governance Statement

Recommendation 3.3 - A listed entity should

(a) have and disclose a Whistleblower policy; and

(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

Under the Whistleblower Policy, the Company encourages employees, contractors, suppliers, and other stakeholders to raise any concerns about activities or behaviours that may be unlawful or unethical. Senior management are committed to protecting the dignity, well-being, career, and good name of anyone reporting wrongdoing, as well as providing them with the necessary support. The Company does not tolerate retaliation or adverse action relating to a whistleblowing disclosure. The Whistleblower Policy sets out how someone can raise a concern using the whistleblowing channels, including online or by using a Whistleblower Hotline. Reporting may be on an anonymous basis.

When a whistleblower raises a concern, they may choose to involve the Whistleblower Protection Officer, who is responsible for protecting the whistleblower against personal disadvantage as a result of making a report. The Company investigates reported concerns in a manner that is confidential, fair, and objective. If the investigation shows that wrongdoing has occurred, the Company is are committed to changing processes and taking action in relation to those parties who have behaved incorrectly. Outcomes may also involve reporting the matter to relevant authorities and regulators. The ABRCC is charged with overseeing the Company's whistleblower program and receives a report at each meeting as to any material incidents which have been raised. A copy of the Whistleblower policy is available on the Company's website.

Recommendation 3.4 - A listed entity should

(c) have and disclose an anti-bribery and corruption policy; and

(d) ensure that the board or a committee of the board is informed of any material breaches of that policy.

The Company has an Anti-Bribery Policy, a copy of which is available on its website.

Under the policy, the Company is committed to fostering a culture of ethical behaviour and good corporate governance and is committed to doing business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and to implementing and enforcing effective systems to counter bribery.

As part of this commitment, the Company will not tolerate any form of bribery or corruption in the Group. The Company expects its directors, officers and employees and all of its suppliers, service providers, distributors, consultants, agents, joint venture partners, sponsors, contractors, and any third-party representatives associated with the Group or acting on the Company's behalf to adopt a similar zero tolerance approach to bribery and corruption.

The Board is informed of any material incidents of bribery and corruption which occur.

Corporate Governance Statement

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. The Charter is reviewed by the Board annually.

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.

Recommendation 4.1 requires that the composition of the Audit Business Risk and Compliance Committee comprises a majority of independent Directors, that the committee have at least three members and that it is chaired by an independent director who is not chairman of the board. The Company satisfies all but the last of these requirements.

The committee chairman, Mr Brown, as an employee of Kin Group Pty Limited, which is a related entity of major shareholder Bennamon Pty Limited, is not an independent director. However, the Board believes that Mr Brown is the most appropriate person to lead the Audit Business Risk and Compliance Committee as Chairman, that he is able to and does bring quality and independence of judgement to all relevant issues falling within the scope of the role of chairman of the committee and that the committee benefits from his long-standing experience in the manufacturing and packaging industry and as an experienced financial professional. In addition, the Board has obtained confirmation from Mr Brown that:

(a) he has received no directions or general instructions from his employer or its associates as to his conduct as chairman of the committee;

(b) he is functioning entirely independently of his employer and its associates in the discharge of his role as chairman of the committee;

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

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

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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 2020 and the half-year ended 31 December 2019, the Company's CEO 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 should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The external auditor reviews and/ or audits all periodic corporate reports released by the Company to the market.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1

The Company has adopted a Disclosure Policy a copy of which is available on its website. The policy 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.

Recommendation 5.2 - A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board receives a copy of all material market announcements promptly after they have been released.

Recommendation 5.3- A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials in the ASX Market Announcements Platform ahead of the presentation.

The Company releases all new and substantive investor or analyst presentations to the ASX Market Announcements Platform ahead of the presentation.

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, policies, 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).

Corporate Governance Statement

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 Chief Executive Officer and Chief Financial 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 or ahead of 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 ensure that all substantive resolutions at a meeting of security holders are decided on a poll rather than by a show of hands

The Company first conducted a poll in respect of all resolutions at its 2019 annual general meeting and will continue to do so at all shareholder meetings.

Recommendation 6.5 - 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.

Corporate Governance Statement

In performing this function, the Committee receives reports from the Group's Management Risk Committee (comprising key stakeholders from management as informed by 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 25 August 2020.

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 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.

Corporate Governance Statement

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, 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.
Health & Safety risk	The Group has a safety management system and processes. In the reporting period, the additional risks posed by COVID-19 were monitored and managed by an extended senior management committee on a daily basis.
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.
Cyber security risk	IT application and data security are fundamental not only in protecting confidential and commercially sensitive information, but also enables day to day operations. COVID-19 has increased the risk of cyber crime with all administrative staff working from home and increased reliance on electronic documents and other correspondence. Cyber-attacks, if successful, could have implications ranging from reputational damage to cessation of business trading.
Supply risk	Continuity of supply of critical raw materials and consumables is critical to ensure an effective and efficient manufacturing resource and demand planning. Unfavourable changes in price and availability of raw materials and consumables are likely to impact upon financial performance. Supply arrangements are in place for key raw materials and consumables (particularly resin) with a number of suppliers in different geographical locations, which provides the Group with sourcing options and diversifies the risk of a localised event disrupting operations.

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

Corporate Governance Statement

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 links the nature and amount of executive 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 having regard to the response to Recommendation 2.3. 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.

Corporate Governance Statement

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 2020 $'000	30 June 2019 $'000
Revenue from contracts with customers	3	478,200	485,810
Raw materials and consumables used		(283,042)	(304,851)
Employee benefits expense	22	(94,891)	(85,225)
Occupancy, distribution, administration and selling expenses		(65,319)	(83,064)
Impairment losses	10,28	(5,030)	(149,000)
Depreciation and amortisation expense		(20,245)	(9,336)
Other income	25	11,441	1,084
Interest income		98	54
Finance costs	18	(11,770)	(8,135)
Profit/(loss) before income tax		**9,442**	**(152,663)**
Income tax (expense)/benefit	4	(2,799)	1,329
Profit/(loss) after income tax		**6,643**	**(151,334)**
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		(1,803)	(471)
Exchange differences arising on translation of foreign operations		(560)	541
Other comprehensive income/(loss), net of income tax		**(2,363)**	**70**
Total comprehensive income/(loss)		**4,280**	**(151,264)**
Earnings/(losses) per share			
EPS (cents) – Basic	2	0.82	(19.56)
EPS (cents) – Diluted	2	0.82	(19.56)

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 2020 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents	17	21,380	23,559
Trade and other receivables	7	77,559	90,278
Inventories	8	70,608	78,108
Current tax assets		-	6,303
Derivative financial assets	27	-	111
Other assets	13	3,019	4,086
Total current assets		**172,566**	**202,445**
Non-current assets			
Property, plant and equipment	10	53,830	60,882
Right-of-use assets	28	54,054	-
Intangible assets	11	66,351	66,548
Deferred tax assets	4	10,807	8,156
Other assets	13	3,717	-
Total non-current assets		**188,759**	**135,586**
Total assets		**361,325**	**338,031**
Current liabilities			
Trade and other payables	9	67,840	74,104
Derivative financial liabilities	27	2,536	-
Borrowings	16	7,500	11,623
Lease liabilities	28	7,836	-
Current tax liability		831	-
Other liabilities	14	2,123	889
Employee entitlements	21	11,526	10,869
Other provisions	15	7,696	6,306
Total current liabilities		**107,888**	**103,791**
Non-current liabilities			
Borrowings	16	58,952	94,873
Lease liabilities	28	50,896	-
Employee entitlements	21	1,472	1,692
Other provisions	15	2,569	2,582
Total non-current liabilities		**113,889**	**99,147**
Total liabilities		**221,777**	**202,938**
Net assets		**139,548**	**135,093**
Equity			
Issued capital	19	291,678	291,618
Reserves	20	(1,027)	1,221
Retained earnings		(151,103)	(157,746)
Total equity		**139,548**	**135,093**

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 2019		**291,618**	**(157,746)**	**1,221**	**135,093**
Profit/(loss) after income tax		-	6,643	-	6,643
Other comprehensive income/(loss), net of income tax		-	-	(2,363)	(2,363)
Total comprehensive income/(loss)		**-**	**6,643**	**(2,363)**	**4,280**
Share-based payments expense	19,22	60	-	115	175
Dividends declared or paid	5	-	-	-	-
Balances as at 30 June 2020		**291,678**	**(151,103)**	**(1,027)**	**139,548**
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	19	5,223	-	-	5,223
Shares issued to vendors of businesses acquired	19	9,960	-	-	9,960
Transaction cost of raising shares	19	(1,060)	-	-	(1,060)
Shares issued under share placement	19	59,800	-	-	59,800
Share-based payments expense	22	-	-	(99)	(99)
Dividends declared or paid	5	-	(7,573)	-	(7,573)
Balances as at 30 June 2019		**291,618**	**(157,746)**	**1,221**	**135,093**

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 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		490,919	492,359
Payments to suppliers and employees		(429,497)	(464,701)
Income tax refund/(paid)		2,445	(4,424)
Interest received		98	54
Interest paid		(10,520)	(7,521)
Net cash flows from operating activities	**17**	**53,445**	**15,767**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,149)	(6,211)
Proceeds from sale of property, plant and equipment		313	-
Payments for intangible assets		(368)	-
Payments for businesses acquired, net of cash acquired		(889)	(46,128)
Net cash flows used in investing activities		**(7,093)**	**(52,339)**
Cash flows from financing activities			
Repayment of hire purchase and finance lease liabilities		-	(185)
Repayment of bank loans and trade finance		(44,056)	(5,035)
Proceeds from bank loans and trade finance		5,500	6,638
Repayment of lease liability principal	28	(9,477)	-
Proceeds from shares issued		-	59,800
Payment of transaction costs from shares issued		-	(1,060)
Dividends paid		-	(2,350)
Net cash flows (used in)/from financing activities		**(48,033)**	**57,808**
Net increase/(decrease) in cash and cash equivalents		(1,681)	21,236
Cash and cash equivalents at the beginning of the year		23,559	3,206
Effect of foreign exchange		(498)	(883)
Cash and cash equivalents at the end of the year	**17**	**21,380**	**23,559**

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

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 2020 were authorised for issue in accordance with a resolution of the Directors on 25 August 2020.

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 for the year ended 30 June 2020 have been prepared following the adoption of AASB 16 *Leases* ('AASB 16'), which became effective for the Group on 1 July 2019. The comparative financial information has not been restated and therefore, may not be comparable.

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.

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under AASB 117.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to adopt the modified retrospective alternative which allows the right-of-use asset to equal to the calculated lease liability on transition as at 1 July 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Consequently, a right-of-use asset (and a corresponding lease liability) has been recognised in the consolidated financial statements from 1 July 2019. Further details on the accounting policies relating to leases and an explanation of the impact of adopting AASB 16 is set out in Note 28 below.

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 and its operating segments. 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 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 2020	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
External revenues	285,136	123,226	69,838	-	478,200
Inter-segment revenues	3,956	427	79	(4,462)	-
Segment revenues	**289,092**	**123,653**	**69,917**	**(4,462)**	**478,200**

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	306	102	(8,760)	-
Segment revenues	**279,484**	**152,897**	**62,189**	**(8,760)**	**485,810**

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[1] represents profit/(loss) before net finance costs, income taxes and significant items.
- EBITDA[1] 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 2020	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
EBITDA	**24,022**	**658**	**8,686**	**(956)**	**32,410**
Depreciation and amortisation	(5,446)	(2,638)	(1,146)	-	(9,230)
Segment results (EBIT)	**18,576**	**(1,980)**	**7,540**	**(956)**	**23,180**

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**

Group results

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Segment results (EBIT)		**23,180**	**18,747**
Significant items		(5,041)	(163,329)
Interest income		98	54
Finance costs	18	(11,770)	(8,135)
Operating lease expense	28	13,990	-
Depreciation of right-of-use assets	28	(11,015)	-
Profit/(loss) before income tax		**9,442**	**(152,663)**
Income tax (expense)/benefit	4	(2,799)	1,329
Profit/(loss) after income tax		**6,643**	**(151,334)**

[1] EBIT and EBITDA are measured before accounting for AASB 16 for internal purposes and the segment results have been disclosed in Note 1 on this basis.

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

Significant items

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Goodwill impairment losses	(a)	-	149,000
Surplus lease and exit costs	(b)	2,099	962
Restructuring costs	(c)	3,223	10,450
Chester Hill closure program	(d)	9,219	-
Reversal of provisions and other liabilities	(e)	(2,784)	(1,000)
Profit on disposal of business	(f)	(4,717)	-
Kewdale fire losses, net of insurance proceeds	(g)	(1,999)	3,917
Significant items		**5,041**	**163,329**

(a) Goodwill impairment losses recognised at 31 December 2018.

(b) Surplus lease and exit costs relate to the remaining lease term where operations have been relocated.

(c) Costs relate to business restructuring, strategy and business optimisation.

(d) Redundancy provisions and non-cash asset write-offs associated with the closure of the Chester Hill facility.

(e) Reversal of provisions and other liabilities recognised, which are no longer required.

(f) Profit on divestment of the Australian forage business, discounted to present value.

(g) Costs associated with Kewdale fire, less in insurance proceeds recognised as income.

The income tax impact of significant items is $1,512,000 (2019: $4,299,000), while payments in respect of significant items were $1,595,000 (2019: $4,512,000).

Impact of COVID-19

During the year, a new strain of coronavirus ('COVID-19') spread throughout the world and has impacted the business community in different ways, with some industries impacted more than others.

How has COVID-19 impacted the financial performance and position of the Group during the year ended 30 June 2020?

- Increased demand for products in the grocery, personal care and household segments.
- Nil operating days lost at any of our manufacturing and distribution sites within the Group.
- Nil Government JobKeeker assistance or rent relief received.
- $168,000 in bad debt write-offs, while aging of amounts due for collection improved significantly.

While the Group has managed the business well through these difficult operating conditions during the financial year, the future is increasingly uncertain. Judgement's and estimates with respect to provisions, expected credit losses and forecast earnings are based on the information available.

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

	30 June 2020	30 June 2019
EPS (cents) – Basic	0.82	(19.56)
EPS (cents) – Diluted	0.82	(19.56)
Calculated using:		
Profit/(loss) after income tax ($'000)	6,643	(151,334)
Weighted average of ordinary shares (number) – Basic	811,040,471	773,655,507
Weighted average of ordinary shares (number) – Diluted*	812,002,663	774,855,507

* Includes share options as disclosed in Note 23.

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 2020	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Type of goods of services					
Sale of manufactured goods	284,972	-	24,618	(3,828)	305,762
Sale of distribution goods	-	123,653	45,299	(427)	168,525
Installation and maintenance services	4,120	-	-	(207)	3,913
Revenue from contracts with customers	**289,092**	**123,653**	**69,917**	**(4,462)**	**478,200**
Geographic markets					
Australia	234,038	123,653	69,917	(4,462)	423,146
New Zealand	51,822	-	-	-	51,822
Canada	3,232	-	-	-	3,232
Revenue from contracts with customers	**289,092**	**123,653**	**69,917**	**(4,462)**	**478,200**
Timing of revenue recognition					
Goods transferred at a point in time	213,594	123,653	69,917	(4,462)	402,702
Services transferred over time	75,498	-	-	-	75,498
Revenue from contracts with customers	**289,092**	**123,653**	**69,917**	**(4,462)**	**478,200**

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

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	-	24,618	(6,650)	291,870
Sale of distribution goods	-	152,897	37,571	(306)	190,162
Installation and maintenance services	5,582	-	-	(1,804)	3,778
Revenue from contracts with customers	**279,484**	**152,897**	**62,189**	**(8,760)**	**485,810**
Geographic markets					
Australia	220,827	152,897	62,189	(8,760)	427,153
New Zealand	55,907	-	-	-	55,907
Canada	2,750	-	-	-	2,750
Revenue from contracts with customers	**279,484**	**152,897**	**62,189**	**(8,760)**	**485,810**
Timing of revenue recognition					
Goods transferred at a point in time	217,170	152,897	62,189	(8,760)	423,496
Services transferred over time	62,314	-	-	-	62,314
Revenue from contracts with customers	**279,484**	**152,897**	**62,189**	**(8,760)**	**485,810**

?

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

Key accounting policy – revenue recognition

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.

NOTE 4. TAXATION

Income tax expense

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Current income tax		
Current income tax charge	4,816	202
Adjustments in respect of previous years	(127)	173
Deferred income tax		
Relating to origination and utilisation of timing differences	(1,890)	(1,704)
Income tax expense/(benefit)	**2,799**	**(1,329)**

NOTE 4. TAXATION (CONT'D)

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

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Profit/(loss) before income tax	**9,442**	**(152,663)**
At the statutory income tax rate of 30% (2019: 30%)	2,833	(45,799)
Differential income tax rates	(113)	70
Adjustments in respect of previous years	(127)	173
Non-deductible impairment losses	-	44,700
Other items	206	(473)
Income tax expense/(benefit)	**2,799**	**(1,329)**

Deferred tax balances

As at	Balance Sheet 30 June 2020 $'000	Balance Sheet 30 June 2019 $'000	Profit or Loss 30 June 2020 $'000	Profit or Loss 30 June 2019 $'000
Deferred tax assets				
Provisions and other timing differences	9,845	9,637	208	(616)
Derivative financial instruments	761	-	-	-
Lease liabilities	17,620	-	17,620	-
Carry forward tax losses	4,348	3,704	644	(574)
Transaction costs	1,417	1,536	(119)	1,082
Deferred tax assets	**33,991**	**14,877**	**18,353**	**(108)**
Deferred tax liabilities				
Intangibles	6,582	6,691	(109)	-
Right-of-use assets	16,216	-	16,216	-
Other items	386	30	356	-
Deferred tax liabilities	**23,184**	**6,721**	**16,463**	**-**
Deferred tax assets/(liabilities), net	**10,807**	**8,156**	**1,890**	**(108)**

Movements in the deferred tax balances during the year ended:

	30 June 2020 $'000	30 June 2019 $'000
Balance as at beginning of the year	**8,156**	**14,530**
Recognised through profit or loss	1,890	(108)
Recognised through other comprehensive income	761	-
Recognised through business combination	-	(6,266)
Balance as at end of the year	**10,807**	**8,156**

NOTE 4. TAXATION (CONT'D)

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.

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.

The initial recognition exception is not applied to deferred tax related to assets and liabilities arising from a single transaction (e.g. leases).

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.

NOTE 4. TAXATION (CONT'D)

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.

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 25 August 2020, the Company declared a fully-franked final dividend for the year ended 30 June 2020 of 0.4 cent per share and suspended its dividend reinvestment plan.

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 and the dividend was paid on 6 November 2018.

	30 June 2020		30 June 2019	
	Cents/ share	$'000	Cents/ share	$'000
Final dividend for the previous year	0.0	-	1.0	7,573
Interim dividend for the current year	0.0	-	0.0	-
Dividends declared and paid during the year	**0.0**	**-**	**1.0**	**7,573**
Proposed but not recognised final dividend	**0.4**	**3,244**	**0.0**	**-**

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 2020 $'000	30 June 2019 $'000
Franking account balance as at the end of the year	9,685	13,200
Franking credits that will arise from the payment of income tax payable for the year	-	(100)
Franking credits that will be utilised upon payment of dividends at the end of the year	(1,390)	-
Franking credits available for subsequent years	**8,295**	**13,100**

Our Operational Footprint

This section provides details of acquisitions and other changes in the composition of the Group which the been made in either the current or comparative year.

NOTE 6. BUSINESS COMBINATIONS

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.

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 **Perfection Packaging $'000**	*Final* **Polypak $'000**
Fair value of consideration at acquisition date:		
Cash consideration paid	42,436	4,648
Contingent consideration*	-	1,613
Share consideration	9,960	-
Fair value of gross consideration payable	**52,396**	**6,261**
Less: cash acquired	(1,763)	-
Fair value of net consideration payable	**50,633**	**6,261**
Fair value of net assets at acquisition date:		
Trade and other receivables	12,749	857
Inventories	2,236	380
Other assets	998	6
Property, plant and equipment	10,241	970
Deferred tax assets	363	203
Trade and other payables	(6,336)	(727)
Employee entitlements	-	(174)
Other provisions	(1,211)	(550)
Fair value of identifiable net assets	**19,040**	**965**
Goodwill arising on acquisition	**31,593**	**5,296**

* The contingent consideration for Polypak became payable upon satisfaction of the performance hurdles and the first payment of $806,000 was paid in December 2018. The second payment of $807,000 was paid in August 2019.

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

The Consolidated Statement of Comprehensive Income includes the results of Perfection Packaging and Polypak for the year ended 30 June 2020 as they were acquired in the comparative year.

NOTE 6. BUSINESS COMBINATIONS (CONT'D)

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.

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 of 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.

Refocused on core business

Following a detailed review of the portfolio of businesses and the operating footprint during the year, the Group has exited a non-core business and certain sites that weren't considered complementary or adjacent to our core business, and which lacked scale and strategic purpose to make a meaningful contribution to the Group's operations in the near term.

Strategic partnership in agriculture

On 20 May 2020, the Group agreed to enter into a strategic partnership with the Tama group of companies. The Group has been trading with Tama as a customer and a supplier in the Australian agricultural market for over 15 years.

This agreement resulted in the following benefits to the Group:

- 5 year extension to current supply agreement for cotton wrap manufactured at our Kewdale facility in Western Australia;
- 10 year exclusive supply and distribution agreement to license the Group's silage brands, with guaranteed minimum annual volumes;
- An exclusive licence agreement for Tama to use the know-how and technical support services; and
- Divestment of our Australian forage business comprised of non-manufactured product including netting, twine, grain bags and pit covers for $5.0M in sale proceeds receivable in annual instalments over 4 years.

Nil proceeds were received during the year ended 30 June 2020.

Our Operating Assets

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

WORKING CAPITAL

As at	Notes	30 June 2020 $'000	30 June 2019 $'000
Trade and other receivables	7	77,559	90,278
Inventories	8	70,608	78,108
Deposits and prepayments	13	2,019	4,086
Trade and other payables	9	(67,840)	(74,104)
Working capital		**82,346**	**98,368**

NOTE 7. TRADE & OTHER RECEIVABLES

As at	30 June 2020 $'000	30 June 2019 $'000
Trade receivables	65,892	81,480
Receivables from related parties	1,125	1,088
Trade and related party receivables	**67,017**	**82,568**
Allowance for expected credit losses	(628)	(1,065)
Trade and related party receivables, net of provision	**66,389**	**81,503**
Contract assets	9,114	6,683
Other debtors	2,056	2,092
Trade and other receivables	**77,559**	**90,278**

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 the transaction price 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.

Contract assets relate to revenue earned from bespoke products. As such, the balances of this account vary and depend on the number of bespoke products produced at the end of the year. Contract assets are subject to impairment assessment through expected credit losses.

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.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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	
As at	**30 June 2020 $'000**	**30 June 2019 $'000**	**30 June 2020 $'000**	**30 June 2019 $'000**
Current to less than 30 days overdue	65,780	50,092	536	277
31 days to 60 days overdue	1,164	24,562	68	378
61 days to 90 days overdue	34	4,918	23	274
Greater than 90 days overdue	39	2,996	1	136
Trade and related party receivables	**67,017**	**82,568**	**628**	**1,065**
Contract assets	**9,114**	**6,683**	**-**	**-**

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

	30 June 2020 $'000	**30 June 2019 $'000**
Balance as at beginning of the year	**(1,065)**	**(744)**
Additional amounts provided	(515)	(1,294)
Amounts written-off as uncollectible	168	1,119
Reversal of doubtful amounts provided, subsequently collected	784	-
Recognised through business combination	-	(146)
Balance as at end of the year	**(628)**	**(1,065)**

NOTE 8. INVENTORIES

As at	30 June 2020 $'000	30 June 2019 $'000
Raw materials	14,640	15,961
Work-in-progress	4,006	4,056
Finished goods	57,237	64,426
Engineering spares	161	804
Provision for obsolete inventories	(5,436)	(7,139)
Inventories	**70,608**	**78,108**

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.

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 2020 $'000	30 June 2019 $'000
Balance as at beginning of the year	**(7,139)**	**(5,098)**
Additional amounts provided	(1,337)	(2,487)
Amounts written-off as obsolete	2,665	465
Reversal of obsolete amounts provided, subsequently sold	375	-
Recognised through business combination	-	(19)
Balance as at end of the year	**(5,436)**	**(7,139)**

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

As at	30 June 2020 $'000	30 June 2019 $'000
Trade payables	47,215	58,938
Payables to related parties	1,679	-
Trade and related party payables	**48,894**	**58,938**
GST and other taxes payable	5,595	2,356
Contract liabilities	576	35
Other payables	12,775	12,775
Trade and other payables	**67,840**	**74,104**

Trade and related party payables are non-interest bearing, unsecured and are generally settled on 60-day terms, or less. Goods and 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 hedge foreign currency risk, the Group regularly determines its net exposure to the primary currencies listed below and enters into foreign exchange forward contracts to hedge committed and highly probable forecast foreign currency transactions in accordance with its treasury policy.

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

As at	30 June 2020 $'000	30 June 2019 $'000
United States dollars	3,706	831
Canadian dollars	-	648
New Zealand dollars	1,857	1,785
Euros	33	(2,362)
Great British pounds	3	164

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

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:

As at	30 June 2020 $'000	30 June 2019 $'000
+/- 10% in AUD/USD	370	83
+/- 10% in AUD/CAD	-	65
+/- 10% in AUD/NZD	186	179
+/- 10% in AUD/EUR	3	236
+/- 10% in AUD/GBP	-	16

A 10% movement is considered reasonable movement based on historical movements in foreign exchange rates.

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NOTES TO THE
Financial Statements

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 2019*	**-**	**53,622**	**3,085**	**1,067**	**57,774**
Additions	-	7,728	822	10	8,560
Impairment loss^	-	(3,165)	-	-	(3,165)
Disposals	-	(500)	(174)	-	(674)
Depreciation expense	-	(5,965)	(2,258)	(442)	(8,665)
Balances as at 30 June 2020	**-**	**51,720**	**1,475**	**635**	**53,830**
Represented by:					
At cost	-	98,566	5,222	3,256	107,044
Accumulated depreciation and impairment	-	(46,846)	(3,747)	(2,621)	(53,214)
Balances as at 30 June 2020	**-**	**51,720**	**1,475**	**635**	**53,830**
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**

* The carrying amount of property, plant and equipment of $3,108,000 recognised at 30 June 2019 was reclassified on adoption of AASB 16 on 1 July 2019, including $1,316,000 for leasehold improvements, $1,000,000 for plant and equipment and $792,000 for motor vehicles.

^ Impairment relates to written down value of plant and equipment, which will become idle under the Chester Hill closure program.

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NOTE 10. PROPERTY, PLANT & EQUIPMENT (CONT'D)

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

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 2019	**44,211**	**21,472**	**865**	**-**	**66,548**
Additions	-	-	304	64	368
Amortisation expense	-	-	(560)	(5)	(565)
Balances as at 30 June 2020	**44,211**	**21,472**	**609**	**59**	**66,351**
Represented by:					
At cost	193,211	21,472	1,739	64	216,486
Accumulated amortisation and impairment	(149,000)	-	(1,130)	(5)	(150,135)
Balances as at 30 June 2020	**44,211**	**21,472**	**609**	**59**	**66,351**
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**

NOTE 11. INTANGIBLE ASSETS (CONT'D)

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.

Brand names

Brand names are assigned an indefinite life because of a perpetual legal right that can be easily renewed 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. Customer contracts also include up-front payments paid at the commencement of a contract, which is amortised over the contract term.

Key estimate and judgement – recoverability of carrying amounts

Where the recoverable amounts of CGUs are determined based on value-in-use 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 amortisation 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.

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 largely independent cash flows are grouped together to form a cash-generating unit ('CGU').

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	22,140	-	-	-	22,140
Total	**44,256**	**-**	**22,095**	**-**	**66,351**

NOTE 11. INTANGIBLE ASSETS (CONT'D)

Methodology and Testing of Recoverable Amount

Value-in-use

The recoverable amount of the Flexibles packaging and Rigid packaging 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.

Key assumptions

The following key assumptions have been used to determine the recoverable amounts of the Flexibles packaging and Rigid packaging 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 11.23% (2019: 11.26%) for Rigid packaging and 11.17% (2019: 11.41%) 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 1.88% (2019: 1.90%) for Rigid packaging and 5.99% (2019: 0.79%) 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% (2019: 2.00%) for Rigid packaging and 2.00% (2019: 2.00%) for Flexibles packaging.

The Directors consider that a reasonably possible unfavourable movement in the key assumptions used to determine the recoverable amount of the Flexibles and Rigid group of CGUs is unlikely to cause the carrying amount to exceed its recoverable amount.

Fair value less costs of disposal

The fair value of the Industrial packaging group of CGUs was determined based on an independent valuation of plant and equipment, and management's assessment of the fair value of working capital which form the carrying value of the Industrial packaging group of CGUs at 30 June 2020.

The independent valuation of plant and equipment was undertaken using a depreciated replacement cost methodology; the replacement costs represent Level 3 inputs under AASB 13 *Fair Value Measurement*.

NOTE 12. COMMITMENTS & CONTINGENCIES

Capital expenditure commitments

As at	30 June 2020 $'000	30 June 2019 $'000
Less than one year	2,439	169
Capital expenditure commitments	**2,439**	**169**

Contingencies

As at	30 June 2020 $'000	30 June 2019 $'000
Security deposit guarantees given to landlords	2,870	4,831
Standby letters of credits given to overseas suppliers	2,059	6,057
Contingent liabilities	**4,929**	**10,888**

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 claims or matters meet the accounting policy discussed below, 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.

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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 ASSETS

As at	Notes	30 June 2020 $'000	30 June 2019 $'000
Current			
Deposits and prepayments		2,019	4,086
Accrued proceeds on sale	6,27	1,000	-
Current other assets		**3,019**	**4,086**
Non-current			
Accrued proceeds on sale	6,27	3,717	-
Non-current other assets		**3,717**	**-**

NOTE 14. OTHER LIABILITIES

As at	Notes	30 June 2020 $'000	30 June 2019 $'000
Current			
Deferred consideration	6,27	-	889
Accrued capital expenditure		2,123	-
Current other liabilities		**2,123**	**889**

NOTE 15. OTHER PROVISIONS

As at	30 June 2020 $'000	30 June 2019 $'000
Current		
Onerous contracts	-	649
Business restructuring	6,300	1,805
Lease make-good	1,003	1,039
Other	393	2,813
Current other provisions	**7,696**	**6,306**
Non-current		
Lease make-good	2,569	2,582
Non-current other provisions	**2,569**	**2,582**

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 2019*	**1,805**	**-**	**3,621**	**2,813**	**8,239**
Additional amounts provided	6,001	-	-	-	6,001
Amounts utilised	(1,506)	-	(66)	(420)	(1,992)
Reversal of amounts provided	-	-	-	(2,000)	(2,000)
Unwinding of discounting	-	-	17	-	17
Balances as at 30 June 2020	**6,300**	**-**	**3,572**	**393**	**10,265**

* The carrying amount of onerous contracts of $649,000 recognised at 30 June 2019 was reclassified on adoption of AASB 16 on 1 July 2019.

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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.

NOTE 15. OTHER PROVISIONS (CONT'D)

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

As at	Notes	30 June 2020 $'000	30 June 2019 $'000
Borrowings	16	66,452	106,496
Lease liabilities	28	58,732	-
Cash and cash equivalents	17	(21,380)	(23,559)
Net debt		**103,804**	**82,937**

NOTE 16. BORROWINGS

As at	30 June 2020 $'000	30 June 2019 $'000
Current		
Bank loans	7,500	6,149
Trade finance	-	4,659
Finance lease and hire purchase*	-	815
Current borrowings	**7,500**	**11,623**
Non-current		
Bank loans	58,952	93,904
Finance lease and hire purchase*	-	969
Non-current borrowings	**58,952**	**94,873**

* The carrying amount of finance lease and hire purchase liabilities of $1,784,000 recognised at 30 June 2019 was reclassified on adoption of AASB 16 on 1 July 2019.

On 31 March 2020, the Group refinanced its senior debt facility for a three-year term, maturing in March 2023. Bank loans are interest-bearing at a rate floating between 2.0% and 3.5% above BBSY.

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

NOTE 16. BORROWINGS (CONT'D)

Key accounting policy – borrowings

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 (applicable prior to 1 July 2019)

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.

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

As at 30 June 2020	Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft	-	10,000	10,000
Bank loans	67,160	25,340	92,500
Contingent funding facilities	4,993	5,652	10,645
Total facilities	**72,153**	**40,992**	**113,145**

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**

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 and lease liabilities; and
- Investment in strategic growth opportunities.

The Group manages liquidity risk through cash flow forecasting.

NOTE 16. BORROWINGS (CONT'D)

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

30 June 2020	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Gross Total $'000	Carrying Amount $'000
Trade payables	-	48,894	-	-	-	48,894	48,894
Other payables	-	18,946	-	-	-	18,946	18,946
Other liabilities	-	-	2,123	-	-	2,123	2,123
Derivatives	-	1,456	1,043	37	-	2,536	2,536
Borrowings	-	2,500	5,000	59,660	-	67,160	66,452
Lease liabilities	-	3,161	9,483	47,311	16,147	76,102	58,732
Total	**-**	**74,957**	**17,649**	**107,008**	**16,147**	**215,761**	**197,683**

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	Gross Total $'000	Carrying Amount $'000
Trade payables	-	58,938	-	-	-	58,938	58,938
Other payables	-	15,166	-	-	-	15,166	15,166
Other liabilities	-	889	-	-	-	889	889
Borrowings	-	6,012	5,611	94,873	-	106,496	106,496
Total	**-**	**81,005**	**5,611**	**94,873**	**-**	**181,489**	**181,489**

At balance date, all financial covenant requirements under the senior debt facility have been met.

NOTE 17. CASH & CASH EQUIVALENTS

As at	30 June 2020 $'000	30 June 2019 $'000
Cash on hand	12	21
Cash at bank	21,368	23,538
Cash and cash equivalents	**21,380**	**23,559**

Cash at bank earns 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 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:

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Profit/(loss) before income tax		**9,442**	**(152,663)**
Non-cash items:			
Impairment losses		5,030	149,000
Depreciation and amortisation expense		20,245	9,336
Loss/(gain) on disposal of property, plant and equipment		73	313
Share-based payments expense	22	175	(99)
Amortisation of borrowing costs	18	1,250	614
Change in fair value of derivatives recognised in equity		(2,564)	-
Changes in assets and liabilities:			
Decrease/(increase) in trade and other receivables		12,719	6,549
Decrease/(increase) in inventories		7,500	19,971
Decrease/(increase) in derivatives		2,647	359
Decrease/(increase) in other assets		(2,650)	6,169
Increase/(decrease) in trade and other payables		(5,330)	(23,010)
Increase/(decrease) in other liabilities		-	889
Increase/(decrease) in employee entitlements		437	(1,102)
Increase/(decrease) in other provisions		2,026	3,865
Income tax refund/(paid)		2,445	(4,424)
Net cash flows from operating activities		**53,445**	**15,767**

NOTE 18. FINANCE COSTS

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Interest expense		4,605	7,521
Amortisation of borrowing costs		1,250	614
Unwinding of discounting on lease liabilities	28	5,915	-
Finance costs		**11,770**	**8,135**

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 lease liabilities 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 and 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 borrowings 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:

As at	30 June 2020 $'000	30 June 2019 $'000
+/- 1% in interest rates	672	1,091

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

EQUITY

NOTE 19. ISSUED CAPITAL

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

	30 June 2020		30 June 2019	
	Number	$'000	Number	$'000
Ordinary shares as at beginning of the year	**810,720,188**	**291,618**	**583,665,341**	**217,695**
Issue of shares for dividend reinvestment plan	-	-	24,964,031	5,223
Shares issued to vendors of businesses acquired	-	-	25,538,462	9,960
Shares issued under share placement	-	-	175,882,354	59,800
Shares issued as special bonus to employee	387,097	60	-	-
Shares issued under Executive LTI plan	-	-	2,890,000	-
Cancellation of shares issued under Executive LTI plan	-	-	(2,220,000)	-
Cost of raising shares	-	-	-	(1,060)
Ordinary shares as at end of the year	**811,107,285**	**291,678**	**810,720,188**	**291,618**

NOTE 19. ISSUED CAPITAL (CONT'D)

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.

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 20. RESERVES

As at	Notes	30 June 2020 $'000	30 June 2019 $'000
Share-based payments reserve	(a)	294	179
Cash flow hedge reserve	(b)	(1,803)	-
Foreign currency translation reserve	(c)	482	1,042
Reserves		**(1,027)**	**1,221**

(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 period 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 is the cumulative amount calculated at each balance date less amounts recognised in previous years.

Cash flow hedge reserve

The Group uses forward currency contracts to hedge its exposure to foreign currency risk in forecast transactions and firm commitments.

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 in other expenses. 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.

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.

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 21. EMPLOYEE ENTITLEMENTS

As at	30 June 2020 $'000	30 June 2019 $'000
Current		
Annual leave	5,994	5,554
Time off in lieu and rostered days off	62	58
Long service leave	5,470	5,257
Current employee entitlements	**11,526**	**10,869**
Non-current		
Long service leave	1,472	1,692
Non-current employee entitlements	**1,472**	**1,692**

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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 22. EMPLOYEE BENEFITS EXPENSE

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Wages and salaries		85,179	76,077
Superannuation contributions		5,887	5,895
Share-based payments expense	23	175	(99)
Other employee benefits		3,650	3,352
Employee benefits expense		**94,891**	**85,225**

NOTE 23. 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 includes 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 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 23. SHARE-BASED PAYMENTS (CONT'D)

No shares were issued during the year ended 30 June 2020.

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 2020		30 June 2019	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	**5,185,000**	**$0.280**	**16,810,000**	**$0.384**
Granted	-	-	2,890,000	$0.200
Forfeited *	(3,520,000)	$0.272	(13,315,000)	$0.382
Expired	-	-	(1,200,000)	$0.417
Outstanding as at end of the year	**1,665,000**	**$0.297**	**5,185,000**	**$0.280**
Exercisable	-	-	-	-

* Of the shares that have expired or were forfeited during the year ended 30 June 2020, nil shares have been cancelled. The shares are held by the share plan trustee for 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 2020 is as follows:

Grant date	Vesting date	Fair Value	Number	Exercise Price
9 December 2019	30 June 2022	$0.046	8,359,273	$0.000

NOTE 23. 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 2020		30 June 2019	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	**653,333**	**$0.000**	**1,375,000**	**$0.000**
Granted	8,359,273	$0.000	653,333	$0.000
Forfeited	(1,166,667)	$0.000	(1,000,000)	$0.000
Exercised	(653,333)	$0.000	-	-
Expired	-	-	(375,000)	$0.000
Outstanding as at end of the year	**7,192,606**	**$0.000**	**653,333**	**$0.000**
Exercisable	-	-	-	-

Share Options

No options were issued during the years ended 30 June 2019 and 30 June 2020.

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.

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

	30 June 2020		30 June 2019	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	**1,200,000**	**$0.420**	**1,200,000**	**$0.420**
Expired	(400,000)	$0.420	-	-
Outstanding as at end of the year	**800,000**	**$0.420**	**1,200,000**	**$0.420**
Exercisable	400,000	$0.380	400,000	$0.380

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 24. KEY MANAGEMENT PERSONNEL

Employee benefits expense

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Short-term employee benefits	1,509	2,083
Long-term benefits	-	(7)
Post-employment benefits	91	116
Share-based payments	72	80
Compensation to key management personnel	**1,672**	**2,272**

Other Disclosures

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

NOTE 25. OTHER INCOME

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Profit on disposal of assets	4,717	-
Insurance proceeds	5,850	-
Other	874	1,084
Other income	**11,441**	**1,084**

Key accounting policy – other 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 26. PARENT ENTITY FINANCIAL INFORMATION

Supplementary financial information for the Company is as follows:

Statement of comprehensive income

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Other income	4	-
Expenses	(2,018)	(3,259)
Profit/(loss) before income tax	**(2,014)**	**(3,259)**
Income tax (expense)/benefit	604	4,207
Profit/(loss) after income tax	**(1,410)**	**948**
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	**(1,410)**	**948**

Statement of financial position

As at	30 June 2020 $'000	30 June 2019 $'000
Current assets	202,070	229,111
Non-current assets	122,371	121,941
Total assets	**324,441**	**351,052**
Current liabilities	46,979	72,180
Non-current liabilities	-	-
Total liabilities	**46,979**	**72,180**
Net assets	**277,462**	**278,872**
Issued capital	291,710	291,710
Retained earnings	(14,248)	(12,838)
Equity	**277,462**	**278,872**

NOTE 27. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group'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 2020		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Accrued proceeds on sale	(a)	13	-	4,717	-	4,717
Borrowings	(b)	16	-	(66,452)	-	(66,452)
Derivative financial instruments	(c)		-	(2,536)	-	(2,536)
Total			**-**	**(64,271)**	**-**	**(64,271)**

As at 30 June 2019		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial instruments	(c)		-	111	-	111
Borrowings	(b)	16	-	(106,496)	-	(106,496)
Contingent consideration payable	(d)	14	-	-	(883)	(883)
Total			**-**	**(106,385)**	**(883)**	**(107,268)**

(a) Accrued proceeds on sale on the sale of the Australian forage business has been valued based on the contractual amount receivable ($5.0M), discounted to present value.

(b) Borrowings primarily relate to bank loans which are interest-bearing at a floating interest rate and has been valued at amortised cost using the effective interest rate method.

(c) Derivative financial instruments relate to foreign exchange forward contracts and 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.

(d) Contingent consideration relating to the acquisition of Polypak 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 28. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Nature of changes to accounting for leases

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of AASB 16 on 1 July 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased premises or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased asset was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at 1 July 2019 for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 was applied to these leases from 1 July 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients on transition to AASB 16 on 1 July 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on the Group's assessment of whether leases are onerous at 30 June 2019 as an alternative to performing an impairment review;
- Applied the short-term leases exemptions to leases with a remaining lease term of less than 12-months; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at 1 July 2019.

NOTE 28. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of adopting AASB 16 on 1 July 2019

The impact on the consolidated statement of financial position at 1 July 2019 was:

As at	Notes	1 July 2019 $'000
Property, plant and equipment	(a)	(3,108)
Right-of-use assets		67,428
Trade and other payables	(b)	934
Other provisions	(c)	649
Borrowings	(d)	1,784
Lease liabilities		(67,687)
Increase/(decrease) in net assets		**-**

(a) Finance leases reclassified as right-of-use assets (Note 10).

(b) Straight-line rent liability reclassified against right-of-use assets.

(c) Onerous contracts reclassified against right-of-use assets (Note 15).

(d) Finance lease and hire purchase liabilities reclassified as lease liabilities (Note 16).

Reconciliation of the operating lease commitments to the lease liabilities adopted on implementation of AASB 16:

As at	1 July 2019 $'000
Operating lease commitments	**52,900**
Discounted operating lease commitments*	46,245
Finance lease commitments	1,784
Payments in renewal options not previously recognised*	19,658
Lease liabilities	**67,687**

* Discounted to present value using a weighted average incremental borrowing rate of 6.50% on 1 July 2019.

Impact of AASB 16 for the year ended 30 June 2020

Amounts recognised in the consolidated statement of profit or loss

For the year ended	30 June 2020 $'000
Operating lease expense	13,990
Depreciation of right-of-use assets	(11,015)
Interest expense on lease liabilities	(5,915)
Profit/(loss) before income tax	**(2,940)**
Income tax (expense)/benefit	882
Profit/(loss) after income tax	**(2,058)**

There was no impact on other comprehensive income for the year ended.

NOTE 28. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amounts recognised in the consolidated statement of financial position

The movement in the carrying amount of the Group's right-of-use assets and lease liabilities during the year are shown below:

	Right-of-use assets					
	Premises $'000	Plant & Equipment $'000	Motor Vehicles $'000	Other Equipment $'000	Total $'000	Lease Liabilities $'000
As at 1 July 2019	**63,001**	**3,124**	**1,059**	**244**	**67,428**	**67,687**
Disposals	(424)	-	-	-	(424)	(432)
Depreciation expense	(10,183)	(566)	(162)	(104)	(11,015)	-
Impairment loss*	(1,865)	-	-	-	(1,865)	-
Interest expense	-	-	-	-	-	5,915
Payments	-	-	-	-	-	(14,438)
Movement in foreign exchange rates	(70)	-	-	-	(70)	-
As at 30 June 2020	**50,459**	**2,558**	**897**	**140**	**54,054**	**58,732**

* Impairment relates to the estimated economic loss arising from surplus lease space over the remaining lease term.

The Group recognised rent expense and payments for short-term leases of $90,000, leases of low-value assets of nil and variable lease expense and payments of $2,424,000 for the year ended 30 June 2020.

Amounts recognised in the consolidated statement of cash flows

The increase/(decrease) on the consolidated statement of cash flows for the year ended:

As at	30 June 2020 $'000
Payments to suppliers and employees	14,438
Interest paid	(5,915)
Net cash flows from operating activities	**8,523**
Repayment of hire purchase and finance lease liabilities	954
Repayment of lease liability principal	(9,477)
Net cash flows used in financing activities	**(8,523)**
Increase/(decrease) in cash and cash equivalents	**-**

Accounting policy for leases from 1 July 2019

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets include an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

NOTE 28. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, these payments are initially measured using the index or rate as at the commencement date. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses lessee's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Low value leases

The Group applied practical expedient whereby low value assets less than $1,000 have not recognised. Lease payments on low value assets are recognised as expense on a straight-line basis over the lease term.

Lease and non-lease components

The Group applied practical expedient whereby it does not separate the lease and non-lease components.

Significant judgements and estimates

Renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. In assessing the likelihood of a lease option being exercised, the Group considers the costs of termination, the extent of any leasehold improvements, the strategic importance of the lease location and the current market rent for the site.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

NOTE 28. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Less than 5 years $'000	Greater than 5 years $'000	Total $'000
Extension options expected not to be exercised	10,191	31,007	41,198

Incremental borrowing rates

The Group cannot readily determine the interest rate implicit in the lease contracts and therefore, the incremental borrowing rate applied is based on the interest that the Group would be required to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset.

NOTE 29. 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 2020	Notes	Sales $'000	Purchases $'000
Entity with significant influence over the Group			
Kin Group Pty Ltd	(a)	6,455	-
Pact Group Limited	(a)	4,758	(8,536)

For the year ended 30 June 2019	Notes	Sales $'000	Purchases $'000
Entity with significant influence over the Group			
Kin Group Pty Ltd	(a)	2,427	-
Pact Group Limited	(a)	5,352	(4,734)

(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.

Kin Group Pty Ltd

Mr Raphael Geminder owns 49.73% (2019: 49.70%) 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 Group also purchases goods from Pact Group Limited.

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

NOTE 30. 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.

As at	Country of Incorporation	Class of Shares	Equity Holding 30 June 2020	Equity Holding 30 June 2019
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%	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 30. 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 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 2020 $'000	30 June 2019 $'000
Revenue from contracts with customers	319,711	342,128
Raw materials and consumables used	(198,774)	(222,579)
Employee benefits expense	(66,213)	(59,195)
Occupancy, distribution, administration and selling expenses	(44,116)	(70,784)
Impairment losses	(5,030)	(139,383)
Depreciation and amortisation expense	(15,862)	(6,282)
Other income	11,415	941
Finance costs	(5,631)	(1,183)
Profit/(loss) before income tax	**(4,500)**	**(156,337)**
Income tax (expense)/benefit	1,350	821
Profit/(loss) after income tax	**(3,150)**	**(155,516)**
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	1,970	-
Exchange differences arising on translation of foreign operations	-	-
Total other comprehensive income/(loss)	**1,970**	**-**
Total comprehensive income/(loss)	**(1,180)**	**(155,516)**

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

Consolidated statement of financial position

As at	30 June 2020 $'000	30 June 2019 $'000
Current assets		
Cash and cash equivalents	6,025	13,300
Trade and other receivables	49,055	57,105
Inventories	52,398	59,680
Current tax assets	-	4,147
Derivative financial assets	-	111
Other assets	2,402	3,699
Total current assets	**109,880**	**138,042**
Non-current assets		
Property, plant and equipment	31,401	34,616
Right-of-use assets	43,603	-
Intangible assets	27,576	27,881
Investments	25,223	25,032
Deferred tax assets	8,905	6,606
Other assets	3,717	-
Total non-current assets	**140,425**	**94,135**
Total assets	**250,305**	**232,177**
Current liabilities		
Trade and other payables	77,224	104,832
Derivative financial liabilities	2,344	-
Borrowings	-	5,023
Lease liabilities	6,407	-
Current tax liability	-	-
Other liabilities	6,669	-
Employee entitlements	8,291	7,975
Other provisions	5,531	5,736
Total current liabilities	**106,466**	**123,566**
Non-current liabilities		
Borrowings	-	675
Lease liabilities	41,335	-
Employee entitlements	576	977
Other provisions	2,008	2,008
Total non-current liabilities	**43,919**	**3,660**
Total liabilities	**150,385**	**127,226**
Net assets	**99,920**	**104,951**
Equity		
Issued capital	291,122	291,062
Reserves	(1,846)	95
Retained earnings	(189,356)	(186,206)
Total equity	**99,920**	**104,951**

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

Summary of movements in consolidated retained earnings

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Balance as at beginning of the year	**(186,206)**	**(23,117)**
Profit/(loss) after income tax	(3,150)	(155,516)
Dividends provided for or paid	-	(7,573)
Balance as at end of the year	**(189,356)**	**(186,206)**

NOTE 32. AUDITORS' REMUNERATION

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

For the year ended	Notes	30 June 2020 $'000	30 June 2019 $'000
Audit and assurance services			
Audit and review of the financial statements	(a)	352	426
Other assurance related services	(b)	59	157
Total remuneration for audit and other assurance services		**411**	**583**
Other services			
Tax compliance services	(c)	163	34
Total remuneration for other services		**163**	**34**
Total auditors' remuneration		**574**	**617**

(a) Fees for auditing the statutory financial reports of the Group and any of its controlled entities.

(b) Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm.

(c) Fees for tax compliance services where there is discretion as to whether the service is provided by the auditor or another firm.

The auditor of the Group for the years ended 30 June 2019 and 30 June 2020 was Ernst & Young.

NOTE 33. SUBSEQUENT EVENTS

On 2 August 2020, the Victorian Government announced Stage 4 restrictions for the metropolitan Melbourne area in response to the COVID-19 pandemic, which required workplaces in Melbourne to close unless the workplace is part of a permitted activity or all employees are working from home. On 12 August 2020, the New Zealand Government announced the Auckland Region moved up to alert level 3, while the rest of the country was moved to level 2 to contain a localised outbreak of COVID-19 cases.

The Group's manufacturing and distribution sites in Melbourne and Auckland have been permitted to continue operating as a supplier of essential packaging solutions.

Whilst the future remains uncertain, 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.

Directors' Declaration

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

1. The consolidated financial statements and notes 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 2020 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 25 August 2020.

Jonathan Ling
Chairman

Tim Welsh
Managing Director and CEO

Ernst & Young
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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 2020, the consolidated statement of comprehensive income, 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 2020 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 (including Independence Standards) (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 the 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.

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

Why significant	How our audit addressed the key audit matter

As a consequence of recent acquisitions, the Group recognised goodwill and identifiable intangibles. The balance of intangibles as at 30 June 2020 was $66.5 million.
 	
Australian Accounting Standards require 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 which will be impacted by future performance and market conditions, including ongoing uncertainty associated with the impacts of COVID-19. As a result, this was matter was considered to be a key audit matter.
 	
Details of the Group's impairment assessment are set out in Note 11 to the financial report.
	Our audit procedures included the following:
	▶ Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards, including the Group's identification of its CGUs and the allocation of goodwill to those CGUs.
	▶ In conjunction with our valuation specialists, we:
	  ▶ Tested the mathematical accuracy of the impairment testing model.
	  ▶ Assessed whether the forecast cash flows, used in the impairment testing model, were consistent with the most recent Board approved cash flow forecasts and contemplated existing and emerging effects of COVID-19.
	  ▶ Assessed the historical accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results.
	  ▶ Assessed the appropriateness of key assumptions, such as the discount rates and long-term growth rates, including performing our own sensitivity analyses around these key assumptions.
	  ▶ Considered earnings multiples of comparable businesses as a valuation cross check to the Group's determination of recoverable amount of its CGUs.
	▶ Assessed the reasonableness of the Group's estimate of fair value less costs of disposal of the assets in the Industrial Division cash generating unit.
	▶ Assessed the adequacy of the disclosures associated with the goodwill impairment assessment as disclosed in Note 11.

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2. Inventory existence and valuation

Why significant	How our audit addressed the key audit matter
At 30 June 2020, the Group held inventories of \$70.1 million which were recorded at the lower of cost and net realisable value. At each reporting date, the Group assesses whether net realisable value adjustments and provisions for slow-moving and obsolete stock are required to be recognised for all components of inventories, including raw materials, work in progress and finished goods. The existence and valuation of inventories was a key audit matter due to the size of the recorded asset, which represents 19.5% of the Group's total assets and the judgement required in estimating the net realisable value of inventory at period end. The key judgements include estimating future sales prices based on prevailing market conditions and historical experience. The Group's disclosures with respect to inventories are included in Note 8 to the financial report.	Our audit procedures included the following: ► Understood the Group's process for inventory management and associated controls at the key operations across the business. ► Attended (physically and virtually) inventory stock-takes conducted close to the year end at locations with significant inventory holdings. ► Selected a sample of inventory items and agreed the cost price of purchased inventory to supplier invoices. ► Tested the standard costing of manufactured inventory, including recalculation of the standard cost of a sample of inventory items. ► Assessed the basis for inventory provisions recorded by the Group for slow moving and obsolete stock. ► Compared the actual selling price to the carrying amount of the relevant product lines at year-end.

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 2020 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.

Building a better working world

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.

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- 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.

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, actions taken to eliminate threats or safeguards applied.

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 16 to 23 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pro-Pac Packaging Limited for the year ended 30 June 2020, 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.

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working world

Ernst & Young

Kester Brown
Partner

Melbourne
25 August 2020

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 27 July 2020.

Twenty largest holders

Table 1: The names of the twenty largest holders of ordinary shares are:

Rank	Holder	Number	%
1	BENNAMON PTY LTD	405,470,243	49.990%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	130,862,036	16.134%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	23,141,808	2.853%
4	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	22,137,664	2.729%
5	NATIONAL NOMINEES LIMITED	16,605,591	2.047%
6	EQUITY TRUSTEES LIMITED <PRO-PAC EMP SHARE UNALLO AC>	15,495,000	1.910%
7	SELJAX PTY LTD <THE CADAVDAN A/C>	12,769,231	1.574%
8	HYLMIC PTY LTD <THE JOMY A/C>	12,769,231	1.574%
9	MR JOHN JOSEPH CERINI	9,865,214	1.216%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	9,315,551	1.148%
11	WILBOW GROUP PTY LTD <WILBOW GROUP A/C>	4,414,863	0.544%
12	MR PHILIP WEINMAN & MS ROCHELLE WEINMAN & MR DEAN WEINMAN <WEINMAN SUPER FUND A/C>	3,575,000	0.441%
13	FORUM INVESTMENTS PTY LIMITED	3,200,000	0.395%
14	MR PHILIP WEINMAN & MRS ROCHELLE WEINMAN & MR DEAN WEINMAN <WEINMAN SUPER FUND A/C>	3,125,000	0.385%
15	MR ALASTAIR SPIERS & MRS UNA SPIERS <SPIERS SUPER FUND A/C>	2,000,000	0.247%
16	MS PATSY SEOW LEE CH'NG	1,765,356	0.218%
17	GEE SUPER PTY LTD <GEE SUPERANNUATION FUND A/C>	1,685,000	0.208%
18	MR ALAN GRAHAM ROCHFORD <ALAN G ROCHFORD SUPER A/C>	1,650,000	0.203%
19	CORLETTE POINT ROAD PTY LTD <POINT A/C>	1,607,000	0.198%
20	ASHLAW PTY LIMITED <WHITEHEAD SUPER FUND A/C>	1,500,000	0.185%
20	AKAT INVESTMENTS PTY LIMITED <TAG FAMILY - CORE A/C>	1,500,000	0.185%
	Total Securities of Top 20 Holdings	684,453,788	84.385%
	Total of Securities	**811,107,285**	**100.000%**

Distribution of equity securities

Table 2: The number of holders, by size of holding, of ordinary shares (including ESPP shares) are:

Holdings Ranges	Holders	Total Units	%
1-1,000	119	12,376	0.000
1,001-5,000	258	881,210	0.110
5,001-10,000	214	1,763,618	0.220
10,001-100,000	1,166	48,996,488	6.040
100,001-9,999,999,999	297	759,453,593	93.630
Totals	**2,054**	**811,107,285**	**100.000**

There are 244 holders of unmarketable parcels of ordinary shares totalling 299,037 shares representing 0.037% of the Company's issued capital.

ADDITIONAL
Company Information

Table 3: The number of holders, by size of holding, of performance share rights are:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.000
1,001-5,000	0	0	0.000
5,001-10,000	0	0	0.000
10,001-100,000	0	0	0.000
100,001-9,999,999,999	6	6,872,606	100.000
Totals	**6**	**6,872,606**	**100.000**

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
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

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

Description	Escrow Date	Number
Shares related to the Perfection Packaging purchase agreement	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 ending 30 June 2020.