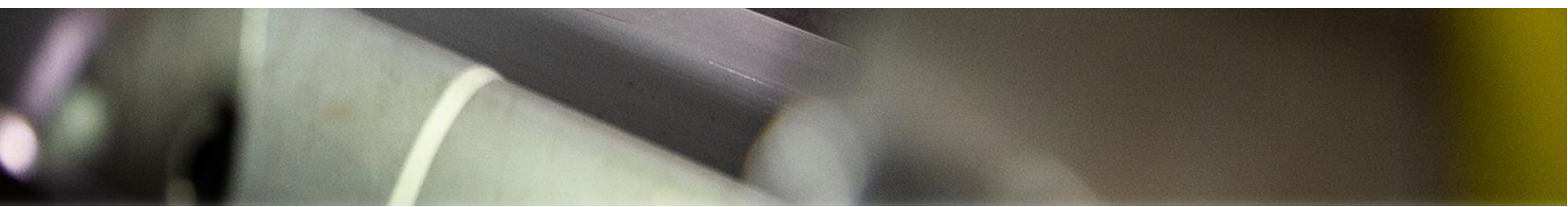
PRO-PAC PACKAGING LIMITED

Annual Report

FOR THE YEAR ENDED 30 JUNE 2022



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Corporate Information

ACN 112 971 874
ABN 36 112 971 874

Directors

Jonathan Ling
Rupert Harrington
Darren Brown
Leonie Valentine

Company secretary

Kathleen Forbes

Registered office

83-85 Banbury Road,
Reservoir VIC 3073

Phone: +61 3 9474 4200

Share register

Boardroom Limited
Level 12, 225 George Street
Sydney NSW 2000

Annual General Meeting

Tuesday, 22 November 2022 at 2pm

The closing date for nominations for election as a director is 5pm Monday 3 October 2022.

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 (Pro-Pac or the Group), I am pleased to present to you our 2022 Annual Report.

Year in Review

Pro-Pac has continued to build upon the groundwork laid in prior years to transform the business and position it for growth.

During the year, the Company successfully completed the sale of its Rigid packaging business, in line with its previously communicated strategy. This was a significant transaction for the Company and was well executed by the management team involved. Sale proceeds were used to reduce bank debt, bringing net bank debt as at 30 June 2022 down to $20.4m, down from $82.1m as at 31 December 2021.

Nonetheless, 2022 saw increased challenges for Pro-Pac principally arising from raw material and resin cost increases, capacity restraints and labour shortages, exacerbated by underperformance of the new centralised print and conversion centres in Dandenong Victoria. Further, the Company was unable to increase prices sufficiently to offset these cost increases. These have all negatively impacted profitability, and the FY 2022 result.

FY22 financial summary

Pro-Pac has delivered:

- Group Revenues of $467.0m (2021: $440.1m)
- Group Loss after tax of $25.9m (2021: Profit $7.8m)
- Group Loss before tax and significant items (underlying PBT) of $2.9m (2021: profit of $18.8m)

Strategic imperatives

Our key immediate objective is to restore the business to profitability. We are focussed on working capital management, product and portfolio profitability, and delivering operational efficiencies at all of our sites.

The sale of the Rigid business has also delivered the opportunity to restructure our operations with activity focussed predominantly in reducing corporate costs and right-sizing other parts of the business.

Pro-Pac's focus on profitability, the investments which have already been made and its manufacturing expertise, together with its investments in innovation and sustainability, position it solidly for future growth.

Board and management changes

I would like to take this opportunity to highlight changes to your Board of Directors since our last annual report.

Ms Marina Go announced her retirement and stepped down as a non- executive director and Remuneration and Nomination Committee Chair at the Annual General meeting in November. In addition, Tim Welsh stepped down as Chief Executive Officer and Managing Director in July 2022. I have stepped into the role of Executive Chairman and will be steering the Company through its next phase, ably supported by Darren Brown as Acting Chief Financial Officer, John Cerini as Executive General Manager of the Flexibles business and an experienced and seasoned executive team. Once the Company has returned to profitability, we will look to increase the number of non-executive directors on the board and expand the diversity, skills and experiences of your Board to meet the changing needs of the Company.

Thank you

On behalf of the Board of Directors, I would like to thank our shareholders for their ongoing support of Pro-Pac and we look forward to updating you as the year progresses.

I would also like to thank our customers and suppliers for their continued support throughout the year, as we have all worked to navigate challenges, ensure continuity of supply and keep our teams safe.

Finally, I would like to thank the executive team and every individual Pro-Pac team member for their continued hard work, commitment, and loyalty to Pro-Pac this year.

Thank you

Jonathan Ling
Chairman

Directors' Report

The Directors present their report on Pro-Pac Packaging Limited (the Company) and the entities it controlled (the Group) during the year ended 30 June 2022.

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
(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 is also a director of Ironman 4x4 Pty Limited. He has previously served on the Boards of Melbourne Rebels Rugby Union as Chair, Pacific Brands Limited and ASB Bank Limited.

For the period from 1 July 2021 to 18 July 2022, Mr Ling was Non-Executive Chairman. As of 18 July 2022, Mr Ling has become an Executive Chairman, and stepped into the role of Acting Chief Executive Officer.

Mr Ling is a member of the Remuneration Committee.

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. He has been involved in Private Equity since 1987 and is considered to be one of the key founders of the Australian industry.

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

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

Darren Brown B Business, Grad Dipl Fin & Investment
(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, and commercial director at Kin Group.

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

As of 11 May 2022, Mr Brown became an executive director as he stepped into the role of Acting Chief Financial Officer.

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 currently Executive General Manager Customer Experience & Digital Technology Australia Post, and was previously Managing Director, Google Melbourne and Government at Google Australia, and Managing Director, Sales & Operations of Google Hong Kong, having originally joined Google as APAC Director of Customer Experience. Prior to joining Google, Leonie was Executive Vice President, Customer Service & Operations at CSL Limited. Earlier, she held the position of Chief of Staff for Telstra International Group. She has over 25 years of experience in sales, marketing and operations.

Ms Valentine is currently a Board member of Save The Children (Australia) and was previously a board member for Save The Children (Hong Kong), a Governor for the American Chamber of Commerce HK, as well as an advisor to CUHK's EMBA Program.

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

Directors' Report

Marina Go B Arts (Mass Communication), Exec MBA, MAICD
(Non-Executive Director – appointed 1 August 2018, resigned 23 November 2021)

Tim Welsh B Manufacturing Technology, GAICD
(Managing Director and Chief Executive Officer – appointed 28 May 2019, Resigned 18 July 2022)

Interests in the shares, rights and options of the Company

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

Company Secretary

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

Ms Forbes has over 25 years of legal and company secretarial experience. Her past roles include General Counsel at Salmat Limited and General Counsel and Company Secretarial roles with Corporate Express Australia 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	3.00	2,431
Interim dividend for the current year	-	-
Dividends declared and paid during the year	3.00	2,431
Proposed but not recognised final dividend	-	-

Principal activities

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

On the 24 June 2022, the Group divested the Rigid packaging business. There were no other significant changes in activities during the year.

Operating and financial review

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:

- PBT represents profit/(loss) before income taxes and significant items;
- EBIT represents PBT before finance costs and interest income;
- EBITDA represents EBIT before depreciation and amortisation;
- Adjusted LTM EBITDA means EBITDA before AASB 16 *Leases* for the last 12-months, adjusted for material acquisitions or disposals;

Directors' Report

- 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;
- Working capital represents trade and other receivables, deposits, prepayments and inventories, less trade and other payables;
- Net debt is calculated as borrowings, less cash and cash equivalents;
- Net bank debt is calculated as borrowings, less trade finance and cash and cash equivalents; and
- Gearing is calculated as net debt divided by Adjusted LTM EBITDA for the last 12-months.

Although the Board of 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 consolidated statement of comprehensive income and consolidated 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.

Business update

Group strategy

Pro-Pac's strategy is to become a focussed Australian and New Zealand manufacturer of Film and Flexible Packaging with accompanying distribution of our manufactured and related products.

Sale of Rigid business

On 24 June 2022, Pro-Pac successfully completed the sale of its Rigid packaging business for around $53 million.

Restructuring

The sale of the Rigid business has also delivered the opportunity to restructure our operations with activity focussed predominantly in reducing corporate costs and right-sizing other parts of the business.

Senior management changes

As previously announced, Chief Executive Officer and Managing Director Tim Welsh stepped down on 18 July 2022. Jonathan Ling, who was appointed Non-Executive Chairman in April 2019, was appointed Executive Chairman on 18 July 2022. Jonathan is supported by Darren Brown who was appointed Interim Chief Financial Officer in May 2022, replacing Iona MacPherson.

FY23 Strategic Priorities

During the year ahead, Pro-Pac will focus on the key strategic priorities of driving profitable revenue growth and improving operational efficiencies. The Company will continue to prioritise the safety, health & wellbeing of its people, the supply of essential products and services to its customers, as well as progress its innovation and sustainability agenda.

Directors' Report

Financial performance

Group results from continuing and discontinuing operations	30 June 2022 $'000	30 June 2021 $'000	Change
Revenue	466,962	440,147	6.1%
Expenses	(443,364)	(394,680)	12.3%
EBITDA	23,598	45,467	(48.1)%
EBITDA margin	*5.1%*	*10.3%*	*(51.1)%*
Depreciation and amortisation	(19,314)	(20,177)	(4.3)%
EBIT	4,284	25,290	(83.1)%
EBIT Margin	*0.9%*	*5.7%*	*(84.0)%*
Finance costs, net	(7,214)	(6,480)	11.3%
PBT	(2,930)	18,810	>(100)%
PBT Margin	*(0.6)%*	*4.3%*	*>(100)%*
Significant items	(15,641)	(7,618)	*>100%*
Profit before income tax	(18,571)	11,192	>(100)%
Income tax expense	(7,300)	(3,355)	>100%
Profit after income tax	(25,871)	7,837	>(100)%

Group results from continuing operations	30 June 2022 $'000	30 June 2021 $'000	Change
Revenue	403,913	372,173	8.5%
Expenses	(388,003)	(335,214)	15.7%
EBITDA from continuing operations	15,910	36,959	(57.0)%
EBITDA margin	*3.9%*	*9.9%*	*(60.3)%*
Depreciation and amortisation	(16,121)	(16,797)	(4.0)%
EBIT from continuing operations	(211)	20,162	>(100)%
EBIT Margin	*(0.1)%*	*5.4%*	*>(100)%*
Finance costs, net	(6,595)	(5,803)	13.6%
PBT from continuing operations	(6,806)	14,359	>(100)%
PBT Margin	*(1.7)%*	*3.9%*	*>(100)%*
Significant items	(34,945)	(7,314)	>100%
Profit before income tax from continuing operations	(41,751)	7,045	>(100)%
Income tax expense from continuing operations	(346)	(2,111)	(83.6)%
Profit after income tax from continuing operations	(42,097)	4,934	>(100%)

Revenue from continuing operations

Revenue increased 8.5% to $403.9m (2021: $372.2m) during the year due to:

- Impact of price increases across the Flexibles and Industrial business, in response to increased Resin and supply chain input costs;
- Increased volume in the Flexibles business, primarily in relation to printed bespoke products (including $6.7m from the full year impact of Supreme Packaging acquisition);
- Increased volume in the Industrial business, primarily in relation to Source & Sell business with shipping delays easing during the current year;

Directors' Report

PBT from continuing operations

PBT declined $21.2m during the year to a loss of $6.8m (2021: profit $14.4m). The performance was negatively impacted by a number of factors including:

- The cost of raw materials, freight, and other costs, increasing faster than increased selling prices;
- Production capacity restraints caused by shortages of labour associated with increased absenteeism from Covid-19;
- Increased fixed costs associated with the recently established print and conversion plants in Melbourne.

Significant items from continuing operations

Pre-tax significant items for the year were a net expense of $26.2m (2021: $7.3m), which included:

- $25.1m intangibles impairment relating to the underperformance of the Flexibles CGU;
- $7.3m (2021: $3.8m) relating to business acquisition, transformation, integration, strategic and business optimisation activities;
- $1.4m (2021: $5.4m) related to redundancy provisions, non-cash asset write-offs and closure costs at the manufacturing facility in Chester Hill, New South Wales;
- $1.0m (2021: nil) relating to the exit of the Source and sell business;
- Insurance income, less losses expensed of $0.2m loss (2021: income $1.8m) arising from the fire at the manufacturing facility in Kewdale, Western Australia in June 2019;

Balance sheet

	30 June 2022 $'000	30 June 2021 $'000	Change
Current assets	167,138	168,138	0.6%
Non-current assets	126,124	194,737	(35.2)%
Total assets	293,262	362,875	(19.2)%
Current liabilities	117,747	112,086	5.1%
Non-current liabilities	58,819	105,835	(44.4)%
Total liabilities	176,566	217,921	(19.0)%
Net assets	116,696	144,954	(19.5)%
Working capital	71,061	81,390	(12.7)%
Net debt	23,684	51,016	(53.7)%
Net bank debt	20,466	51,016	(59.9)%
Gearing	4.3x	1.5x	2.8x

Net debt was carefully managed during the year given the underperformance of the operating results of the Group. The proceeds from the Rigid divestment were used to repay existing debt under the SFA.

Working capital reduced by $9.5m during the year, which was largely due to the Rigid divestment. The Group continues to hold a higher level of inventory in response to supply chain challenges experienced in recent years.

Directors' Report

Cash flows

	30 June 2022 $'000	30 June 2021 $'000	Change
Net cash flows from operating activities	6,539	27,369	(76.1)%
Payments for plant and equipment, net of proceeds	(10,569)	(11,341)	(6.8)%
Payments for intangible assets	(6,657)	(3,206)	>100%
Payments for businesses, net of cash acquired	(404)	(2,685)	(85.0)%
Proceeds from sale of business	50,875	-	100%
Payments of dividends	(2,431)	(5,264)	(53.8)%
Payments of borrowings and lease liabilities, net of proceeds	(43,992)	(18,215)	>100%

A continuing focus on cash management disciplines saw an operating cash flow conversion of 48% (2021: 106%), with the underlying performance of the Group impacting on the quantum of cashflows.

Continued investment was made in relation to capital growth assets in the Flexibles business and implementation costs relating to the ERP project.

Review of operating segments

Flexibles packaging

	30 June 2022 $'000	30 June 2021 $'000	Change
Revenue	279,464	260,020	7.5%
EBIT	(657)	22,189	*>(100)%*
PBT	(2,661)	19,895	*>(100)%*
PBT margin	*(1.0)%*	*7.7%*	*>(100)%*

Revenue increased by 7.5% to $279.5m (2021: $260.0m) as a result of an increased volume (including $6.7m from the full year impact of Supreme Packaging acquisition) and increased pricing in response to higher resin and supply chain input costs.

The PBT performance was negatively impacted by a number of factors including:

- The cost of raw materials, freight and other costs, increasing faster than increased selling prices;
- Production capacity restraints caused by shortages of labour associated with increased absenteeism from Covid-19;
- Increased fixed costs associated with the recently established print and conversion plants in Melbourne.

Industrial packaging

	30 June 2022 $'000	30 June 2021 $'000	Change
Revenue	124,449	112,153	11.0%
EBIT	1,617	(393)	*>100%*
PBT	962	(1,259)	>100%
PBT margin	*0.8%*	*(1.1)%*	*>100%*

Revenue increased by 11.0% to $124.4m (2021: $112.2m) as a result of an increased volume (primarily in relation to Source & Sell business with shipping delays easing during the current year) and increased pricing in response to higher supply chain input costs.

Directors' Report

This has returned Industrial to profitability during the year, with increased margins and benefit of higher sales volume.

Discontinued operations

	30 June 2022 $'000	30 June 2021 $'000	Change
Revenue	63,049	67,974	(7.2)%
EBIT	4,495	5,128	(12.3)%
PBT	3,876	4,451	(12.9)%
PBT margin	*6.1%*	*6.5%*	*(6.1)%*

Revenue decreased by 7.2% to $63.0m (2021: $68.0m) following strong COVID-19 demand in the prior year. The COVID-19 pandemic provided sales and margin opportunities, particularly for bottles, triggers and pumps for hand sanitiser and other cleaning and hygiene products.

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 a 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 or 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.

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. Given the lag effect of contractual rise and fall mechanisms this risk requires constant management.

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.

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 and lease liabilities are fixed for the term of the arrangement.

Directors' Report

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.

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 divestments and complementary acquisitions, both of which involve a risk during due diligence, negotiation, integration and execution.

Cyber security risk

IT application and data security is fundamental not only in protecting confidential and commercially sensitive information, but also in enabling 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. Management has developed a comprehensive approach that includes advanced technology, leading practice policies and procedures, and ongoing staff training; however, they remain vigilant to this continually evolving risk.

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 essential to ensure effective and efficient manufacturing 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

We expect supply chain disruption, cost increases across most spend categories and labour shortages to continue. In particular, resin costs are expected to stabilise albeit at record highs.

Our focus will be on further price increases, reducing our corporate overheads and factory efficiencies to restore profitability in the FY23 year.

Significant changes in the state of affairs

On the 24 June 2022 the Group divested the Rigid business. There were no other significant changes in the state of affairs of the Group during the year.

Significant events subsequent to balance date

On 1 September 2022, the Company entered into an agreement to transfer and assign future sale and purchase contracts in relation to the Source & Sell business to a Rank Sharp Industries Limited (the "buyer"). The Company's related employees and their entitlements will also be transferred to the buyer.

Directors' Report

Subsequent to 30 June 2022, the Company has commenced the execution of a pro-rata accelerated renounceable entitlement offer of new ordinary shares in the Group to eligible existing shareholders, comprising an accelerated institutional rights issue and a retail rights issue, expected to raise gross proceeds of $30.0 million. The offer has been managed and underwritten by Moelis Australia Advisory Pty Ltd.

As at the date of this report the Kin Group Pty Ltd currently holds 57.60% of the shares in the Group through its subsidiary Bennamon Pty Ltd (Bennamon). Bennamon has committed to take up its entitlement in full, and to sub-underwrite the entitlement offer.

In agreement with the current lenders of the senior debt facility, the Company has undertaken to use $5.0 million of the expected proceeds from the capital raise to repay a portion of the senior debt facilities as soon as practicable following the receipt of those proceeds. Additionally, the Company has undertaken to make amortising payment of $1.0 million per month for the period 28 February 2023 to 30 June 2023.

Likely developments and expected results

The Group is focussed on identifying higher-value packaging solutions and maintaining efficient working capital and a strong balance sheet to provide it with a solid foundation for organic and inorganic growth in the short to medium-term. The Group 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 Sustainability Policy and Ethical Sourcing 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 with sustainable solutions for packaging handled by its business activities. The Group's commitment is published on the Australian Packaging Covenant's website (www.packagingcovenant.org.au) and is available on the Group's website.

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

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

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

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

The Directors are not aware of any material breaches of environmental regulations or site-specific licenses during the year ended 30 June 2022 or subsequent to balance date.

Further information on the Company's sustainability approach is found on pages 39 to 41 of the Annual report.

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.

Directors' Report

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 2022 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 them 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 2022 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		19	19	-	-	2	2
D. Brown		19	19	7	7	-	-
M. Go	(1)	6	6	4	4	2	2
R. Harrington		19	18	7	7	4	4
L. Valentine		19	19	-	-	4	4
T. Welsh		19	19	-	-	-	-

(1) Ms Marina Go held office until her resignation at the Annual general meeting held 23 November 2021. Mr J Ling replaced her on the Remuneration and Nomination Committee from 23 November 2021. The Directors were otherwise in office and held membership of each sub-committee shown above for the entire period.

The Board established an Environmental Social and Governance committee during the year. However, the activities of that committee have been absorbed by the whole board for the time being.

Rounding

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

Remuneration report

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

Auditor independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 24 of the Annual Report.

Directors' 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	49
Tax compliance services	129
Tax advisory services	64
Non-audit services	242

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 5 September 2022.

Jonathan Ling
Executive Chairman

Darren Brown
Director & Interim Chief Financial Officer

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 Mr Rupert Harrington and Ms Leonie Valentine 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 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Profit after tax ($'000)*	(25,871)	7,837	6,643	(151,334)	(5,125)
Share price at balance date ($)**	0.485	2.00	1.80	1.15	3.70
Basic earnings per share (cents)**	(31.90)	9.70	8.20	(195.60)	(11.50)
Total dividends per share (cents)**	0.00	5.50	4.00	0.00	20.00

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

*** for the years prior to the year ended 30 June 2022, these measures have been restated to take into account the share consolidation which took place in the year ended 30 June 2022.*

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	192,015
D. Brown	70,213
M. Go[1]	8,159
R. Harrington	716,488
L. Valentine	44,200
T. Welsh[2]	30,253

[1] M. Go resigned as Non-Executive Director 23 November 2021. Ordinary shares held as at this date were 8,159.
[2] T. Welsh resigned on 18 July 2022, after the reporting date but before the date of the financial report was authorised for issue.

Mr Tim Welsh held 961,519 performance rights of the Company as at 30 June 2022. 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 $800,000 per annum.

The remuneration arrangements for the Company's Non-Executive Directors for the year ended 30 June 2022 is comprised of Directors' fees and committee fees (inclusive of superannuation), and are summarised in the table below:

Roles	Position	$
Board of Directors	Chair	188,496
	Non-Executive Directors	80,268
Sub-committees	Chair	34,401
	Member	11,467

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 2022 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)); and
- Short-term incentives (STI) and long-term incentives (LTI).

Remuneration Report

The remuneration structure for each Executive key management personnel for the year ended 30 June 2022 is shown in the table below:

KMP	Position	Term as KMP	FAR	STI	LTI	Total
Executive director						
T. Welsh[1]	Managing Director and CEO	Full year	36%	32%	32%	100%
Senior executives						
I. MacPherson[2]	Chief Financial Officer (CFO)	Until 11 May-22	52%	24%	24%	100%
D. Brown[3]	Interim CFO	From 11 May-22	100%	-	-	100%

[1] T. Welsh resigned on 18 July 2022, after the reporting date but before the date of the financial report was authorised for issue.
[2] I. MacPherson ceased to be a KMP of the Company on 11 May 2022.
[3] D. Brown assumed the role of Interim CFO on 11 May 2022.

The remuneration of the CEO and Executive key management personnel for the year ended 30 June 2022 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 based on the achievement of gateway measures including working within the Company's Statement of Values and Code of Conduct, the achievement of Group Profit Before Tax (PBT)[1] and Total Reportable Injury Frequency Rate (TRIFR) 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 2022:

Performance measure	Weighting	Overview of performance against target	Achievement
Profitability	80%	Group PBT target, which is based on the achievement of 100% of the target approved by the Board of Directors.	No
Operating cash conversion	20%	Operating cash conversion target is based on the achievement of 100% of the target approved by the Board of Directors, which is measured with reference to Operating Cash Flow from Operations (excluding interest paid, tax payments and cash impacts of significant items) divided by Group EBITDA[2].	No

Group PBT and TRIFR have been chosen as the gateways to align the remuneration of the senior executives with shareholder interests. Achievement of the Group PBT target is determined based on the audited financial statements of the Group.

Although TRIFR target was met, due to the Group PBT target not being met, the gateway was not achieved for the year ended 30 June 2022.

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.

Long-term incentives

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

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

Remuneration Report

Employment contracts

Chief Executive Officer

Tim Welsh commenced as CEO of the Group in May 2019. His executive service agreement, states 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 six months after termination of his employment from being in competition with the Company in Australia and New Zealand, and for up to 12-months after termination of his employment from soliciting the Company's customers to cease or reduce their business with the Company and employees to leave their employment with the Company.

Mr Welsh resigned on 18 July 2022, after the reporting date but before the date of the financial report was authorised for issue.

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

Interim executive team

Following the resignation of the CEO in July 2022, Jonathan Ling was appointed Executive Chairman on 18 July 2022. This appointment will be until such point when the Company appoints a new CEO, with a termination notice period of one week. Mr Ling has a higher duties remuneration of $2,500 per day (inclusive of Superannuation).

Following the resignation of the CFO in May 2022, Darren Brown was appointed Interim CFO on 9 May 2022. This appointment will be three months or until such point when the Company appoints a new CFO, with a termination notice period of one week. Mr Brown has a higher duties remuneration of $2,450 per day (inclusive of Superannuation).

Current Director fees for Mr Ling and Mr Brown continue unchanged.

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.

Remuneration Report

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 of the Company must exceed the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index (or any equivalent or replacement of that index);
- The exercise price of a grant of rights under the PRP may be zero, although a price may be set by the Board;
- A right will automatically lapse where the right has not been exercised by the expiry date; and
- Shares issued on the exercise of rights under the PRP will rank equally in all respects with all existing shares from the date of allotment, including in relation to voting rights and entitlements to distributions and dividends.

Table 3: A summary of the PRP as at 30 June 2022 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year*	Granted	Exercised	Forfeited	Balance at end of year
9 Dec-19	30 Jun-22	$0.000	$0.046	590,259	-	-	(167,666)	422,593
11 Dec-20	30 Jun-23	$0.000	$0.134	909,363	-	(58,832)	(435,028)	415,503
20 Dec-21	30 Jun-24	$0.000	$0.867	-	1,063,558	(78,061)	(276,467)	709,030
Total				**1,499,622**	**1,063,558**	**(136,893)**	**(879,161)**	**1,547,126**

* During the year ended 30 June 2022, the Company completed a consolidation of the shares on issue on the basis of one ordinary share for every ten ordinary shares. Where the consolidation resulted in a fraction of a share or performance right being held, the Company rounded that fraction down to the nearest whole share or performance right (as the case may be).

The LTI due to vests on 30 June 2022, did not vest.

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

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 2022 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year**	Granted	Exercised	Forfeited*	Balance at end of year
14 Jan-19	13 Jan-22	$0.200	$0.200	78,000	-	-	(78,000)	-
Total				**78,000**	**-**	**-**	**(78,000)**	**-**

* Of the shares that have expired or were forfeited during the year ended 30 June 2022, nil shares have been cancelled. The shares are held by the share plan trustee for reallocation to employees at a later date.

** During the year ended 30 June 2022, the Company completed a consolidation of the shares on issue on the basis of one ordinary share for every ten ordinary shares. Where the consolidation resulted in a fraction of a share or performance right being held, the Company rounded that fraction down to the nearest whole share or performance right (as the case may be).

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

Key Management Personnel

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

Remuneration of KMP

Table 4: A summary of the remuneration of KMP for the year ended 30 June 2022 is as follows:

KMP	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments		
	Salary, wages and fees $	Short-term incentive $	Non-monetary benefits $	Employee entitlements $	Super-annuation $	Shares, rights and options $	Total $	Perform-ance based %
Non-executive directors								
J. Ling	177,035	-	-	-	17,704	-	194,739	-
D. Brown[1]	119,114	-	-	-	-	-	119,114	-
M. Go[2]	45,479	-	-	-	4,548	-	50,027	-
R. Harrington	101,877	-	-	-	10,188	-	112,065	-
L. Valentine	101,106	-	-	-	10,111	-	111,217	-
Executive director								
T. Welsh[3]	596,966	-	30,000	5,434	22,390	289,019	943,809	30.6%
Senior executives								
I. MacPherson[4]	588,116	-	-	3,062	28,356	(45,142)	574,392	(7.9%)
D. Brown[1]	91,875	-	-	-	-	-	91,875	0.0%
Total	1,821,568	-	30,000	8,496	93,297	243,877	2,197,238	11.1%

[1] D. Brown assumed the role of executive KMP on 11 May 2022. D Brown had a Superannuation exemption for the year ended 30 June 2022.
[2] M. Go resigned as Non-Executive Director 23 November 2021
[3] T. Welsh resigned on 18 July 2022, after the reporting date and before the date of the financial report was authorised for issue.
[4] I. MacPherson ceased to be a KMP of the Company on 11 May 2022. Remuneration disclosed includes termination benefits of $63,429.

The fees for Non-Executive Directors for the year ended 30 June 2022 were $587,162. From the 1st June 2022, there are no longer fees payable to directors in relation to the Environmental Social and Governance committee.

Nil STI & nil discretionary bonuses were granted to KMP during the year ended 30 June 2022.

The 2019 LTI did not vest at 30 June 2022.

Remuneration Report

Table 5: A summary of the remuneration of KMP for the year ended 30 June 2021 is as follows:

KMP	Short-term benefits Salary, wages and fees $	Short-term benefits Short-term incentive $	Short-term benefits Non-monetary benefits $	Long-term benefits Employee entitlements $	Post-employment benefits Super-annuation $	Share-based payments Shares, rights and options $	Total $	Perform-ance based %
Non-executive directors								
J. Ling	166,514	-	-	-	15,819	-	182,333	-
D. Brown	101,296	-	-	-	9,623	-	110,919	-
M. Go	111,425	-	-	-	10,585	-	122,010	-
R. Harrington	91,166	-	-	-	8,661	-	99,827	-
L. Valentine	81,037	-	-	-	7,699	-	88,736	-
Executive director								
T. Welsh	576,725	560,000	30,000	3,456	21,694	156,890	1,348,765	53.2%
Senior executives								
I. MacPherson	547,055	260,000	-	946	21,694	45,142	874,837	34.9%
Total	1,675,218	820,000	30,000	4,402	95,775	202,032	2,827,427	36.1%

The fees for Non-Executive Directors for the year ended 30 June 2021 were $603,825.

Performance rights issued during the year

Table 6: A summary of performance rights granted to KMP and remaining on foot as at 30 June 2022 is as follows:

KMP	Grant date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
T. Welsh	9 Dec-19	$0.000	$0.046	333,333	-	-	-	333,333
T. Welsh	11 Dec-20	$0.000	$0.134	335,329	-	-	-	335,329
T. Welsh	20 Dec-21	$0.000	$0.867	-	292,857	-	-	292,857
I. MacPherson	11 Dec-20	$0.000	$0.134	155,688	-	-	(155,688)	-
I. MacPherson	20 Dec 21	$0.000	$0.867	-	135,969	-	(135,969)	-
Total				824,350	428,827	-	**(291,657)**	961,519

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 2022.

Loans to KMP

There were no loans to KMP during the year ended 30 June 2022.

The information disclosed in this Remuneration Report is presented as at 30 June 2022 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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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
5 September 2022

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 are lodged with the ASX. This statement has been approved by the Company's Board of Directors (Board) and reports on the financial year ended 30 June 2022. It is current as at 31 August 2022.

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;

Corporate Governance Statement

- 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 2022, formal flexible working agreements were introduced. 38% of workers took advantage of these flexible working arrangements (2021 28%). .

2. Pay Equity

In 2022, the Company measured pay equity across the top 2 managerial levels in the organisation, including the CEO. The measurement is taken as at 30 June 2022. The gender pay gap is 12% (2021:15%) 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.

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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 2022 are as follows:

	Proportion of women 2022	Proportion of women 2021	Proportion of men 2022	Proportion of men 2021
Non-Executive Directors on the Board	20%	40%	80%	60%
In senior executive positions	39%	55%	61%	45%
Across the whole organisation	23%	27%	77%	73%

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 2022.

The Remuneration and Nomination Committee of the Board approved an updated Diversity Policy on 18 February 2021.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 and is on the Company's website at https://www.ppgaust.com.au/people/diversity.

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 performance review was conducted in respect of the FY2022 year using tools provided by external advisors.

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.

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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, whose members during the financial year, were as follows:

Director's name	Executive status	Independence status
Rupert Harrington (Chair from 23 November 2021))	Non-Executive Director	Independent
Ms Marina Go (Chair until 23 November 2021) (1)	Non- Executive Director	Independent.
Leonie Valentine	Non-Executive Director	Independent
Jonathan Ling (2)	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.

Notes:

(1) Ms Marina Go retired as a director at the annual general meeting on 23 November 2021. Ms Go was at all times during office an Independent Non-executive director.

(2) During FY 2022, Mr Jonathan Ling was Chair of the Board and an independent Director of the Company. However, from 18 July 2022, Mr Tim Welsh stepped down from his role as Chief Executive Officer and Managing Director of the Company and Mr Ling became Executive Chairman and acting Chief Executive Officer. Therefore, as at that date, Mr Ling was no longer an Independent Director.

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

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

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

The Board currently believes that its membership adequately represents the required skills as set out in the matrix.

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.

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

Recommendation 2.3 - A listed entity should disclose:

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

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

(c) the length of service of each director.

The Board assesses annually the independence of each Director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. In its assessment of independence as at the date of this Corporate Governance Statement, and in respect of the Directors in office at the end of the reporting period, the Board has considered the interests, positions, associations or relationships of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations 4th Edition.

Details of the 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 as at 30 June 2022
Jonathan Ling (1)	8 April 2019	3 years and 3 months	Non-Executive Chairman
Rupert Harrington (2)	6 November 2017	4 years and 8 months	Independent Non-Executive
Darren Brown (3)	2 July 2018	4 years	Not Independent, Acting Executive
Leonie Valentine	1 August 2018	4 years	Independent Non-Executive
Ms Marina Go (4)	1 August 2018	3.5 years (Retired at AGM on 23 November 2021)	Independent Non-Executive

Notes:

1. During FY 2022, Mr Jonathan Ling was Chair of the Board and an independent Director of the Company. However, on 18 July 2022, Mr Tim Welsh stepped down from his role as Chief Executive Officer and Managing Director of the Company and Mr Ling became Executive Chairman and acting Chief Executive Officer. Therefore, as at that date, Mr Ling is no longer an Independent Director.

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2. Mr Harrington was a director of Advent Capital (Advent) until March 2021. Advent, until 7 July 2020, held 11.6% of the issued capital of the Company as manager of two investment trusts. Advent has not been a shareholder at all since 7 July 2020, and Mr Harrington resigned as a director of Advent in March 2021, although he remains as a consultant to Advent. 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.

3. Until 31 March 2022 Mr Brown was an employee of Kin Group Pty Limited, which is a 100% controlled entity of Mr Raphael Geminder. Bennamon Pty Limited, which is also a 100% controlled entity of Mr Geminder, owns 57% of the Company's issued capital. Mr Brown is also acting Chief Financial Officer of the Company, taking on this role as at 11 May 2022.

4. Ms Marina Go retired as a director at the annual general meeting on 23 November 2021. Ms Go was at all times during office an Independent Non-executive director.

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 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 was independent during the reporting period. However please refer to the notes above in relation to recommendation 2.3 in relation to changes since the reporting period.

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.

During FY 2022, Mr Jonathan Ling was Chair of the Board and was an independent director of the Company, and therefore the Company satisfied this recommendation during the reporting period. However, on 18 July 2022, Mr Ling became Executive Chairman, and acting Chief Executive Officer. The Company therefore does not as at the date of this Report, satisfy this recommendation. It is the Board's intention that a new CEO will be appointed in due course.

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:

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- 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 last reviewed and revised by the Board in February 2022. A copy of this code of conduct is available on the Company's website.

Recommendation 3.3 - A listed entity should

(a) have and disclose a Whistle-blower 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 Whistle-blower 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 Whistle-blower Policy sets out how someone can raise a concern using the whistleblowing channels, including online or by using a Whistle-blower Hotline. Reporting may be on an anonymous basis.

When a whistle-blower raises a concern, they may choose to involve the Whistle-blower Protection Officer, who is responsible for protecting the whistle-blower 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 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 Audit Business Risk and Compliance Committee is charged with overseeing the Company's whistle-blower program and receives a report at each meeting as to any material incidents which have been raised. A copy of the Whistle-blower policy is available on the Company's website.

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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 Audit Business Risk and Compliance Committee receives a report at each meeting as to any policy breaches.

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 Darren Brown (Chair), Mr Rupert Harrington and Ms Marina Go (until her retirement at the Annual general meeting in November 2021). It is the intention of the board that Ms Go's position on the Committee will be filled by a new director when that director is appointed. 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 an understanding of the industry in which the Company operates.

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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 satisfied all but the last of these requirements up to Ms Go's retirement. Since then, the Committee has consisted only of two members.

The Committee chairman, Mr Brown, was an employee of Kin Group Pty Limited until 31 March 2022, which is a related entity of major shareholder Bennamon Pty Limited. Accordingly, Mr Brown is not an independent director. He is also currently acting Chief Financial Officer, having stepped into this role on an interim basis on and from 11 May 2022.

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 former employer or its associates as to his conduct as chairman of the committee;

(b) he is functioning entirely independently of his former 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 former employer or its associates either directly or indirectly; and

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

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 2022 and the half-year ended 31 December 2021, 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.

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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).

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 has done so 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.

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Principle 7: Recognise and manage risk

Recommendations 7.1 and 7.2

The board of a listed entity should:

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

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

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

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

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

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

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

In performing this function, the Committee receives reports from the Group's Management Risk Committee (comprising key stakeholders from management), 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 23 August 2022.

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 a formal 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. The Audit Business Risk and Compliance Committee has engaged an external independent accounting firm to conduct a programme of "internal audits" throughout the financial year covering targeted risk areas.

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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. Given the lag effect of contractual rise and fall mechanisms this risk requires constant management.
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.
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.
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 divestments and complementary acquisitions, both of 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.

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.* During the reporting period, the Committee comprised of Ms Go (who retired as Chair and a director on 23 November 2021), Ms Valentine, Mr Harrington (Chair since 23 November 2021) and Mr Ling (since 23 November 2021) all of whom are independent Directors having regard to the response to Recommendation 2.3 (however please also refer to the Notes thereto). 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.

Corporate Governance Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

Sustainability

The Company's commitment to sustainability falls across 3 areas of impact – business, planet and communities.

The Company's has focused its sustainability efforts in FY22 on:

- **Products**: Addressing the 2025 National Packaging Targets, including supporting RedCycle and Australasian Recycling Label.
- **Operations**: Measuring the Company's carbon emissions and setting an emissions reduction strategy.
- **Supply Chains**: Improving Modern Slavery governance, monitoring and reporting.

Products: 2025 National Packaging Targets

Australian Packaging Covenant Organisation (APCO) 2021 Performance Summary

The Company joined as a signatory to APCO in 2012. As a member of APCO, the Company continually strives to improve its performance to meet the 2025 National Packaging Targets.

This year provided its fifth Annual Report and Action Plan which saw us progress to 53% or Level 3 – Advanced performance.

Sustainability

Australian Packaging Covenant Organisation (APCO) 2022 Action Plan

In our FY23 Action Plan, the Company have set the following targets:

- Improve the accuracy of our data regarding reviews of packaging using the Sustainable Packaging Guidelines.
- Review 50% of our packaging against the Sustainability Packaging Guidelines.
- Fully optimise 25% of our products for material efficiency.
- 56% of our packaging to contain some level of recycled content.
- Design 93% of our packaging to have all components recoverable at end-of-life.
- 50% of our distributed and own products to have on-pack labelling to inform correct disposal.
- Continued phase out of identified problematic and unnecessary single-use plastic products.

In addition to our commitments above, the Company is completing an audit of our 2021 report with APCO to determine areas of strength and improvement on our data collection and reporting.

Operations: Carbon Emissions

2021 Carbon Baseline

In early 2022, the Company measured its 2021 carbon baseline using the best-known data available.

The calculation methodologies and emission factors used in the assessment were based on the National Greenhouse Accounts (NGA) Factors taken from the Technical Guidelines for the Estimation of Greenhouse Emissions and Energy at Facility Level and the NGER (Measurement) Determination. Where the NGA Factors and methodologies could not be used to determine carbon emissions, the EPA Victoria Greenhouse Gas (GHG) Inventory and Management Plan 2020-2021 was used. Where applicable, the DEFRA GHG Conversion Factors for Company Reporting Emissions used in the GHG Inventory and Management Plan were consulted and used in the absence of other relevant data sources. Where applicable for different recycling materials, Sustainability Victoria's LCA of Kerbside Recycling in Victoria and the NSW EPA's Environmental Benefits of Recycling documents were used to derive emissions factors. For sites that were located in New Zealand, emissions factors were taken from the New Zealand Government, Ministry for the Environment's Measuring Emissions: A Guide for Organisations – 2020 Detailed Guide.

In 2021, the Company emitted 30,343 tonnes of greenhouse gases, measured in CO2-e. The Company believes this figure is an underrepresentation of its true emissions, with a low-to-medium data confidence being noted as the main cause. Improving data availability and reporting is one of the priority actions for our 2025 roadmap.

Greenhouse gas emissions by Resource Category:

Resource Category	Resource Consumption	Unit	GHG Emissions (tCO2-e)	% Share of Emissions
Electricity	41,499,063	kWh	29,021.71	96%
Waste	2,366	tonne	1133.75	4%
Waster	6,236.23	kL	6.85	0%
Business Flights	406,762	passenger km	63.41	0%
Fuel (LPG)	1,910	GJ	117.47	0%
Total			**30,343.20**	**100%**

Sustainability

Greenhouse gas emissions by Scope:

Scope of Emissions	GHG emissions (tCO2-e)	% Share of Emissions
Scope 1	117.47	0%
Scope 2	29,021.71	96%
Scope 3	1,204.01	4%
Total	**30,343.20**	**100%**

2025 Carbon Reduction Roadmap

The Company has committed to reduce its emissions by 2025 by implementing the below roadmap:

Target Date	Action
December 2022	Conduct waste audits across all sites
March 2023	Improve the collection and reporting of carbon data
June 2023	Conduct energy audits across all sites
September 2023	Investigate renewable energy power purchasing agreements
December 2023	Implement carbon offsetting for all business air travel
March 2024	Set science-based targets, including Net Zero

Supply Chain: Modern Slavery

The Company separately reports on Modern Slavery each year and details of the progress we have made over the past reporting period are contained in that report.

CONSOLIDATED STATEMENT OF
Comprehensive Income

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000*
Revenue from contracts with customers	3	403,913	372,173
Raw materials and consumables used		(247,903)	(209,231)
Employee benefits expense	22	(87,404)	(77,428)
Occupancy, distribution, administration and selling expenses		(63,424)	(59,360)
Allowance for expected credit losses	7	(837)	32
Impairment losses	10,28	(25,051)	-
Depreciation and amortisation expense		(16,121)	(16,797)
Other income	25	1,671	3,460
Interest income		97	196
Finance costs	18	(6,692)	(6,000)
Profit/(loss) before income tax from continuing operations		(41,751)	7,045
Income tax (expense)/benefit	4	(346)	(2,111)
Profit/(loss) after income tax from continuing operations		(42,097)	4,934
Discontinued operations			
Profit/(loss) after income tax from discontinued operations	6	16,226	2,903
Profit/(loss) after income tax from continued and discontinued operations		(25,871)	7,837
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		(124)	2,606
Exchange differences arising on translation of foreign operations		(202)	(154)
Other comprehensive income/(loss), net of income tax		(326)	2,452
Total comprehensive income		(26,197)	10,289
Earnings per share			
EPS (cents) – Basic	2	(31.90)	9.66
EPS (cents) – Diluted	2	(31.90)	9.66
EPS from continuing operations (cents) – Basic	2	(51.90)	4.28
EPS from continuing operations (cents) – Diluted	2	(51.90)	4.28

*Re-presented to adjust for Rigid being a discontinued operation.

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 2022 $'000	30 June 2021 $'000
Current assets			
Cash and cash equivalents	17	1,322	7,884
Trade and other receivables	7	83,435	73,248
Inventories	8	75,920	78,532
Current tax assets		738	450
Derivative financial assets	27	2,165	1,081
Other assets	13	3,558	6,943
Total current assets		167,138	168,138
Non-current assets			
Property, plant and equipment	10	58,839	58,225
Right-of-use assets	28	35,411	54,669
Intangible assets	11	29,295	70,859
Deferred tax assets	4	2,579	8,155
Other assets	13	-	2,829
Total non-current assets		126,124	194,737
Total assets		293,262	362,875
Current liabilities			
Trade and other payables	9	90,052	73,895
Derivative financial liabilities	27	2,886	1,036
Borrowings	16	3,505	7,500
Lease liabilities	28	7,645	9,919
Other liabilities	14	1,734	4,555
Employee entitlements	21	10,423	12,441
Other provisions	15	1,502	2,740
Total current liabilities		117,747	112,086
Non-current liabilities			
Borrowings	16	21,455	51,400
Lease liabilities	28	33,850	50,736
Employee entitlements	21	445	613
Other provisions	15	3,069	3,086
Total non-current liabilities		58,819	105,835
Total liabilities		176,566	217,921
Net assets		116,696	144,954
Equity			
Issued capital	19	291,678	291,678
Reserves	20	1,850	1,806
Accumulated losses		(176,832)	(148,530)
Total equity		116,696	144,954

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	Accumulated Losses $'000	Reserves $'000	Total $'000
Balances as at 1 July 2021		291,678	(148,530)	1,806	144,954
Profit after income tax		-	(25,871)	-	(25,871)
Other comprehensive income, net of income tax		-	-	(326)	(326)
Total comprehensive income		-	(25,871)	(326)	(26,197)
Share-based payments expense	22	-	-	370	370
Dividends declared or paid	5	-	(2,431)	-	(2,431)
Balances as at 30 June 2022		291,678	(176,832)	1,850	116,696
Balances as at 1 July 2020		291,678	(151,103)	(1,027)	139,548
Profit after income tax		-	4,934	-	4,934
Other comprehensive loss, net of income tax		-	-	2,452	2,452
Total comprehensive income/(loss)		-	4,934	2,452	7,386
Share-based payments expense	22	-	-	381	381
Dividends declared or paid	5	-	(2,361)	-	(2,361)
Balances as at 30 June 2021		291,678	(148,530)	1,806	144,954

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 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers		456,566	446,938
Payments to suppliers and employees		(442,185)	(411,517)
Income tax refund/(paid)		(909)	(1,849)
Interest received		97	196
Interest paid		(7,030)	(6,399)
Net cash flows from operating activities	17	6,539	27,369
Cash flows from investing activities			
Payments for property, plant and equipment		(10,608)	(12,099)
Proceeds from sale of property, plant and equipment		39	758
Payments for intangible assets		(6,657)	(3,206)
Payments for businesses acquired, net of cash acquired	6	(404)	(2,685)
Proceeds from business disposed	6	50,875	-
Net cash flows used in investing activities		33,245	(17,232)
Cash flows from financing activities			
Repayment of borrowings		(69,917)	(45,349)
Proceeds from borrowings		35,701	37,520
Repayment of lease liability principal	28	(9,776)	(10,386)
Dividends paid	5	(2,431)	(5,264)
Net cash flows used in financing activities		(46,423)	(23,479)
Net increase/(decrease) in cash and cash equivalents		(6,639)	(13,342)
Cash and cash equivalents at the beginning of the year		7,884	21,380
Effect of foreign exchange		77	(154)
Cash and cash equivalents at the end of the year	17	1,322	7,884

The consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE
Financial Statements

Overview

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

CORPORATE INFORMATION

The consolidated financial statements of Pro-Pac Packaging Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 5 September 2022.

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 (which was disposed of during the year, as described in note 6). 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*.

GOING CONCERN

During the year ended 30 June 2022 the Group incurred a net loss after tax from continuing and discontinued operations of $25.9 million (2021: profit of $7.8 million). Cash flow from operating activities was $6.5 million (2021: $27.4 million).

The financial report has been prepared on a going concern basis, which assumes continuity of the Group's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The directors have considered the Group's revenue projections and cash flow forecasts based on current market conditions and business plans to determine the appropriateness of preparing the financial report on a going concern basis.

To continue as a going concern the Group requires:

- Generation of sufficient funds from operating activities to meet its financial obligations as and when they fall due;
- The continued support of its bankers; and
- The successful completion of the Group's capital management and funding activities (the "Recapitalisation Plan") as described below.

Cash flows from operating activities

The generation of sufficient funds from operating activities is dependent upon the successful execution of the current initiatives to improve profitability by fully recovering resin and other cost increases incurred by the business and successfully implementing identified operating efficiency improvements across the business. The forecasts are dependent upon the Group's ability to increase profitability through these initiatives and for the cash generation profile to be materially in line with the Group's cash flow forecasts.

Financing facilities

As at 30 June 2022 the Group's financing facilities comprised $27.4 million syndicated debt facility and a $25.0 million bank overdraft (reducing to $15.0 million in July 2022 and $10.0 million in September 2022) (the "Facilities") expiring 31 July 2023, as detailed in note 16. As at 30 June 2022 the Group had drawn down $22.0 million (undrawn: $30.4 million) under the Facilities.

As at 30 June 2022, the Group received a waiver from covenant ratio compliance for the 30 June 2022 calculation period. On 5 September 2022, the Group received an extension of this covenant waiver for the calculation periods to 30 June 2023. As part of this waiver, the Group has agreed that the first $5,000,000 of proceeds from the pro-rata renounceable entitlement offer referred to below will be used to repay amounts outstanding under the syndicated debt facility, to make amortising payments of $1.0 million per month for the period 28 February 2023 to 30 June 2023 and that the Group, on a best endeavours basis, to recapitalise the business in accordance with the Recapitalisation Plan referred to below and repay all amounts outstanding under the syndicated debt facility by no later than 14 November 2022.

Recapitalisation Plan

To fund the continued growth of the Group's business and reduce the Group's gearing level, the Directors have resolved to undertake the following capital management activities:

- A pro-rata accelerated renounceable entitlement offer of new ordinary shares in the Group to eligible existing shareholders, comprising an accelerated institutional rights issue and a retail rights issue, expected to raise gross proceeds of $30 million. As at the date of this report the Kin Group Pty Ltd currently holds 57.60% of the shares in the Group through its subsidiary Bennamon Pty Ltd (Bennamon). Bennamon has committed to take up its entitlement in full, and to sub-underwrite the entitlement offer. As part of the arrangement, Bennamon will receive a sub-underwriting fee of 1.50% of the amount which equals the sub-underwritten securities (if any) multiplied by the price (approximating between $0.25 million and $0.45 million).

- The proceeds will be used to repay $5.0 million of the syndicated debt facility and repay the balance outstanding in relation to the bank overdraft facility, as referred to above with the remaining amount to be retained as cash available to meet ongoing working capital requirements.

- In addition to the equity raising, the Group has commenced discussions with bank and non-bank financiers to secure replacement financing facilities for the business.

At the date of this report and having considered the above factors, the directors believe the Group will continue to operate as a going concern. However, if the Group is unable to successfully implement the Recapitalisation Plan as described above and generate sufficient cash flows from operations, or if the negotiations with prospective banks and non-bank financiers prove unsuccessful, material uncertainty would exist in relation to the Group's ability to continue to operate as a going concern and therefore whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial report does not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

NEW ACCOUNTING STANDARDS & INTERPRETATIONS

The Group has adopted all applicable new, revised or amended Accounting Standards and Interpretations issued by the AASB that were mandatory for the current year.

There were no changes in significant accounting policies attributable to the Group for the year ended 30 June 2022.

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 for continuing operations:

Flexibles	Industrial	Unallocated
The Flexibles packaging segment primarily 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.	Unallocated contains interest on external borrowings and 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.

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

Segment revenues

For the year ended 30 June 2022	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
External revenues	279,464	124,449	-	403,913
Inter-segment revenues	3,190	-	(3,190)	-
Segment revenues	282,654	124,449	(3,190)	403,913

For the year ended 30 June 2021	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
External revenues	260,020	112,153	-	372,173
Inter-segment revenues	3,346	852	(4,198)	-
Segment revenues	263,366	113,005	(4,198)	372,173

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 financial report includes the following non-IFRS measures:

- PBT represents profit/(loss) before income taxes and significant items;
- EBIT represents PBT before finance costs and interest income;
- EBITDA represents EBIT before depreciation and amortisation;
- Working capital represents trade and other receivables, deposits, prepayments and inventories, less trade and other payables;
- Net debt is calculated as borrowings, less cash and cash equivalents; and
- 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.

Although the Board of 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 consolidated statement of comprehensive income and consolidated 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.

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

For the year ended 30 June 2022	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
Segment results (PBT) from continuing operations	(2,661)	962	(5,107)	(6,806)
Significant items from continuing operations				(34,945)
Profit before income tax from continuing operations				(41,751)
Income tax expense from continuing operations				(346)
Profit after income tax from continuing operations				(42,097)

For the year ended 30 June 2021	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
Segment results (PBT) from continuing operations	19,895	(1,259)	(4,277)	14,359
Significant items from continuing operations				(7,314)
Profit before income tax from continuing operations				7,045
Income tax expense from continuing operations				(2,111)
Profit after income tax from continuing operations				4,934

Significant items from continuing operations

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000
Intangibles impairment	(a)	25,051	-
Integration and restructuring costs	(b)	7,304	3,758
Chester Hill closure program	(c)	1,433	5,399
Source and sell closure costs	(d)	1,000	-
Insurance income, less losses expensed	(e)	157	(1,843)
Significant items		34,945	7,314

(a) Intangibles impairment of the Flexibles CGU

(b) Costs relate to business acquisition, transformation, integration, strategic and business optimisation activities.

(c) Redundancy provisions, non-cash asset write-offs and closure costs at the manufacturing facility in Chester Hill, New South Wales.

(d) Gains and losses arising for the divestment of non-core businesses.

(e) Insurance income received or receivable arising from the fire at the manufacturing facility in Kewdale, Western Australia in June 2019, less indemnifiable losses expensed.

The income tax benefit of significant items is $3,344,000 (2021: $2,194,000), while receipts in respect of significant items were $3,905,000 (2021: payments of $12,751,000).

NOTE 2. EARNINGS PER SHARE (EPS)

	30 June 2022	30 June 2021**
EPS (cents) – Basic	(31.90)	9.66
EPS (cents) – Diluted	(31.90)	9.66
EPS from continuing operations (cents) – Basic	(51.90)	4.28
EPS from continuing operations (cents) – Diluted	(51.90)	4.28
Calculated using:		
Profit/(loss) after income tax ($'000)	(25,871)	7,837
Profit/(loss) after income tax from continuing operations ($'000)	(42,097)	3,474
Weighted average of ordinary shares (number) – Basic	81,110,410	81,110,410
Weighted average of ordinary shares (number) – Diluted*	81,110,410	81,145,135

* Includes share options as disclosed in Note 23.

** Amounts have been restated to reflect share consolidation described in note 19.

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.

Basic earnings from continuing operations per share

Basic earnings per share is calculated by dividing the profit/(loss) after tax from continuing operations 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 from continuing operations per share

Diluted earnings from continuing operations per share adjusts the figures used in the determination of basic earnings from continuing operations 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 continuing operations:

For the year ended 30 June 2022	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
Type of goods or services				
Sale of manufactured goods	282,654	-	(3,190)	279,464
Sale of distribution goods	-	124,449	-	124,449
Installation and maintenance services	-	-	-	-
Revenue from contracts with customers	282,654	124,449	(3,190)	403,913
Geographic markets				
Australia	232,609	124,449	(3,190)	353,868
New Zealand	50,045	-	-	50,045
Revenue from contracts with customers	282,654	124,449	(3,190)	403,913
Timing of revenue recognition				
Goods transferred at a point in time	216,658	124,449	(3,190)	337,917
Services transferred over time	65,996	-	-	65,996
Revenue from contracts with customers	282,654	124,449	(3,190)	403,913

For the year ended 30 June 2021	Flexibles $'000	Industrial $'000	Un-allocated $'000	Total $'000
Type of goods or services				
Sale of manufactured goods	260,020	-	(3,436)	256,674
Sale of distribution goods	-	113,005	(852)	112,153
Installation and maintenance services	3,346	-	-	3,346
Revenue from contracts with customers	263,366	113,005	(4,198)	372,173
Geographic markets				
Australia	216,991	113,005	(4,198)	325,798
New Zealand	46,375	-	-	46,375
Revenue from contracts with customers	263,336	113,005	(4,198)	372,173
Timing of revenue recognition				
Goods transferred at a point in time	189,483	113,005	-	298,290
Services transferred over time	73,883	-	(4,198)	73,883
Revenue from contracts with customers	263,366	113,005	(4,198)	372,173

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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, which reflects the progress of the completion of the manufacturing services. 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*.

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 2022 $'000	30 June 2021 $'000
Current income tax		
Current income tax charge	380	1,329
Adjustments in respect of previous years	(290)	-
Deferred income tax		
Relating to origination and utilisation of timing differences	7,210	2,026
Income tax expense	7,300	3,355
Income tax (expense)/benefit from discontinued operations	(6,954)	(1,244)
Income tax expense/(benefit) from continuing operations	346	2,111

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

For the year ended		30 June 2022 $'000	30 June 2021 $'000
Profit before income tax from continuing operations		(41,751)	7,045
At the statutory income tax rate of 30% (2021: 30%)		(12,525)	2,114
Differential income tax rates		(8)	(87)
Adjustments in respect of previous years	(a)	(290)	-
Derecognition of deferred tax assets		5,864	
Non-deductible impairment losses		7,515	-
Other items		(210)	84
Income tax expense/(benefit) from continuing operations		346	2,111
Income tax expense/(benefit) from discontinued operations		6,954	1,244
Income tax expense		7,300	3,355

(a) Adjustment in respect of previous years includes the adjustments required to take into account tax positions taken as part of the lodgement of the 30 June 2020 and 30 June 2021 Australian tax consolidated tax returns, which were lodged after the signing of the 30 June 2021 financial statements.

NOTE 4. TAXATION (CONT'D)

Deferred tax balances

	Balance Sheet		Profit or Loss	
As at	30 June 2022 $'000	30 June 2021 $'000	30 June 2022 $'000	30 June 2021 $'000
Deferred tax assets				
Provisions and other accruals	9,742	11,707	(1,965)	1,727
Derivative financial liabilities	866	311	225	-
Lease liabilities	12,449	18,197	(5,748)	577
Carry forward tax losses	2,094	2,763	(669)	(1,585)
Transaction costs	382	735	(353)	(682)
Deferred tax assets	25,533	33,713	(8,510)	37
Deferred tax liabilities				
Intangibles	6,442	6,495	53	87
Property, plant and equipment	5,239	-	(5,239)	-
Derivative financial assets	650	324	-	-
Right-of-use assets	10,623	16,401	5,778	(185)
Other items	-	2,338	2,338	(1,965)
Deferred tax liabilities	22,954	25,558	2,930	(2,063)
Deferred tax assets/(liabilities), net	2,579	8,155	(5,580)	(2,026)

Movements in the deferred tax balances during the year ended:

	Notes	30 June 2022 $'000	30 June 2021 $'000
Balance as at beginning of the year		8,155	10,807
Recognised through profit or loss		(5,580)	(2,026)
Recognised through other comprehensive income		4	(761)
Recognised through business combination	6	-	135
Balance as at end of the year		2,579	8,155

NOTE 4. TAXATION (CONT'D)

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Key estimate and judgement – taxation

Income tax

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

Recovery of deferred tax assets

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

Carry-forward losses

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

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Key accounting policy – current and deferred tax

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

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

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

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

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

	30 June 2022		30 June 2021	
	Cents/ share	$'000	Cents/ share	$'000
Final dividend for the previous year	3.00	2,431	4.00	3,237
Interim dividend for the current year	-	-	2.50	2,027
Dividends declared and paid during the year	3.00	2,431	6.50	5,264
Proposed but not recognised final dividend	-	-	3.00	2,433

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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 subsequent to balance date:

	30 June 2022 $'000	30 June 2021 $'000
Franking account balance as at the end of the year	6,854	7,857
Franking credits that will arise from the payment of income tax payable for the year	-	-
Franking credits that will be utilised upon payment of dividends at the end of the year	-	(1,003)
Franking credits available for subsequent years	6,854	6,854

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 31 January 2021, the Group acquired the business and certain business assets from Supreme Packaging Pty Ltd (Supreme Packaging), which offers a range of hard flexible packaging solutions and focuses on customers in the fast-moving consumer goods market. This business was acquired in line with our strategy to grow earnings through accretive acquisitions in existing and adjacent market segments and it has been included in the Flexibles packaging operating segment.

The table below shows the acquisition accounting, which has been finalised during the year ended 30 June 2022.

	Provisional 30 June 2021 $'000	Fair Value Adjustments $'000	*Final* 30 June 2022 $'000
Fair value of consideration at acquisition date:			
Cash consideration paid	2,685	-	2,685
Deferred consideration	419	(15)	404
Fair value of gross consideration payable	3,104	(15)	3,089
Less: cash acquired	-	-	-
Fair value of net consideration payable	3,104	(15)	3,089
Fair value of net assets at acquisition date:			
Trade and other receivables	592	-	592
Inventories	284	26	310
Property, plant and equipment	2,543	(41)	2,502
Deferred tax assets	135	-	135
Employee entitlements	(450)	-	(450)
Fair value of identifiable net assets	3,104	(15)	3,089
Goodwill arising on acquisition	-	-	-

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 accounting policy – discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

The Rigid business represented the entirety of the Group's Rigid operating segment. With Rigid business being classified as discontinued operations, the Rigid segment is no longer presented in the segment note.

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.

Sale of the Rigid business and discontinued operations

On 24 June 2022, the Group completed the sale of the Rigid packaging business to a subsidiary of TricorBraun Inc.

The Rigid business was not considered discontinued operations or classified as held-for-sale as at 30 June 2021 and therefore the comparative consolidated income statement, the statement of comprehensive income and certain applicable notes have been restated to show discontinued operations separately from continuing operations.

NOTE 6. BUSINESS COMBINATIONS (CONT'D)

Results of discontinued operation	30 June 2022 $'000	30 June 2021 $'000
Revenue	63,049	67,974
Expenses	(59,960)	(63,827)
Profit before tax	3,089	4,147
Income tax expense	(927)	(1,244)
Gain on divestment after income tax	14,063	-
Profit after tax from discontinued operation	16,226	2,903

Gain on divestment	Notes	30 June 2022 $'000
Proceeds from divestment	(a)	52,675
Carrying value of net assets		(32,584)
Net profit on divestment before income tax		20,091
Income tax expense		(6,027)
Gain on divestment after tax		14,063

(a) Includes $1,800,000 accrued proceeds on sale.

Cash flows of discontinued operation	30 June 2022 $'000	30 June 2021 $'000
Net cash flows (used in)/from operating activities	(1,272)	8,152
Net cash (used in)/from investing activities	50,033	(917)
Net cash (used in)/from financing activities	(2,876)	(1,668)
Net cash flows for the year	45,885	5,567

Assets and liabilities with the Rigid business at 24 June 2022	$'000
Assets	
Trade and other receivables	209
Inventories	9,560
Property, plant and equipment	3,553
Intangibles and goodwill	22,095
Right of use assets	8,261
Other assets	786
Total assets divested	44,464
Liabilities	
Employee entitlements	2,146
Other provisions	522
Lease liabilities	9,212
Total liabilities divested	11,880
Net assets divested	32,584

NOTE 6. BUSINESS COMBINATIONS (CONT'D)

Earnings per share – discontinued operations	30 June 2022 cents	30 June 2021 cents
Basic earnings per share	0.20	0.04
Diluted earnings per share	0.20	0.04

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 2022 $'000	30 June 2021 $'000
Trade and other receivables	7	83,435	73,248
Inventories	8	75,920	78,532
Deposits and prepayments	13	1,758	3,505
Trade and other payables	9	(90,052)	(73,895)
Working capital		71,061	81,390

NOTE 7. TRADE & OTHER RECEIVABLES

As at	30 June 2022 $'000	30 June 2021 $'000
Trade receivables	73,244	60,410
Contract assets	7,997	9,592
Receivables from related parties	1,146	1,748
Trade and related party receivables	82,387	71,750
Allowance for expected credit losses	(843)	(413)
Trade and related party receivables, net of provision	81,544	71,337
Other debtors	1,891	1,911
Trade and other receivables	83,435	73,248

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)

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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.

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

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

As at	Gross trade and related party receivables 30 June 2022 $'000	30 June 2021 $'000	Allowance for expected credit losses 30 June 2022 $'000	30 June 2021 $'000
Current to less than 30 days overdue	79,738	68,692	(68)	(56)
31 days to 60 days overdue	608	1,378	(105)	(17)
61 days to 90 days overdue	1,109	842	(175)	(3)
Greater than 90 days overdue	932	838	(495)	(337)
Trade and related party receivables	82,387	71,750	(843)	(413)

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

	30 June 2022 $'000	30 June 2021 $'000
Balance as at beginning of the year	(413)	(628)
Additional amounts provided	(837)	-
Amounts written-off as uncollectible	407	183
Reversal of doubtful amounts provided, subsequently collected	-	32
Balance as at end of the year	(843)	(413)

NOTE 8. INVENTORIES

As at	30 June 2022 $'000	30 June 2021 $'000
Raw materials	37,902	29,415
Work-in-progress	4,339	3,619
Finished goods	39,738	49,981
Engineering spares	1,203	1,505
Provision for obsolete inventories	(7,262)	(5,988)
Inventories	75,920	78,532

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.

NOTE 8. INVENTORIES (CONT'D)

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 2022 $'000	30 June 2021 $'000
Balance as at beginning of the year	(5,988)	(5,436)
Additional amounts provided	(2,647)	(500)
Amounts written-off as obsolete	1,373	355
Reversal of obsolete amounts provided, subsequently sold	-	-
Recognised through business combination	-	(407)
Balance as at end of the year	(7,262)	(5,988)

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 2022 $'000	30 June 2021 $'000
Trade payables	59,493	46,162
Payables to related parties	866	987
Trade and related party payables	60,359	47,149
GST and other taxes payable	9,451	4,481
Other payables	20,242	22,265
Trade and other payables	90,052	73,895

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 2022 $'000	30 June 2021 $'000
United States dollars	(16,696)	3,261
Swedish Kronor	(2)	-
New Zealand dollars	(147)	-
Euros	(418)	122
Great British pounds	267	-

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 2022 $'000	30 June 2021 $'000
+/- 10% in AUD/USD	1,670	326
+/- 10% in AUD/SEK	-	-
+/- 10% in AUD/NZD	15	-
+/- 10% in AUD/EUR	42	12
+/- 10% in AUD/GBP	27	-

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

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

	Plant & Equipment $'000	Computer & Office Equipment $'000	Motor Vehicles $'000	Total $'000
Balances as at 1 July 2021	56,277	1,622	326	58,225
Acquired through business combination	-	-	-	-
Additions	9,944	1,390	156	11,490
Disposals	(3,814)	(100)	(243)	(4,157)
Depreciation expense	(5,859)	(681)	(179)	(6,719)
Movement in foreign exchange rates	-	-	-	-
Balances as at 30 June 2022	56,548	2,231	60	58,839
Represented by:				
At cost	115,848	7,068	3,082	125,998
Accumulated depreciation and impairment	(59,300)	(4,837)	(3,022)	(67,159)
Balances as at 30 June 2022	56,629	2,231	60	58,839
Balances as at 1 July 2020	51,720	1,475	635	53,830
Acquired through business combination	2,543	-	-	2,543
Additions	9,211	617	26	9,854
Disposals	(579)	(61)	(113)	(753)
Depreciation expense	(6,594)	(409)	(222)	(7,225)
Movement in foreign exchange rates	(24)	-	-	(24)
Balances as at 30 June 2021	56,277	1,622	326	58,225
Represented by:				
At cost	109,718	5,778	3,169	118,665
Accumulated depreciation and impairment	(53,441)	(4,156)	(2,843)	(60,440)
Balances as at 30 June 2021	56,277	1,622	326	58,225

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 2021	44,230	21,472	279	4,878	70,859
Additions	-	-	495	6,168	6,663
Disposals	(22,095)	-	-	-	(22,095)
Amortisation expense	-	-	(262)	(813)	(1,075)
Impairment loss	(22,129)	(1,948)	(46)	(928)	(25,051)
Movement in foreign exchange rate	(6)	-	-	-	(6)
Balances as at 30 June 2022	-	19,524	466	9,305	29,295
Represented by:					
At cost	171,129	21,472	2,390	11,306	206,297
Accumulated amortisation and impairment	(171,129)	(1,948)	(1,924)	(2,001)	(177,002)
Balances as at 30 June 2022	-	19,524	466	9,305	29,295
Balances as at 1 July 2020	44,211	21,472	609	59	66,351
Additions	-	-	156	5,074	5,230
Amortisation expense	-	-	(486)	(255)	(741)
Movement in foreign exchange rate	19	-	-	-	19
Balances as at 30 June 2021	44,230	21,472	279	4,878	70,859
Represented by:					
At cost	193,230	21,472	1,895	5,138	221,735
Accumulated amortisation and impairment	(149,000)	-	(1,616)	(260)	(150,876)
Balances as at 30 June 2021	44,230	21,472	279	4,878	70,859

NOTE 11. INTANGIBLE ASSETS (CONT'D)

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Key accounting policy – goodwill and other intangible assets

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

Goodwill

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

Brand names

Brand names are assigned an indefinite life because of a perpetual legal right that can be easily renewed and tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

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.

Other intangibles

IT development costs, including expenditure relating to the use of third-party hosted cloud computing or Software as a Service (SaaS), are accounted for as either a lease, intangible asset or service contract depending on the substance of the arrangement.

Where the Group determines the arrangement does not contain a lease, it assesses whether the arrangement shall be accounted for as an intangible asset, which is controlled by the Group as a result of past events from which future economic benefits are expected to flow to the Group.

The Group assesses whether it has control with reference to whether it has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. In respect of cloud computing or SaaS provided by third parties, control may be demonstrated where the arrangement states the Group has the right to take possession of the software for use on the Group's infrastructure (e.g., source code being held in escrow) or the Group has exclusive rights to use the software or ownership of the intellectual property for customised software (e.g. vendor cannot make the software available to other customers).

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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.

NOTE 11. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and other intangible assets

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

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

Following a detailed assessment under VIU, it was identified that the carrying amount of goodwill and other intangibles (Brand names, customer contracts, and other) of the Flexibles CGU was impaired by $22,129,000 and $2,922,000 respectively. On this basis an impairment loss of $25,051,000 was recognised in the Flexibles CGU.

As at 30 June 2022	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Goodwill	-	-	-	-	-
Other intangibles	25,788	3,507	-	-	29,295
Total	25,788	3,507	-	-	29,295

As at 30 June 2021	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Goodwill	22,135	-	22,095	-	44,230
Other intangibles	25,126	430	1,073	-	26,629
Total	47,261	430	23,138	-	70,859

Methodology and Testing of Recoverable Amount

Value-in-use

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

The cash flow forecasts are comprised of 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 each group of CGUs and the assumptions adopted are set out below.

- *Discount rates*

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

  The pre-tax discount rates adopted were 13.49% (2021: 9.81%) for Flexibles, and 13.49% for Industrial (2021: 10.15%).

NOTE 11. INTANGIBLE ASSETS (CONT'D)

- *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 34.40% for the second year and 0.79% for each subsequent year (2021: 0.79%) for Flexibles, and 0.00% for Industrial (2021: 0.00%).

- *Long-term growth rate*

  Long-term growth rates 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 2.50% (2021: 2.00%) for each group of CGUs.

Sensitivity analysis

The table below includes details of the amount by which the recoverable amount exceeded its carrying amount ('Headroom') for each group of CGUs at 30 June 2022, together with value assigned to each key assumption used in determining the recoverable amount ('Adopted assumption') and the value of each key assumption at which the recoverable amount is equal to its carrying amount when moved in isolation ('Breakeven assumption').

	Flexibles	Industrial
Headroom ($'000)	-	8,484
Discount rates		
Adopted assumption (%)	13.49	13.49
Breakeven assumption (%)	13.49	19.59
EBITDA compound annual growth rates		
Adopted assumption (%)	0.79	0.00
Breakeven assumption (%)	0.79	(20.67)
Long-term growth rates		
Adopted assumption (%)	2.5	2.5
Breakeven assumption (%)	2.5	>(100)

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

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

NOTE 11. INTANGIBLE ASSETS (CONT'D)

	Flexibles	Industrial
Discount rates		
Revised assumption (%)	14.49	14.49
Impact on recoverable amount ($'000)	(11,342)	(1,888)
EBITDA compound annual growth rates		
Adopted assumption (%)	(0.21)	(1.00)
Impact on recoverable amount ($'000)	(23,220)	(569)
Long-term growth rates		
Adopted assumption (%)	1.5	1.5
Impact on recoverable amount ($'000)	(5,246)	(536)

NOTE 12. COMMITMENTS & CONTINGENCIES

Capital expenditure commitments

As at	30 June 2022 $'000	30 June 2021 $'000
Less than one year	1,152	4,767
Capital expenditure commitments	1,152	4,767

Contingencies

As at	Notes	30 June 2022 $'000	30 June 2021 $'000
Security deposit guarantees given to landlords		1,878	2,705
Standby letters of credits given to overseas suppliers		2,100	1,330
Contingent liabilities	16	3,978	4,035

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	30 June 2022 $'000	30 June 2021 $'000
Current		
Deposits and prepayments	1,758	3,505
Insurance receivable	-	3,438
Accrued proceeds on sale	1,800	-
Current other assets	3,558	6,943
Non-current		
Accrued proceeds on sale	-	2,829
Non-current other assets	-	2,829

NOTE 14. OTHER LIABILITIES

As at	Notes	30 June 2022 $'000	30 June 2021 $'000
Current			
Deferred consideration	6	99	419
Accrued capital expenditure		906	2,043
Unearned income		729	1,363
Other		-	730
Current other liabilities		1,734	4,555

NOTE 15. OTHER PROVISIONS

As at	Notes	30 June 2022 $'000	30 June 2021 $'000
Current			
Business restructuring	(a)	1,057	1,773
Lease make-good		445	967
Current other provisions		1,502	2,740
Non-current			
Lease make-good		3,069	3,086
Non-current other provisions		3,069	3,086

(a) Business restructuring plan relates organisation right sizing. The restructuring plan was drawn up and announced to its employees in June 2022. The restructuring is expected to be completed in FY23.

NOTE 15. OTHER PROVISIONS (CONT'D)

Movements in other provisions during the year ended:

	Business Restructuring $'000	Lease Make-Good $'000	Other $'000	Total $'000
Balances as at 1 July 2021	1,773	4,053	-	5,826
Additional amounts provided	1,057	-	-	1,057
Amounts utilised	(1,758)	(539)	-	(2,297)
Reversal of amounts provided	(15)	-	-	(15)
Movement in foreign exchange rates	-	-	-	-
Balances as at 30 June 2022	1,057	3,514	-	**4,571**

	Business Restructuring $'000	Lease Make-Good $'000	Other $'000	Total $'000
Balances as at 1 July 2020	6,300	3,572	393	10,265
Additional amounts provided	-	521	-	521
Amounts utilised	(3,740)	(37)	(393)	(4,170)
Reversal of amounts provided	(787)	-	-	(787)
Movement in foreign exchange rates	-	(3)	-	(3)
Balances as at 30 June 2021	1,773	4,053	-	**5,826**

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Key accounting policy – other provisions

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

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Key estimate and judgement – other provisions

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

Our Capital Structure

This section outlines the Group's capital structure.

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

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

NET DEBT

As at	Notes	30 June 2022 $'000	30 June 2021 $'000
Borrowings	16	24,960	58,900
Less: cash and cash equivalents	17	(1,322)	(7,884)
Net debt		23,638	51,016

NOTE 16. BORROWINGS

As at	30 June 2022 $'000	30 June 2021 $'000
Current		
Bank loans	313	7,500
Trade Finance	3,192	-
Current borrowings	3,505	7,500
Non-current		
Bank loans	21,455	51,400
Non-current borrowings	21,455	51,400

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.

On 31 March 2020, the Group refinanced its syndicated debt facility for a three-year term, maturing in March 2023. On 30 June 2022, the Group extended the maturity of its syndicated debt facility to 31 July 2023.

As at 30 June 2022, the Group received a waiver from covenant ratio compliance for the 30 June 2022 calculation period. Subsequent to 30 June 2022, the Group received an extension of this covenant waiver for the calculation periods to 30 June 2023.

In agreement with the current lenders of the syndicated debt facility, the Company has undertaken to use $5.0 million of the expected proceeds from the capital raise to partly repay the syndicated debt facility as soon as practicable following the receipt of those proceeds. Additionally, the Company has undertaken to make amortising payments of $1.0 million per month for the period 28 February 2023 to 30 June 2023.

Trade finance is used to pay supplier payments, with extended terms of 60 days provided by the financial institution to the Company in exchange for interest charged.

Key accounting policy – borrowings

Bank loans and trade finance

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.

NOTE 16. BORROWINGS (CONT'D)

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

As at 30 June 2022	Notes	Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft	(a)	313	24,687	25,000
Bank loans		21,667	5,725	27,392
Trade Finance		3,192	808	4,000
Contingent funding facilities		3,978	1,122	5,100
Total facilities		29,150	32,342	61,492

As at 30 June 2021	Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft	-	10,000	10,000
Bank loans	59,665	25,335	85,000
Contingent funding facilities	4,035	6,610	10,645
Total facilities	63,700	41,945	105,645

(a) The Company's bank overdraft reduces to $15,000,000 in July 2022, and $10,000,000 from September 2022.

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 2022	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	-	60,359	-	-	-	60,359	60,359
Other payables	-	29,693	-	-	-	29,693	29,693
Other liabilities	-	1,734	-	-	-	1,734	1,734
Derivatives	-	1,888	998	-	-	2,886	2,886
Borrowings	-	3,192	-	21,980	-	25,172	24,960
Lease liabilities	-	2,485	7,383	35,900	2,875	48,643	41,495
Total	-	99,351	8,381	57,880	2,875	168,487	161,127

30 June 2021	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	-	47,149	-	-	-	47,149	47,149
Other payables	-	26,746	-	-	-	26,746	26,746
Other liabilities	-	2,561	1,994	-	-	4,555	4,555
Derivatives	-	226	810	-	-	1,036	1,036
Borrowings	-	2,500	5,000	52,155	-	59,655	58,900
Lease liabilities	-	3,339	9,905	53,371	21,199	87,814	60,655
Total	-	82,521	17,709	105,526	21,199	226,955	199,041

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

A reconciliation of changes in liabilities arising from financing activities is shown below:

	1 July 2021 $'000	Cash Flows $'000	Foreign exchange movement $'000	Changes in fair values $'000	New leases $'000	Disposal of leases $'000	Other $'000	30 June 2022 $'000
Current borrowings	7,500	(7,500)	-	-	-	-	3,505	3,505
Current lease liabilities	9,919	(13,091)	-	-	-	-	10,817	7,645
Non-current borrowings	51,400	(26,152)	(288)	-	-	-	(3,505)	21,455
Non-current lease liabilities	50,736	-	-	-	-	(9,385)	(7,501)	33,850
Dividend payable	2,361	-	-	-	-	-	70	2,431
Derivatives	1,036	(1,036)	-	2,886	-	-	-	2,886
Total	122,952	(47,779)	(288)	2,886	-	(9,385)	3,386	71,772

NOTE 16. BORROWINGS (CONT'D)

	1 July 2020 $'000	Cash Flows $'000	Foreign exchange movement $'000	Changes in fair values $'000	New leases $'000	Disposal of leases $'000	Other $'000	30 June 2021 $'000
Current borrowings	7,500	(7,500)	-	-	-	-	7,500	7,500
Current lease liabilities	7,836	(14,309)	-	-	-	-	16,392	9,919
Non-current borrowings	58,952	-	(52)	-	-	-	(7,500)	51,400
Non-current lease liabilities	50,896	-	-	-	12,826	-	(12,986)	50,736
Dividend payable	5,264	-	-	-	-	-	(2,903)	2,361
Derivatives	2,536	(2,536)	-	1,036	-	-	-	1,036
Total	132,984	(24,345)	(52)	1,036	12,826	-	503	122,952

NOTE 17. CASH & CASH EQUIVALENTS

As at	30 June 2022 $'000	30 June 2020 $'000
Cash on hand	48	15
Cash at bank	1,274	7,869
Cash and cash equivalents	1,322	7,884

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.

NOTE 17. CASH & CASH EQUIVALENTS (CONT'D)

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

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000
Profit before income tax from continuing and discontinued operations		(18,571)	11,192
Non-cash items:			
Impairment losses		25,051	-
Depreciation and amortisation expense		19,319	20,177
Loss/(gain) on disposal of property, plant and equipment		(19,856)	141
Share-based payments expense	22	370	381
Amortisation of borrowing costs	18	276	277
Change in fair value of derivatives recognised in equity		(766)	2,606
Changes in assets and liabilities:			
Decrease/(increase) in trade and other receivables		(10,396)	4,903
Decrease/(increase) in inventories		(8,200)	(7,640)
Decrease/(increase) in derivative financial instruments		766	(2,581)
Decrease/(increase) in other assets		6,214	(3,036)
Increase/(decrease) in trade and other payables		16,417	6,055
Increase/(decrease) in other liabilities		(2,402)	2,093
Increase/(decrease) in employee entitlements		(41)	(394)
Increase/(decrease) in other provisions		(733)	(4,956)
Income tax refund/(paid)		(909)	(1,849)
Net cash flows from operating activities		6,539	27,369

NOTE 18. FINANCE COSTS

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000
Interest expense		3,100	2,573
Amortisation of borrowing costs		276	277
Interest on lease liabilities	28	3,316	3,150
Finance costs		6,692	6,000

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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.

NOTE 18. FINANCE COSTS (CONT'D)

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 2022 $'000	30 June 2021 $'000
+/- 1% in interest rates	250	589

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

NOTE 19. ISSUED CAPITAL

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

	30 June 2022		30 June 2021	
	Number	$'000	Number	$'000
Ordinary shares as at beginning of the year	81,110,410	291,678	81,110,410	291,678
Shares issued as special bonus to employee	-	-	-	-
Ordinary shares as at end of the year	81,110,410	291,678	81,110,410	291,678

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.

During the year ended 30 June 2022, the Company completed a consolidation of the shares on issue on the basis of one ordinary share for every ten ordinary shares. Where the consolidation resulted in a fraction of a share or performance right being held, the Company rounded that fraction down to the nearest whole share or performance right (as the case may be). The 30 June 2021 number of shares has been restated to allow for comparability.

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 2022 $'000	30 June 2021 $'000
Share-based payments reserve	(a)	1,045	675
Cash flow hedge reserve	(b)	678	803
Foreign currency translation reserve	(c)	127	328
Reserves		1,850	1,806

(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. The ineffective portion of hedges and hedges where the cashflows are no longer expected to be realised are taken to profit and loss.

(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 effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

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 2022 $'000	30 June 2021 $'000
Current		
Annual leave	5,893	6,191
Time off in lieu and rostered days off	67	88
Long service leave	4,463	6,162
Current employee entitlements	10,423	12,441
Non-current		
Long service leave	445	613
Non-current employee entitlements	445	613

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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 2022 $'000	30 June 2021 $'000
Wages and salaries		74,090	67,883
Superannuation contributions		5,280	5,224
Share-based payments expense	23	370	381
Other employee benefits		7,664	3,940
Employee benefits expense		87,404	77,428

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 and 30 June 2021.

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 2022		30 June 2021	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	78,000	$2.10	166,500	$3.00
Forfeited*	(78,000)	$2.10	(3,000)	$3.80
Expired	-	-	(85,500)	$3.80
Outstanding as at end of the year	-	-	78,000	$2.10
Exercisable	-	-	-	-

* Of the shares that have expired or were forfeited during the year ended 30 June 2022, 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 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 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 and exercised prior to 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.

A summary of the performance rights granted during the year ended 30 June 2022 is as follows:

Grant date	Vesting date	Exercise Price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
9 Dec-19	30 Jun-22	$0.000	$0.46	590,259	-	-	(167,666)	422,593
11 Dec-20	30 Jun-23	$0.000	$1.34	909,363	-	(58,832)	(435,028)	415,503
20 Dec-21	30 Jun-24	$0.000	$0.87	-	1,063,558	(78,061)	(276,467)	709,030
Total				1,499,622	1,063,558	(136,893)	(879,161)	1,547,126

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

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 2022		30 June 2021	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	1,499,622	$0.000	719,260	$0.000
Granted	1,063,558	$0.000	909,363	$0.000
Forfeited	(879,161)	$0.000	(129,001)	$0.000
Exercised	(136,893)	$0.000	-	$0.000
Outstanding as at end of the year	1,547,126	$0.000	1,499,622	$0.000
Exercisable	-	-	-	-

The following table list the inputs to the models for the years ended 30 June 2022 and 2021, respectively.

For the year ended	30 June 2022	30 June 2021
Fair value at measurement date	$1.34	$0.87
Dividend yield (%)	1.63	3.66
Expected volatility (%)	62	65
Risk-free interest rate (%)	0.89	0.086
Expected life of PSRs (years)	2.7	2.7
Exercise price	$0.00	$0.00
Model used	Monte Carlo	Monte Carlo

Share Options

No options were issued during the years ended 30 June 2022 and 30 June 2021 and the Company has discontinued the option program.

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 2022		30 June 2021	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	-	-	800,000	$0.420
Forfeited	-	-	(400,000)	$0.460
Expired	-	-	(400,000)	$0.380
Outstanding as at end of the year	-	-	800,000	$0.420
Exercisable	-	-	-	-

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

Key accounting policy – share based payments

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.

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 Monte Carlo 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	Notes	30 June 2022 $'000	30 June 2021 $'000
Short-term employee benefits		1,852	2,525
Long-term employee benefits		8	4
Post-employment benefits		93	96
Share-based payments		244	202
Compensation to key management personnel	(a)	2,197	2,827

(a) Employee benefits includes termination benefits of $63,429 for the year ended 30 June 2022 (2021: nil)

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	Notes	30 June 2022 $'000	30 June 2021 $'000
Insurance income		-	3,438
Other		1,671	22
Other income	(a)	1,671	3,460

(a) Includes $807,000 in relation to income for training programs from the Department of Education and Training and $467,000 of sub-lease income.

NOTE 25. OTHER INCOME (CONT'D)

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 2022 $'000	30 June 2021 $'000
Other income*	-	28,400
Expenses	(3,323)	(2,898)
Profit/(loss) before income tax	(3,323)	25,502
Income tax (expense)/benefit	997	869
Profit/(loss) after income tax	(2,326)	26,371
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(2,326)	26,371

* Dividends of $28,400,000 were received from subsidiaries during the year ended 30 June 2021.

Statement of financial position

As at	30 June 2022 $'000	30 June 2021 $'000
Current assets	195,885	195,620
Non-current assets	142,236	164,629
Total assets	338,120	**360,249**
Current liabilities	62,018	51,638
Non-current liabilities	-	-
Total liabilities	62,018	51,638
Net assets	276,102	**308,611**
Issued capital	301,752	301,752
Retained earnings/(Accumulated losses)*	(25,649)	6,859
Equity	276,102	**308,611**

* Dividends of $5,264,000 were paid to shareholders during the year ended 30 June 2021.

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 2022		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Accrued proceeds on sale	(a)	13	-	-	1,800	1,800
Borrowings	(b)	16	-	(24,960)	-	(24,960)
Derivative financial assets	(c)		-	2,165	-	2,165
Derivative financial liabilities	(c)		-	(2,886)	-	(2,886)
Total				(25,681)	1,800	(23,881)

As at 30 June 2021		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Accrued proceeds on sale	(a)	13	-	-	2,829	2,829
Borrowings	(b)	16	-	(58,900)	-	(58,900)
Derivative financial assets	(c)		-	1,081	-	1,081
Derivative financial liabilities	(c)		-	(1,036)	-	(1,036)
Total			-	(58,855)	2,829	(56,026)

(a) For 30 June 2022, the accrued proceeds on the sale of the Rigid business have been valued based on the expected proceeds receivable based on the contract. For 30 June 2021 the accrued proceeds on the sale of the Australian forage business has been valued based on the contractual amount receivable ($5.0M), discounted to present value using an interest rate of 3.0%.

(b) Borrowings primarily relate to bank loans, which are interest-bearing at a floating interest rate and have been subsequently recognised 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.

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

NOTE 27. FAIR VALUE MEASUREMENT (CONT'D)

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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.

Key accounting policy – derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTE 28. LEASES

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

NOTE 28. LEASES (CONT'D)

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 and Equipment $'000	Total $'000	Lease Liabilities $'000
As at 1 July 2021	52,062	2,607	54,669	60,655
Additions				
Disposals	(8,102)	(160)	(8,262)	(9,385)
Depreciation expense	(10,206)	(790)	(10,996)	-
Interest expense	-	-	-	3,316
Payments	-	-	-	(13,091)
As at 30 June 2022	33,754	1,657	35,411	41,495
As at 1 July 2020	50,459	3,595	54,054	58,732
Additions	12,486	340	12,826	12,418
Disposals	-	-	-	-
Depreciation expense	(10,883)	(1,328)	(12,211)	-
Interest expense	-	-	-	3,814
Payments	-	-	-	(14,309)
As at 30 June 2021	52,062	2,607	54,669	60,655

The Group recognised rent expense and payments for short-term leases of nil (2021: $90,000), leases of low-value assets of nil (2021: nil) and variable lease expense and payments of $733,000 (2021: $1,415,000) for the year ended 30 June 2022.

The Group recognised impairment losses of nil (2021: nil) for the year ended 30 June 2022.

Amounts recognised in the consolidated statement of profit or loss from continuing operations

The increase/(decrease) on the consolidated statement of profit or loss from continuing operations for the year ended were:

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000
Occupancy, distribution, administration and selling expenses		10,411	10,510
Depreciation and amortisation expense		(8,629)	(9,497)
Finance costs	18	(2,713)	(3,149)
Profit/(loss) before income tax from continuing operations		(931)	(2,136)
Income tax (expense)/benefit		279	641
Profit/(loss) after income tax from continuing operations		(652)	(1,495)

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

NOTE 28. LEASES (CONT'D)

Key accounting policy – leases

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.

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.

NOTE 28. LEASES (CONT'D)

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Key estimate and judgement – leases

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).

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:

30 June 2022	Less than 5 years $'000	Greater than 5 years $'000	Total $'000
Extension options expected not to be exercised	9,907	31,007	40,914

30 June 2021	Less than 5 years $'000	Greater than 5 years $'000	Total $'000
Extension options expected not to be exercised	10,823	31,007	41,830

Incremental borrowing rates

If 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 2022	Notes	Sales $'000	Purchases $'000	Receivable $'000	Payable $'000
Kin Group Pty Ltd	(a)	5,399	-	161	-
Pact Group Limited	(a)	4,488	6,747	985	987

For the year ended 30 June 2021	Notes	Sales $'000	Purchases $'000	Receivable $'000	Payable $'000
Kin Group Pty Ltd	(a)	4,359	-	834	-
Pact Group Limited	(a)	4,903	10,033	913	987

(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 57.6% (2021: 51.6%) 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.

Kin Group Pty Ltd is recognised as the ultimate parent entity of the Group given its capacity to control decision making given it owns greater than a 50% interest in the Group. With that being said, the Group operates with an independent Board of Directors and executive team and there is no intervention in the day-to-day operations or key decision making made by Kin Group Pty Ltd.

As part of the sub-underwriting of the pro-rata accelerated renounceable entitlement offer of new ordinary shares in the Group, Bennamon will receive a sub-underwriting fee of 1.50% of the amount which equals the sub-underwritten securities (if any) multiplied by the price (approximating between $0.25 million and $0.45 million).

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 and is now continuing on a month-on-month basis. The Group also purchases goods from Pact Group Limited. The ultimate parent of the Group has significant capacity to control over Pact Group Limited by virtue of its share ownership in, and representation on the Board of Directors of Pact Group Limited. Consequently, Pact Group Limited is a related party of the Group.

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.

			Equity Holding	
As at	Country of Incorporation	Class of Shares	30 June 2022**	30 June 2021
Direct Controlled Entities:				
Pro-Pac Industrial 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%
Pro-Pac Group Pty Limited (formerly, Integrated Packaging Australia Pty Ltd)*	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Industrial 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%
Pro-Pac Group Pty Ltd*	Australia	Ordinary	100%	100%
IP Americas Inc.	United States	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Group 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)

** As part of the sale of the Rigid business on 24 June 2022, the business assets of this Division were sold to Tricor Braun. The legal entities which contained the Rigid Division business assets continue to be controlled as at 30 June 2022.

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 relevant 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 (includes continued and discontinued operations):

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

Consolidated statement of comprehensive income

For the year ended	30 June 2022 $'000	30 June 2021 $'000
Revenue from contracts with customers	416,917	393,772
Raw materials and consumables used	(246,286)	(217,292)
Employee benefits expense	(86,813)	(85,663)
Occupancy, distribution, administration and selling expenses	(44,015)	(61,528)
Impairment losses	(25,051)	-
Depreciation and amortisation expense	(18,639)	(19,509)
Other income	1,810	4,022
Interest income	57	108
Finance costs	(3,888)	(4,055)
Profit/(loss) before income tax	(5,908)	**9,855**
Income tax (expense)/benefit	(7,286)	(1,330)
Profit/(loss) after income tax	(13,194)	**8,525**
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	(71)	(809)
Total other comprehensive income/(loss)	(71)	**(809)**
Total comprehensive income/(loss)	(13,265)	7,716

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

Consolidated statement of financial position

As at	30 June 2022 $'000	30 June 2021 $'000
Current assets		
Cash and cash equivalents	426	179
Trade and other receivables	76,112	63,786
Inventories	56,787	67,288
Current tax assets	738	-
Derivative financial assets	2,165	1,081
Other assets	3,236	7,070
Total current assets	139,464	**139,404**
Non-current assets		
Property, plant and equipment	52,440	51,675
Right-of-use assets	35,411	54,669
Intangible assets	31,092	72,650
Investments	3,108	3,108
Deferred tax assets	1,777	8,490
Other assets	6,129	2,829
Total non-current assets	129,957	**193,421**
Total assets	269,421	**332,825**
Current liabilities		
Trade and other payables	81,248	67,176
Derivative financial liabilities	2,886	1,036
Interest-bearing liabilities	-	-
Lease liabilities	7,645	9,919
Current tax liability	4,843	-
Other liabilities	1,734	42,261
Employee entitlements	9,669	11,817
Other provisions	1,433	2,740
Total current liabilities	109,458	**134,949**
Non-current liabilities		
Lease liabilities	35,386	46,607
Employee entitlements	445	613
Other provisions	2,528	2,528
Total non-current liabilities	38,359	**49,748**
Total liabilities	147,817	**184,697**
Net assets	121,604	**148,128**
Equity		
Issued capital	291,672	291,672
Reserves	1,240	1,169
Accumulated losses	(171,308)	(144,713)
Total equity	121,604	**148,128**

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

Summary of movements in consolidated retained earnings

For the year ended	30 June 2022 $'000	30 June 2021 $'000
Balance as at beginning of the year	(144,713)	(147,974)
Profit/(loss) after income tax	(13,194)	8,525
Dividends provided for or paid	(2,431)	(5,264)
Balance as at end of the year	(160,338)	(144,713)

NOTE 32. AUDITORS' REMUNERATION

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

For the year ended	Notes	30 June 2022 $'000	30 June 2021 $'000
Audit and assurance services			
Audit and review of the financial statements	(a)	380	426
Other assurance related services	(b)	49	46
Total remuneration for audit and other assurance services		429	**472**
Other services			
Tax compliance services	(c)	129	64
Tax advisory services	(c)	64	265
Total remuneration for other services		193	329
Total auditors' remuneration		622	801

(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 and tax advisory 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 2021 and 30 June 2022 was Ernst & Young.

NOTE 33. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's financials statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

NOTE 33. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 and AASB 108 – Disclosure of Accounting Policies and Definition of Accounting Estimates.

The amendments to AASB 101 *Presentation of Financial Statements* require disclosure of *material* accounting policy information, as opposed to the previously defined *significant* accounting policy disclosure.

The amended guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material, with a view that the emphasis on more entity-specific accounting policy information will be more relevant and useful, than the generic information formerly required to be disclosed. This amendment may impact future disclosures in relation to:

- Financial Instruments
- Presentation of Financial Statements
- Interim Financial Reporting
- Accounting Estimates

An accounting policy may require items in the financial statements to be measured using information that is either directly observable, or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amended definition however, provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty' and that a change in input or measurement technique used to develop an accounting estimate is considered a change in accounting estimate, rather than a change in accounting policy.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply prospectively.

AASB 2021-5 Amendments to AASB 112 – Deferred Tax related Assets and Liabilities arising from a Single Transaction

AASB 112 *Income Taxes* requires entities to account for income tax consequences when economic transactions take place, rather than when the income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply from the beginning of the earliest comparative period presented, with the cumulative effect of initial application being recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

NOTE 34. SUBSEQUENT EVENTS

On 1 September 2022, the Company entered into an agreement to transfer and assign future sale and purchase contracts in relation to the Source and Sell business (which is part of Industrial segment) to a Rank Sharp Industries Limited (the "buyer"). The Company's related employees and their entitlements will also be transferred to the buyer.

Subsequent to 30 June 2022, the Company has commenced the execution of a pro-rata accelerated renounceable entitlement offer of new ordinary shares in the Group to eligible existing shareholders, comprising an accelerated institutional rights issue and a retail rights issue, expected to raise gross proceeds of $30.0 million. The offer has been managed and underwritten by Moelis Australia Advisory Pty Ltd.

As at the date of this report the Kin Group Pty Ltd currently holds 57.60% of the shares in the Group through its subsidiary Bennamon Pty Ltd (Bennamon). Bennamon has committed to take up its entitlement in full, and to sub-underwrite the entitlement offer.

In agreement with the current lenders of the senior debt facility, the Company has undertaken to use $5.0 million of the expected proceeds from the capital raise to repay a portion of the senior debt facilities as soon as practicable following the receipt of those proceeds. Additionally, the Company has undertaken to make amortising payments of $1.0 million per month for the period 28 February 2023 to 30 June 2023.

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 2022 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.
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 5 September 2022.

Jonathan Ling Executive Chairman	Darren Brown Director & Interim CFO

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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 2022, 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 2022 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.

Material uncertainty related to going concern

We draw attention to the Going Concern note in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

In addition to the matter described in the Material uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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 2022 was $29.2 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 two CGUs – Flexibles and Industrial.
 	
Impairment assessments are complex and judgmental 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 matter was considered to be a key audit matter.
 	
Details of the Group's impairment assessment, and resulting impairment of $25.1 million, 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.

Why significant	How our audit addressed the key audit matter
	We also assessed the adequacy of the financial report disclosures regarding the impairment testing approach, and resulting impairment, and key assumptions as disclosed in Note 11.

Inventory existence and valuation

Why significant	How our audit addressed the key audit matter
At 30 June 2022, the Group held inventories of $75.9 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. Inventory existence and valuation was a key audit matter due to the size of the recorded asset, which represents 26% 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 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. In doing so, we examined the Group's process for identifying slow moving inventories, negative margin and expected costs to sell. ▶ Considered the impact of sales subsequent to year end on the value of inventories at balance date by comparing the actual selling prices to the carrying value for a sample of inventory items.

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 2022 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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 14 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Pro-Pac Packaging Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Kester Brown
Partner

Melbourne
5 September 2022

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 1 August 2022.

Twenty largest holders

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

Rank	Holder	Number	%
1	BENNAMON PTY LTD	46,719,779	57.600%
2	CITICORP NOMINEES PTY LIMITED	10,836,029	13.360%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,698,052	2.094%
4	EQUITY TRUSTEES LIMITED <PRO-PAC EMP SHARE UNALLO AC>	1,579,107	1.947%
5	BIRBAL INVESTMENTS PTY LTD	1,300,000	1.603%
6	MOGGS CREEK PTY LTD <MOGGS CREEK SUPER A/C>	1,051,567	1.296%
7	MR JOHN JOSEPH CERINI	901,521	1.111%
8	MR CHRISTIAN JAMES HAUSTEAD	900,000	1.110%
9	ZACHARY INVESTMENTS PTY LTD	700,000	0.863%
10	LSND PTY LTD <LSND A/C>	525,000	0.647%
11	FORUM INVESTMENTS PTY LIMITED	500,000	0.616%
12	WILBOW GROUP PTY LTD <WILBOW GROUP A/C>	441,486	0.544%
13	DOLDORY PTY LTD <LEWIS FAMILY SUPERFUND A/C>	305,896	0.377%
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	271,385	0.335%
15	GEE SUPER PTY LTD <GEE SUPERANNUATION FUND A/C>	268,500	0.331%
16	MALCOLM & JUNE ROSS INVESTMENTS PTY LTD	204,600	0.252%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	192,015	0.237%
18	MR ALAN GRAHAM ROCHFORD <ALAN G ROCHFORD SUPER A/C>	180,000	0.222%
19	MR MALCOLM JOHN ROSS & MRS JUNE ROSS	162,500	0.200%
20	MS OLGA KOMAROVA	150,000	0.185%
20	ST LUCY'S SCHOOL FOUNDATION	150,000	0.185%
	Total Securities of Top 20 Holdings	69,037,437	86.075%
	Total of Securities	81,110,410	100.000%

Distribution of equity securities

Table 2: The number of holders, by size of holding, of ordinary shares are:

Holdings Ranges	Holders	Total Units	%
1-1,000	617	295,697	0.360
1,001-5,000	633	1,724,043	2.130
5,001-10,000	216	1,679,726	2.070
10,001-100,000	249	7,183,378	8.860
100,001-9,999,999,999	31	70,227,566	86.580
Totals	1,746	81,110,410	100.000

There are 702 holders of unmarketable parcels of ordinary shares totalling 396,094 shares representing 0.488% 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	6	45,368	4.240
10,001-100,000	12	397,408	37.110
100,001-9,999,999,999	1	628,186	58.660
Totals	19	1,070,962	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, Salvage Pty Limited	46,529,847
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

There are no restricted securities subject to voluntary escrow.

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 2022.