PRO-PAC PACKAGING LIMITED

Annual Report

FOR THE YEAR ENDED 30 JUNE 2023

Contents

Corporate Information

ACN 112 971 874
ABN 36 112 971 874

Directors

Jonathan Ling
Rupert Harrington
Mark Blackburn
John Cerini

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, 21 November 2023 at 1pm

The closing date for nominations for election as a director is 5pm Tuesday 3 October 2023.

Bankers

Australia and New Zealand Banking Group Limited
HSBC Bank Australia Limited

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 2023 Annual Report.

Year in Review

Pro-Pac has continued to build upon the groundwork laid in recent years to become a focused Australia and New Zealand manufacturer of Flexible film and packaging, with accompanying distribution of our manufactured and related products.

During the early part of the financial year, the Company successfully completed the divestment of its Source & Sell business.

In September 2022, the Group completed a pro-rata accelerated renounceable entitlement offer of new ordinary shares (rights issue), which raised net proceeds of $28.3 million.

In December 2022, the Group successfully refinanced its syndicated debt facility through the establishment of a $30.0 million debtor finance facility, whilst maintaining a $5.0 million bank overdraft facility.

This resulted in our net debt decreasing from $23.6 million to $13.9 million.

In addition, in June we received the first instalment of $5.6 million of a Modern Manufacturing Initiative Government grant to establish a soft plastics recycling facility.

FY23 financial summary

Pro-Pac has delivered:

- Group Revenues from continuing operations of $339.1 million (2022: $358.7 million)
- Group Loss after tax of $10.3 million (2021: $25.9 million)
- Group EBITDA pre-AASB 16 before significant items from continuing operations of $1.1 million (2021: loss of $0.1 million)

Strategic imperatives

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

We will maintain a strong focus on reducing costs and deliver on our promise to improve service, quality, delivery and ease of doing business.

Pro-Pac's focus is on profitability improvement, organic growth from our investments in our manufacturing footprint and our commitment to innovation, sustainability and leadership in soft plastics recycling.

Management and Board changes

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

Mr John Cerini was appointed into the role of Chief Executive Officer and Managing Director in October 2022.

In addition, Mr Domenic Romanelli was appointed as Chief Financial Officer in November 2022.

Ms Leonie Valentine and Mr Darren Brown both announced their retirement and stepped down as non- executive directors at the Annual General meeting in November.

Mr Mark Blackburn joined the board as non-executive director and Chair of the Audit, Business, Risk, and Compliance Committee following the AGM in November 2022.

Mr Geoff Cashion joined the board as non-executive director in May 2023, and resigned in July 2023 for personal reasons.

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 experience 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 2023.

Directors

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

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

Jonathan has extensive experience in complex manufacturing businesses. He was previously Managing Director and Chief Executive Officer (CEO) of GUD Holdings Limited, a role he held for 6 years. Prior to that, Jonathan 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.

Jonathan is currently chairman of Planet Innovation Limited. He was also a director of Ironman 4x4 Pty Limited during the current financial year but retired his position on 30 June 2023. He has previously served on the boards of Pact Group Limited, Melbourne Rebels Rugby Union as Chair, Pacific Brands Limited and ASB Bank Limited.

For the period from 1 July 2021 to 18 July 2022, Jonathan was Non-executive Chairman. As of 18 July 2022, he assumed the role of Executive Chairman. He held this position until the appointment of John Cerini as CEO and Managing Director on 3 October 2022.

Jonathan is a member of the remuneration committee.

Previous directorships of publicly listed companies in the last 3 years: Pact Group Limited.

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

Rupert 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.

Rupert is Non-executive Chair of Clover Corporation Limited (ASX: CLV) and was previously a director of Integral Diagnostics Limited, Bradken Limited, Advent Partners and others.

Rupert is Chair of the Remuneration and Nomination committee and a member of the Audit, Business risk and Compliance committee.

Previous directorships of publicly listed companies in the last 3 years: Integral Diagnostics Limited.

Mark Blackburn, Dipl of Business (Accounting), CPA and Grad Australian Institute of Company Directors
(Non-executive Director – appointed 23 November 2022)

Mark has extensive senior finance management experience with ASX and NYSE listed corporations and has held CFO roles at McMillan Shakespeare, iSelect, IOOF, Ausdoc Limited and the Laminex Group. Mark is currently a Non-executive Director, and Chair of the audit committee, of Lifestyle Communities Limited.

Mark is Chair of the audit, business risk and compliance committee

Previous directorships of publicly listed companies in the last 3 years: N/A

Geoff Cashion
(Non-executive Director – appointed 5 May 2023, resigned 10 July 2023)

Geoff has extensive industry and management experience having worked for Visy Industries for over 20 years. During his tenure at Visy he held senior general management positions responsible for state operations, as well as specific operational and distribution management positions.

Previous directorships of publicly listed companies in the last 3 years: N/A

Directors' Report

John Cerini, Bachelor of Science (Majoring in Applied Science and Chemical Engineering)
(CEO and Managing Director – appointed 3 October 2022)

John is a seasoned executive with extensive industry and management experience and is well known to the Company having been CEO of Integrated Packaging for 12 years before it was acquired by Pro-Pac, as well as Pro-Pac's Chief Operating Officer (COO) for 2 years. Prior to joining Integrated Packaging, John spent 5 years as the CEO of Detmold Industrial Packaging, and 4 years as the divisional general manager of the Metal Packaging Group at Amcor Limited.

John has also held a number of industry board positions, including a Chemistry Australia board member from 2015 - 2019, board chairman of Stratex Pty limited from 2010-2017 and board member of CRC For Polymers from 2012-2018.

Previous directorships of publicly listed companies in the last 3 years: N/A

Darren Brown B Business, Grad Dipl Fin & Investment
(Non-executive Director – appointed 2 July 2018, resigned 22 November 2022)

Leonie Valentine B Science, M Arts (Communication), Exec Cert B Admin, GAICD, FT NED Diploma Asia
(Non-executive Director – appointed 1 August 2018, resigned 22 November 2022)

Tim Welsh B Manufacturing Technology, GAICD
(Managing Director and CEO – 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)

Kathleen 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	-	-
Interim dividend for the current year	-	-
Dividends declared and paid during the year	-	-
Proposed but not recognised final dividend	-	-

Principal activities

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

There have been no significant changes in the nature of these activities during the year ended 30 June 2023.

Directors' Report

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.
- 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
- Net debt leverage ratio is calculated as net debt divided by Adjusted LTM EBITDA for the last 12-months.

Although the board of directors (**Board**) 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. The business is focused on using its manufacturing and investment expertise to capitalise on key industry trends including innovation and sustainability, to provide total packaging solutions protecting and enhancing products relied on by customers.

Senior management changes

As previously announced, Tim Welsh resigned his position of CEO and Managing Director on the 18 July 2022.

On this date Jonathan Ling assumed the role of Executive Chairman. He held this position until the appointment of John Cerini as CEO and Managing Director on 3 October 2022.

On 11 May 2022, Darren Brown was appointed Interim CFO following the resignation of Iona MacPherson. This position was held until the appointment of Domenic Romanelli as CFO on 7 November 2022.

FY24 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 and utilise recently invested capacity to drive business development and sales growth with new and existing customers. The Company will also focus on developing sustainable products through investment in recycling and innovation.

Directors' Report

Financial performance

Group results from continuing and discontinuing operations	30 June 2023 $'000	30 June 2022 $'000	Change
Revenue	341,297	466,962	(26.9)%
Expenses	(340,328)	(455,398)	(25.3)%
EBITDA pre-AASB16	**969**	**11,564**	**(91.6)%**
Rental expense	10,828	13,033	(16.9)%
EBITDA	**11,797**	**24,597**	**(52.0)%**
EBITDA margin	3.5%	5.3%	(34.0)%
Depreciation and amortisation	(17,217)	(19,314)	(10.9)%
EBIT	**(5,420)**	**5,283**	**>(100)%**
EBIT Margin	(1.6%)	1.1%	**>(100)%**
Finance costs, net	(5,314)	(7,214)	(26.3)%
PBT	**(10,734)**	**(1,931)**	**>(100)%**
PBT Margin	(3.1)%	(0.4)%	> (100)%
Significant items	(2,701)	(16,640)	(83.8)%
Profit/(loss) before income tax	**(13,435)**	**(18,571)**	**(27.7)%**
Income tax (expense)/benefit	3,197	(7,300)	>(100)%
Profit/(loss) after income tax	**(10,238)**	**(25,871)**	**(60.4)%**

Group results from continuing operations	30 June 2023 $'000	30 June 2022 $'000	Change
Revenue	339,100	358,706	(5.5)%
Expenses	(338,020)	(358,784)	(5.8)%
EBITDA pre-AASB16	**1,080**	**(78)**	**>(100)%**
Rental expense	10,828	10,411	**4.0%**
EBITDA from continuing operations	**11,908**	**10,333**	**15.2%**
EBITDA margin	3.5%	2.9%	20.7%
Depreciation and amortisation	(17,217)	(16,121)	6.8%
EBIT from continuing operations	**(5,309)**	**(5,788)**	**8.3%**
EBIT Margin	(1.6)%	(1.6)%	-
Finance costs, net	(5,314)	(6,595)	(19.4)%
PBT from continuing operations	**(10,623)**	**(12,383)**	**14.2%**
PBT Margin	(3.1)%	(3.5)%	(11.4)%
Significant items	(310)	(33,945)	(99.1)%
Profit/(loss) before income tax from continuing operations	**(10,933)**	**(46,328)**	**76.4%**
Income tax (expense)/benefit from continuing operations	2,446	1,027	>100%
Profit/(loss) after income tax from continuing operations	**(8,487)**	**(45,301)**	**81.3%**

Revenue from continuing operations

Revenue decreased 5.5% to $339.1m (2022: $358.7m) during the year reflecting the impact of site consolidation, rationalisation and a focused transition towards more profitable market segments.

Directors' Report

PBT from continuing operations

PBT improved during the year to a loss of $10.6m (EBITDA pre-AASB 16 profit of $1.1m) from a loss of $12.4m (EBITDA pre-AASB 16 loss of $0.1m) in 2022.

- Cost reduction initiatives favourably impacted results;
- Selling prices are now better aligned to our cost structures (raw material and overhead costs);
- The benefits from this and cost reduction activities will continue will to come through in the 2024 financial year.

Significant items from continuing operations

Pre-tax loss from significant items for the year reduced to $0.3m (2022: $33.9m), which included spend costs relating to business acquisition, transformation, integration, strategic and business optimisation activities.

Balance sheet

	30 June 2023 $'000	30 June 2022 $'000	Change
Current assets	142,284	166,815	(14.7)%
Non-current assets	124,928	126,124	(0.9)%
Total assets	**267,212**	**292,939**	**(8.8)%**
Current liabilities	100,012	117,424	(14.8)%
Non-current liabilities	31,420	58,819	(46.6)%
Total liabilities	**131,432**	**176,243**	**(25.4)%**
Net assets	**135,780**	**116,696**	**16.4%**
Working capital	74,824	71,061	5.3%
Net debt (excluding government grant proceeds)	13,889	23,638	(41.2)%
Net bank debt	7,752	20,446	(62.1)%
Net debt leverage ratio	0.7x	2.3x	1.6x

Working capital increased by $3.8 m during the year:

- Receivables – decrease of $19.3 million, due to the divestment of the Rigid and Source & Sell businesses.
- Inventories – decrease of $9.4 million with better inventory optimisation.
- Trade payables – decrease of $31.7 million to bring trade creditors within agreed trading terms.

During the year, the Group:

- successfully refinanced its previously syndicated debt facilities through the establishment of a debtor finance facility in the first half of FY23. Through this refinance, all syndicated debt facilities were fully paid down. The Group maintained its bank overdraft facility.
- completed a pro-rata accelerated renounceable entitlement offer of new ordinary shares (rights issue), which raised net proceeds of $28.3 million.

The above resulted in net debt (excluding government grant proceeds) reducing by $9.8 million to $13.9 million from $23.6 million.

Directors' Report

Cash flows

	30 June 2023 $'000	30 June 2022 $'000	Change
Net cash flows from operating activities	(3,015)	6,539	>(100)%
Payments for plant and equipment, net of proceeds	(4,089)	(10,569)	(61.3)%
Payments for intangible assets	(3,605)	(6,657)	(45.8)%
Government grant received	5,579	-	100%
Proceeds from/ (payments) for businesses, net of cash acquired	-	(404)	(100)%
Proceeds from rights issue, net of transaction costs	28,300	-	100%
Proceeds from sale of business	1,909	50,875	(96.2)%
Payments of dividends	-	(2,431)	(100)%
Proceeds from/(repayments) of borrowings net of transaction costs	(18,124)	(43,992)	(58.8)%

Cash flows from operating activities were an outflow of $3.0 million which included the increase in working capital of $3.8 million. For the second half of 2023 there was an inflow of $12.5 million.

Cash flows from investing activities was an outflow of $0.2 million:

- Net capital expenditure (PPE & Intangibles) reduced to $7.7 million (FY22: $17.2 million), due to the higher growth capital expenditure already invested into the business in recent years;
- During FY23 $5.6 million was received in relation to proceeds from a government grant;
- FY22 included $50.8 million (2023: $1.9 million) in proceeds from businesses disposed.

Cash flows from financing activities during the period of $10.2 million, reflected:

- $28.3m of net proceeds received from the successful rights issue;
- A reduction in net debt from $23.6 million to $13.9 million.

Review of operating segments

Flexibles

	30 June 2023 $'000	30 June 2022 $'000	Change
Revenue	265,327	279,464	(5.1)%
EBITDA – pre-AASB 16	2,024	1,038	95.0.%
EBIT	(3,610)	(2,734)	32.0%
PBT	(5,601)	(4,751)	17.9%
PBT margin	(2.1)%	(1.7)%	(41) bps

Revenue decreased by 5.1% to $265.3 million (2022: $279.5 million) reflecting the impact of site consolidation, rationalisation, and a focused transition towards more profitable market segments.

Service delivery has improved in the year, which is expected to facilitate business development opportunities in FY24 and leverage off the Group's investment in capacity in recent years.

Selling prices have now been better aligned with increased costs experienced, and improvement in margin is expected to continue to materialise in FY24.

The businesses are beginning to win back volume from customers which were previously lost in 1H23.

Directors’ Report

Distribution

	30 June 2023 $’000	30 June 2022 $’000	Change
Revenue	73,773	79,242	(6.8)%
EBITDA pre-AASB16	712	55	>100%
EBIT	(43)	(1,883)	(97.7)%
PBT	(647)	(2,544)	(74.6)%
PBT margin	(0.9)%	(3.2)%	>100 bps

Revenue decreased by 6.8% to $73.8m (2022: $79.2m) as a result of product rationalisation, the exit of non-core market segments to focus on the distribution of speciality packaging and the impact of supply chain challenges.

The increased pricing in response to higher supply chain input costs and a reduction in cost structures throughout the business has improved the Distribution business’ profitability.

Discontinued operations

	30 June 2023 $’000	30 June 2022 $’000	Change
Revenue	2,197	108,256	(98.0)%
EBITDA pre-AASB16	(111)	10.643	>(100)%
EBIT	(111)	10,072	>(100)%
PBT	(111)	9,453	>(100)%
PBT margin	(5.1)%	8.7%	>100 bps

Discontinued operations include the Rigid business which was divested in June 2022 and Source & Sell business which was divested in September 2022.

Directors' Report

Business 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 a 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.

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

The Group's financial reports are denominated in Australian dollars. As a result of operations in New Zealand and 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.

Directors' Report

Interest rate risk

Borrowings 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 regularly to ensure applicable interest rates are competitive and reflective of the Group's future funding requirements.

Health and safety risk

The Group has exposure to health and safety risks in the manufacturing operations and warehousing facilities, in line with the broader manufacturing industry.

A safety management system, including policies, procedures, training, incident reporting and investigation, and injury management is in place to mitigate these risks. If controls fail to be adequate a breach of the legislation may result in harm to employees, contractors or visitors, and an impact to operations, finances and reputation.

Loss of key management personnel and technical expertise

The Company's key management personnel, senior executives and technical experts 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 Integrated Recycling operation, due to the nature of the operation. Each of the manufacturing sites that hold a licence or permit work collaboratively with the relevant environmental agencies to mitigate the risk of impacting the environment, and risk of financial and reputational impacts.

Cyber security risk

IT application and data security are fundamental not only in protecting confidential and commercially sensitive information, but also enabling day to day operations. Cyber-attacks, if successful, could have implications ranging from reputational damage to cessation of business trading. The Group has in place a range of policies, plans, procedures, controls and training to mitigate this risk which are regularly tested.

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.

Directors' Report

Regulatory changes

Changes to government policy and legislation, including those covering plastics, recycled products and data disclosure, may have an impact on the financial performance and reputation of the Company. Working groups continue to monitor these changes in order to remain abreast of the evolving regulatory environment and align with various government, customer and other stakeholders' requirements. these changes in order to remain abreast of the evolving regulatory environment and align with various government, customer and other stakeholders' requirements.

Outlook

The trading environment remains challenging in a high inflationary market which has created uncertainty around consumer buying patterns. However, we continue with the process of restoring customer confidence through better service delivery.

We will maintain a strong focus on reducing costs.

Recent investments in new equipment and site rationalisations completed will allow the business to grow volumes without the need for further significant capital spend.

Our focus on our investment in recycling will ensure the business takes an important leadership role in the Plastics Industry around soft plastic recycling and the circular economy.

The Flexibles business has secured the Arnotts contract for their flexible packaging requirements, which will benefit FY24.

We are gaining new customers and achieving growth in our existing customer base. We expect our increased profitability to continue into the new financial year and result in an improved positive pre-AASB 16 EBITDA for FY24.

Significant changes in the state of affairs

On 1 September 2022, the Group entered into an agreement to transfer and assign future sale and purchase contracts in relation to the Source & Sell business to Rank Sharp Industries Limited. There were no other significant changes in the state of affairs of the Group during the year ended 30 June 2023.

Significant events subsequent to balance date

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

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 for further opportunities to leverage operational and cost reductions being key areas of focus for the senior executives.

Directors' Report

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 2023 or subsequent to balance date.

Further information on the Company's sustainability approach is found on pages 46 to 48 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. 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.

Directors' Report

Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2023 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		21	20	-	-	4	4
R. Harrington		21	21	7	7	4	4
M. Blackburn	(1)	8	8	4	4	-	-
G. Cashion	(2)	4	4	-	-	-	-
D. Brown	(3)	13	13	3	3	-	-
L. Valentine	(3)	13	13	-	-	2	2
J. Cerini	(4)	10	10	-	-	-	-
T. Welsh	(5)	2	2	-	-	-	-

(1) M. Blackburn was appointed as Non-executive Director on 23 November 2022.
(2) G. Cashion was appointed Non-executive Director on 5 May 2023 and resigned on 10 July 2023.
(3) L. Valentine and D. Brown resigned as Non-executive Directors on 22 November 2022. D. Brown was replaced as chair of the audit, business risk, and compliance committee by M. Blackburn.
(4) J. Cerini was appointed CEO and Managing Director on 3 October 2022.
(5) T. Welsh resigned as CEO and Managing Director on 18 July 2022.

The directors were otherwise in office and held membership of each sub-committee shown above for the entire period.

Rounding

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

Remuneration report

The directors present the Company's remuneration report, which has been audited by Ernst & Young, on page 16 of the annual report.

Auditor independence declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 for the year ended 30 June 2023 has been received and can be found on page 28 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	77
Tax compliance services	152
Tax advisory services	103
Non-audit services	**332**

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 23 August 2023.

Jonathan Ling
Chairman

John Cerini
CEO and Managing Director

Remuneration Report

This remuneration report which forms part of the directors' report sets out information about the remuneration of the key management personnel of the Group for the financial year ended 30 June 2023.

Key Management Personnel (KMP)

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly.

The directors and other KMP of the Group during or since the end of the financial year were:

Non-executive directors	Position
Jonathan Ling	Chairman, Non-executive
Rupert Harrington	Non-executive Director
Mark Blackburn (appointed 23 November 2022)	Non-executive Director
Geoff Cashion (appointed 5 May 2023, resigned 10 July 2023)	Non-executive Director
Darren Brown (resigned 22 November 2022)	Non-executive Director
Leonie Valentine (resigned 22 November 2022)	Non-executive Director
Executive director	**Position**
John Cerini (appointed 3 October 2022)	Chief Executive Officer (CEO)
Jonathan Ling (appointed 18 July - 3 October 2022)	Interim Executive Chairman
Tim Welsh (resigned 18 July 2022)	CEO
Senior executives	**Position**
Domenic Romanelli (appointed 7 November 2022)	Chief Financial Officer (CFO)
Darren Brown (appointed 11 May - 7 November 2022)	Interim CFO
Iona MacPherson (resigned 11 May 2022)	CFO

Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year.

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.

Responsibility for setting remuneration

The preparation and oversight of the remuneration policy is the responsibility of the remuneration and nomination committee (The Committee).

The Committee's role is to assess the appropriateness of the nature and amount of the remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions. The overall objective is to ensure maximum stakeholder benefit from the retention of a high-quality board of directors **(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 Group.

The Committee currently comprises R. Harrington (Chair) and J. Ling who are Non-executive Directors.

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 Report

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 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.

Remuneration composition

In accordance with best practice corporate governance, the structure of non-executive director and executive director and senior executives' remuneration is separate and distinct.

Executive director and senior executives

The remuneration of executive directors and 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**).

The Board may consider remuneration structures that incentivise and reward senior executives for outperformance against targets for future years.

The remuneration structure for each executive KMP for the year ended 30 June 2023 is shown in the table below:

KMP	Position	Term as KMP	FAR	STI	LTI	Total
Executive director						
J. Cerini[1]	CEO and Managing Director	From 3 Oct-22	34%	17%	49%	100%
J. Ling[2]	Interim Executive Chairman	18 Jul – 3 Oct-22	100%	-	-	100%
T. Welsh[3]	CEO and Managing Director	Until 18 Jul-22	36%	32%	32%	100%
Senior executives						
D. Romanelli[4]	CFO	From 7 Nov-22	52%	24%	24%	100%
D. Brown[5]	Interim CFO	7 May – 7 Nov-22	100%	-	-	100%

[1] J. Cerini was appointed CEO and Managing Director on 3 October 2022.
[2] J. Ling assumed the role of Interim Executive Chairman on the 18 July 2022 until J. Cerini's permanent appointment on the 3 October 2022.
[3] T. Welsh resigned on 18 July 2022.
[4] D. Romanelli was appointed CFO on the 7 November 2022.
[5] D. Brown ceased to be the Interim CFO on 7 November 2022.

The remuneration of the CEO and executive KMP for the year ended 30 June 2023 is set out in **Table 2** of this remuneration report.

Remuneration Report

Non-executive directors

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 2023 is comprised of directors' fees and committee fees (inclusive of superannuation), and are summarised in the table below:

Roles	Position	$
Board	Chair	189,353
	Non-executive directors	79,765
Sub-committees	Chair	34,185
	Member	11,519

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.

From the 1st June 2022, there are no longer fees payable to directors in relation to the Environmental Social and Governance committee, as the responsibilities of this Committee have, for the time being, been absorbed by the full board.

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 non-executive directors do not participate in any incentive programs.

The remuneration of the Company's non-executive directors for the year ended 30 June 2023 is set out in **Table 2** of this remuneration report.

Remuneration Report

Remuneration policy and 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. These key performance indicators form part of the assessment of the fixed and variable component of a KMP's remuneration.

Measure	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Profit/(loss) after tax ($'000)*	(10,238)	(25,871)	7,837	6,643	(151,334)
Share price at balance date ($)**	0.210	0.485	2.00	1.80	1.15
Basic earnings per share (cents)**	(5.63)	(31.90)	9.70	8.20	(195.60)
Total dividends per share (cents)**	0.00	0.00	5.50	4.00	0.00

* Before accounting for AASB 16 for the years ended 30 June 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 reflect the share consolidation which took place in the year ended 30 June 2022.

Executive service agreements

Remuneration arrangements for executives are formalised in executive service agreements. The following outlines the details of contracts with executives:

CEO and Managing Director

J. Cerini was appointed as CEO and Managing Director effective 3 October 2022.

Under the terms of his service agreement:

- Fixed remuneration is $600,000 per annum, plus superannuation capped at the statutory rate.
- The target STI opportunity is 50% of fixed remuneration.
- Participation in the LTI plan is on terms determined by the Board, subject to receiving any required or appropriate shareholder approval. It is notionally 150% of fixed remuneration for the current financial year and 200% for the 2024 financial year.

The employment of J. Cerini will continue until such date that his position is terminated by the Company or himself. The Company or the CEO 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.

For a period up to 12 months after the termination date, J. Cerini will be restrained from engaging in any business in competition with or of a similar nature to the Company. Other restraints on post-employment activities include being prevented from enticing any Company personnel or business partners away from the Company.

All intellectual property rights created, developed, or acquired by him in the course of his employment, belong to the Company.

Other senior executives

Employment agreements with other senior executives contain the following key terms:

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

Remuneration Report

Remuneration of KMP

Financial Year ended 30 June 2023

Table 2: A summary of the remuneration of KMP for the year ended 30 June 2023 is as follows:

	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments		
KMP	Salary, wages and fees $	Short-term incentive $	Non-monetary benefits $	Employee entitlements $	Super-annuation $	Perform-ance Rights $	Total $	Perform-ance based %
Non-executive directors								
J. Ling	181,784	-	-	-	19,087	-	200,871	-
R. Harrington	114,668	-	-	-	12,040	-	126,708	-
M. Blackburn[1]	61,396	-	-	-	6,447	-	67,843	-
G. Cashion[2]	11,195	-	-	-	1,175	-	12,370	-
L. Valentine[3]	33,037	-	-	-	3,469	-	36,506	-
D. Brown[3]	39,647	-	-	-	3,626	-	43,273	-
Executive director								
J. Cerini[4, 8]	477,874	99,000	-	676	18,970	891,509	1,488,029	66.6%
J. Ling[4]	91,284	-	-	-	6,205	-	97,489	-
T. Welsh[5, 8]	172,957	-	9,041	(4,314)	7,622	(479,254)	(293,948)	>(100)%
Senior executives								
D. Romanelli[6,8]	275,395	65,000	-	351	18,923	40,059	399,728	26.3%
D. Brown[7]	146,255	-	-	-	6,323	-	152,578	-
Total	**1,605,492**	**164,000**	**9,041**	**(3,287)**	**103,887**	**452,314**	**2,331,447**	**26.4%**

[1]M. Blackburn was appointed Non-executive Director on 23 November 2022.
[2]G. Cashion was appointed Non-executive Director on 5 May 2023 and resigned on 10 July 2023.
[3]L. Valentine and D. Brown resigned on 22 November 2022.
[4] J. Ling assumed the role of Interim Executive Chairman on 18 July 2022 until J. Cerini's appointment on 3 October 2022.
[5]T. Welsh ceased to be a KMP on 18 July 2022. Remuneration disclosed includes termination benefits (contracted notice period) of $144,679. Long-term benefits are negative as a result of the reversal of his long service leave accrual.
[6]D. Romanelli was appointed CFO on 7 November 2022.
[7] D. Brown ceased to be the interim CFO on 7 November 2022.
[8]Refer details of share-based payments below.

Although the STI targets were not met, the board resolved to provide $164,000 in discretionary bonuses to KMP during the year ended 30 June 2023.

The total fees paid to non-executive directors for the year ended 30 June 2023 were $487,571. The director fee cap approved by shareholders is $800,000.

What are share-based payments?

The Group uses equity instruments including the performance rights plan (PRP) to retain and award its senior executives as part of short-term and long-term bonus incentives.

These equity instruments 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 terms and conditions of awards in the current or comparative year. The value of the performance rights granted to KMP as part of their remuneration is calculated at grant date.

Remuneration Report

The appropriate valuation method used to determine the fair value of each award depends on whether the vesting conditions include a market hurdle or a 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.

The fair value of instruments granted are amortised on a straight-line basis over the vesting period during which the services are rendered. The probability that performance rights containing a non-market condition will vest is required to be updated at each reporting date. The share-based payments disclosed as part of remuneration relates to the current period allocation of the fair value.

The share-based payments for T. Welsh for the financial year ended 30 June 2023 are negative due to the forfeit of 961,519 performance rights consequent upon his resignation on 18 July 2022, which resulted in the reversal of the cumulative expense previously recognised.

The share-based payments for J. Cerini reflect the current period expense relating to the extrapolated reference to 8,000,000 performance rights as part of his executive service agreement (of which only 4,000,000 performance rights have been issued to date) on commencement as CEO and Managing Director of the Group. The rights are valued at $0.30 per share and expensed over the vesting period, taking into account the probability of meeting the non-market conditions. The grant of 1,000,000 performance rights as part of his STI for 2023 will not vest and are therefore not included the share-based payment expense for the current period.

Remuneration of interim executive team

On 18 July 2022, T. Welsh resigned his position of CEO and Managing Director.

On this date J. Ling assumed the role of Interim Executive Chairman and was paid a higher duties remuneration of $2,500 per day (inclusive of superannuation). The termination notice period was one week. Higher duties remuneration totalled $97,489.

On 3 October 2022, J. Cerini was appointed permanent CEO and Managing Director.

On 11 May 2022, D. Brown was appointed Interim CFO following the resignation of I. MacPherson. This position was held until the permanent appointment of D. Romanelli as CFO on 7 November 2022.

During this period D. Brown was paid a higher duties remuneration of $2,450 per day (inclusive of Superannuation) and the termination notice period was one week. Higher duties remuneration for the period 1 July 2022 to 7 November 2022 totalled $152,578.

Director fees for J. Ling and D. Brown remained unchanged during this period.

Remuneration Report

Financial year ended 30 June 2022

Table 3: A summary of the remuneration of KMP for the year ended 30 June 2022 is as follows:

	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments		
KMP	Salary, wages and fees $	Short-term incentive $	Non-monetary benefits $	Employee entitlements $	Super-annuation $	Shares, rights and options $	Total $	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 total fees for non-executive directors for the year ended 30 June 2022 were $587,162.

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, and subsequently lapsed.

Remuneration Report

Executive director and senior executives' incentives program

Short-term incentives (STI)

For each financial year, executive directors and senior executives are entitled to receive short-term incentives subject to the achievement of certain key performance indicators. Board discretion may be applied.

John Cerini (CEO and Managing Director)

J. Cerini is entitled to receive a STI benefit to the value of 50% of his base salary conditional upon the achievement of various key performance indicators (KPI). The STI may be satisfied by the granting of performance rights which vest subject to the achievement of the KPIs, the terms and conditions under the

Company's Performance Rights Plan (PRP) and his employment contract.   KPIs for the granting of a STI bonus are:

STI Bonus [1,2]	Weighting	Overview of performance against target
FY23	50%	Group EBITDA target, which is based on the achievement of 100% of the target approved by the Board.
	30%	Achievement of FY23 working capital improvement target.
	20%	Achievement of Group's FY23 LTIFR target

[1] Although working capital, safety performance and EPS targets may be met there will be no vesting of performance rights unless the target PBT for FY23 is achieved.

[2] The value of the performance rights issued as STI will be based on a share price of $0.30 per share. This equates to 1 million performance rights for FY23.

Other senior executives

All Incentive Plans operate at the discretion of the Board and will retain a profit gate to activate, including the cost of the scheme.

STIs may be awarded based on a sliding scale based on the achievement of certain KPIs such as plan or forecast EBITDA.

Performance targets for each senior executive will include both organisational and individual metrics.

Long-term incentives (LTI)

As detailed below the Company currently operates a performance rights plan (PRP) from which is currently used to grant LTI awards. Granting of the rights is at the absolute discretion of the Company and where applicable may require shareholder approval.

John Cerini (CEO and Managing Director)

J Cerini has been granted performance rights to a value of $2.1 million representing an LTI award for the FY23 and FY24. The granting of these rights was subject to satisfaction of key performance hurdles, as follows:

Tranche	Financial Year	Performance Rights ($)	Vesting Period
Tranche 1	FY23	900,000	2 years
Tranche 2	FY24	900,000	1 year
Tranche 3	FY24	300,000	1 year

The vesting of the performance share rights will be over a 2-year measurement period in respect of tranche 1, and 1 year in respect of tranches 2 and 3. For all tranches, the key performance hurdles comprise:

1. 100% cash conversion of EBITDA for FY24; and

2. The achievement of EPS targets for FY24.

Vesting of rights based on the EPS targets will occur linearly depending on the FY24 EBITDA result. The EBITDA target range for Tranche 3 is higher than Tranche 1 and 2.   Further details are contained in the Notice of Annual General meeting from 22 November 2022.

Granting and vesting of performance rights is otherwise subject to the terms and conditions of the relevant share plans in place.

Other senior executives

Remuneration Report

Other senior executives of the Company are entitled to LTIs in the form of performance rights which are discussed further below.

Granting and vesting of performance rights is otherwise subject to the terms and conditions of the relative share plans in place.

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;

Remuneration Report

- 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 4: A summary of the PRP as at the date of this report is as follows:

Notional Grant Date**	Vesting date	Expiry date	Exercise price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
9-Dec-19	30 Jun-22	31-Dec-22	$0.00	$0.458	422,593	-	-	(422,593)	-
11-Dec-20	30 Jun-23	31-Dec-23	$0.00	$0.134	415,503	-	-	(365,544)	49,959
20-Dec-21	30 Jun-24	31-Dec-24	$0.00	$0.867	709,030	-	-	(482,371)	226,659
3-Oct-22	30 Jun-23	31-Dec-24	$0.00	$0.300	-	1,000,000	-	-	1,000,000
3-Oct-22	30 Jun-24	31-Dec-24	$0.00	$0.300	-	3,000,000	-	-	3,000,000
3-Oct-22	30 Jun-24	31-Dec-24	$0.00	$0.300	-	3,000,000	-	-	3,000,000
3-Oct-22	30 Jun-24	31-Dec-24	$0.00	$0.300	-	1,000,000	-	-	1,000,000
16 Mar-23	30 Jun-25	31-Dec-25	$0.00	$0.247	-	4,041,556	-	-	4,041,556
Total					1,547,126	12,041,556	-	(1,270,508)	12,318,174

** This is a notional grant date. The Company could not and would not issue performance rights to a KMP until approved by shareholders, as required by the Listing Rules. The actual grant dates are a later date, after shareholder approval has been granted, the invitation and terms and conditions issued by the company and accepted by the recipient, and duly registered as granted. The performance rights "issued" on the 3 October 2022 were referred to in J Cerini's employment contract on commencement as CEO of the group. Although the Board issued 4 million rights in FY23 and may issue 4 million rights in FY24, accounting standards require that the rights are treated as granted from such date that there is a shared understanding of the terms and conditions of the award issued. Accordingly, the full 8 million rights have been treated as issued, for accounting purposes, from John's commencement date as CEO (as terms were agreed as part of his employment contract).

The performance conditions attached to the 8 million performance rights issued vary to those issued by the Group in previous periods, which included a market condition of TSR. As the performance rights issued during the year only contained non-market conditions (service conditions, EBITDA and EPS), typical share-based payment valuation models (EG. Monte Carlo or Black Scholls) are not required to value the performance rights.

Remuneration Report

Instead, management have used the share price as at the grant date ($0.30) as the fair value. This valuation assumes there will be no dividends paid over the vesting period.

The LTI due to vest on 30 June 2023, did not vest and will be lapsed.

Performance rights issued to KMP during the year

Table 5: A summary of performance rights granted to KMP and remaining on foot as at the date of this report is as follows:

KMP	Grant date	Vesting date	Expiry date	Exercise Price	Fair Value	Balance as at 1 July 2022	Granted	Exercised	Forfeited	Balance as at 30 June 2023
J.Cerini	3 Oct-22	30 Jun-23	31-Dec-24	$0.0	$0.300	-	1,000,000	-	-	1,000,000
J.Cerini	3 Oct-22	30 Jun-24	31-Dec-24	$0.0	$0.300	-	7,000,000	-	-	7,000,000
D.Romanelli	16-Mar-23	30 Jun-25	31-Dec-25	$0.0	$0.247	-	666,667	-	-	666,667
T. Welsh[1]	9 Dec-19	30 Jun-22	31-Dec-22	$0.0	$0.046	333,333	-	-	(333,333)	-
T. Welsh[2]	11 Dec-20	30 Jun-23	31-Dec-23	$0.0	$0.134	335,329	-	-	(335,329)	-
T. Welsh[2]	20 Dec-21	30 Jun-24	31-Dec-24	$0.0	$0.867	292,857	-	-	(292,857)	-
Total						**961,519**	**8,666,667**	**-**	**(961,519)**	**8,666,667**

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.

[1]These performance rights held by T. Welsh did not vest at 30 June 2022.

[2]T. Welsh forfeited 961,519 performance rights upon his resignation on 18 July 2022

KMP equity holdings

Table 6: KMP Interests (directly, indirectly or beneficially) in the fully paid ordinary shares of the Company as at the date of this report are as follows:

KMP	Balance as at 30 June 2022	Acquired	Other changes[1]	Balance as at 30 June 2023
J. Ling	192,015	238,099	-	430,114
R. Harrington	716,488	888,446	-	1,604,934
M. Blackburn	-	-	-	-
G. Cashion	-	-	-	-
D. Brown	70,213	87,065	(157,278)	n/a
L. Valentine	44,200	54,808	(99,008)	n/a
J. Cerini	n/a	-	1,013,039	1,013,039
D.Romanelli	n/a	-	33,000	33,000
T. Welsh	30,253	-	(30,253)	n/a
Total	**1,053,169**	**1,268,418**	**759,500**	**3,081,087**

[1]Other changes refer to notional movements in equity holdings as a result of ceasing or commencing as a KMP during the financial year.

The non-executive directors do not have any interests in performance rights or share options of the Company.

Remuneration Report

Other option holdings of KMP

No options were issued to KMP during the year ended 30 June 2023.

Loans to KMP

There were no loans to KMP during the year ended 30 June 2023.

The information disclosed in this remuneration report is presented as at 30 June 2023 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 2023, 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
23 August 2023

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 2023. It is current as at 23 August 2023.

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 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.

Corporate Governance Statement

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.

Corporate Governance Statement

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

The company secretary reports directly to the Board through the chair and is accessible to all directors. The company secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

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

Recommendation 1.5 - A listed entity should:

a) have and disclose a diversity policy;

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

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

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

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

(3) either:

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

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

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

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

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

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

1. Inclusive culture

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

Corporate Governance Statement

In 2022, formal flexible working agreements were introduced. During 2023, 9.5% of workers took advantage of these flexible working arrangements (2022: 38%).

2. Pay equity

In 2023, 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 2023. The gender pay gap is 21% (2022:12%) 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.

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 2023 are as follows:

	Proportion of women 2023	Proportion of women 2022	Proportion of men 2023	Proportion of men 2022
Non-executive directors on the Board	0%	20%	100%	80%
In senior executive positions	36%	39%	64%	61%
Across the whole organisation	21%	23%	79%	77%

Senior executive positions include all executives reporting directly to the CEO. Where an executive has changed during the financial year, the measurement is taken as at 30 June 2023.

The remuneration and nomination committee of the Board approved an updated Diversity Policy in February 2023.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.

Given that 2 of the 4 non-executive directors were not directors for the full year, the board elected to conduct an internal performance review for 2023, using tools provided by external advisors.

Corporate Governance Statement

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 is approved by the Board or remuneration and nomination committee. A review of the CEO and senior executives was undertaken during the year.

Principle 2: Structure the board to add value

Recommendation 2.1 - The board of a listed entity should:

(a) have a nomination committee which:

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

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

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

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

The Board maintains a remuneration and nomination committee, 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
Leonie Valentine (1)	Non-executive Director	Independent
Jonathan Ling (2)	Non-executive Director	Independent

It is to be noted that due to director resignations, the remuneration and nomination committee did not have 3 members for the whole year.

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.

Corporate Governance Statement

Notes:

(1) Ms Leonie Valentine retired as a director on 22 November 2022. Prior to her retirement Ms Leonie was at all times during office an independent Non-executive Director.

(2) Up until the 18 July 2022, Mr Jonathan Ling was chair of the Board and an independent Director of the Company. However, on this date, Mr Tim Welsh stepped down from his role as CEO and Managing Director of the Company and Mr Ling became Executive Chairman. Therefore, as at that date, Mr Ling was no longer an independent Director. On 3 October 2022 Mr Ling ceased to be Executive Chairman upon the permanent appointment of John Cerini as CEO and Managing Director. From this date he resumed his status as an independent Chairman and Non-executive Director.

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
Governance, 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 performance	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
Strategy, planning and policy development	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
Commercial experience	Relevant industry experience and expertise particularly in a manufacturing and/or distribution environment.	High	High
Information technology and Digital skills	Knowledge of IT governance including privacy, data management and security.	Medium	Medium
HR & 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
Geographic, age, gender and cultural	Board aims for balanced gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	Medium to Low

The Board currently believes that its membership adequately represents the required skills as set out in the matrix, however it does have plans to enhance the diversity of board membership in due course.

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.

Corporate Governance Statement

Board member attributes	
Leadership	Innate leadership skills including the ability to appropriately represent the Company positively amongst stakeholders and external parties; set appropriate Board and organisation culture and make and take responsibility for decisions and actions.
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.
Effective Communication	The ability to: • Listen to, and constructively and appropriately debate, other people's viewpoints; • Develop and deliver cogent arguments; • Communicate effectively with a broad range of stakeholders.
Constructive Questioner	The preparedness to ask questions and challenge Pro-Pac management and peer Directors in a constructive and appropriate way about key issues.
Contributor and team player	The ability to work as part of a team and demonstrate the passion and time to make a genuine and active contribution to the Pro-Pac Board.
Commitment	A visible commitment to the purpose for which the Company has been established and operates, and its on-going success.
Influencer and Negotiator	The ability to negotiate outcomes and influence others to agree with those outcomes, including an ability to gain stakeholder support for the Board's decisions.
Critical and innovative thinker	The ability to critically analyse complex and detailed information, readily distil key issues, and develop innovative solutions to problems.

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.

Corporate Governance Statement

Details of the Board, 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 2023
Jonathan Ling (1)	8 April 2019	4 years and 3 months	Non-executive Chairman
Rupert Harrington (2)	6 November 2017	5 years and 8 months	Independent Non-executive
Mark Blackburn (3)	23 November 2022	7 months	Independent Non-executive
Geoff Cashion (4)	5 May 2023	2 months	Independent Non-executive
Darren Brown (5)	2 July 2018	4 years and 5 months	Resigned
Leonie Valentine (6)	1 August 2018	4 years and 5 months	Resigned

(1) Up until the 18 July 2022, Mr Jonathan Ling was chair of the Board and an independent Director of the Company. However, on this date, Mr Tim Welsh stepped down from his role as CEO and Managing Director of the Company and Mr Ling became Executive Chairman. Therefore, as at that date, Mr Ling was no longer an independent Director. On 3 October 2022 Mr Ling ceased to be Executive Chairman upon the appointment of John Cerini as CEO and Managing Director. From this date he resumed his status as an independent Chairman and Non-executive Director.

(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. He finished as a consultant to Advent in September 2022. 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;

  (b) functioned entirely independently of Advent in the discharge of his role as a director of the Company;

  (c) disclosed no confidential information of the Company to Advent either directly or indirectly;

  (d) did not participate in any Advent board meetings;

  (e) remuneration by Advent was unrelated to the Company or its performance; and

  (f) was not otherwise aware of any potential or actual conflict of interest.

(3) Mr Blackburn was appointed as Non-executive Director on 23 November 2022.

(4) Mr Cashion was appointed as Non-executive Director on 5 May 2023 and resigned on 10 July 2023.

(5) On 11 May 2022, Mr Brown was appointed interim CFO following the resignation of Ms Iona MacPherson. This position was held until the appointment of Domenic Romanelli as CFO on 7 November 2022. During this period Mr Brown was not an independent Non- executive Director. He resumed his status as an independent Non-executive Director on 7 November 2022 until his resignation on 22 November 2022.

(6) Ms Valentine resigned as independent Non-executive Director on 22 November 2022. Ms Valentine 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.

Corporate Governance Statement

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 during the reporting period and the reasons why the board considers relevant directors to be independent.

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

From the 18 July 2022 to 3 October 2022, Mr Jonathan Ling assumed the role of interim Executive Chairman following the resignation of Mr Welsh. During this period the Company did not satisfy this recommendation. On 3 October 2022 following the appointment of Mr John Cerini as the CEO and Managing Director. Mr Ling resumed his status as an independent Chairman and Non-executive Director. From this date and up to the date of this report the Company does satisfy this recommendation.

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

New directors undertake an induction program coordinated by the company secretary on behalf of the remuneration and nomination committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and senior executive profiles and other pertinent company information. Regular professional development sessions are held, in conjunction with regular in-depth business briefings.

Principle 3: Act ethically and responsibly

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

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

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

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

Recommendation 3.2 - A listed entity should

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

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

The Company maintains a code of conduct. The purpose of the code of conduct is to guide all employees, including directors as to the:

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

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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 2023. 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 are 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.

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 receive a report at each meeting as to any policy breaches.

Corporate Governance Statement

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 - The board of a listed entity should:

(a) have an audit committee which:

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

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

and disclose:

(3) the charter of the committee;

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

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

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

To assist in the execution of its responsibilities, the Board has established an audit, business risk and compliance committee. A summary of the charter setting out the committee's responsibilities is available on the Company's website. The charter is reviewed by the Board annually.

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

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

Up until the 22 November 2022, the committee comprised Mr Darren Brown (chair) and Mr Rupert Harrington. On the 22 November 2022 Mr Brown resigned as an independent Non-executive Director and was replaced as chair of the committee by Mr Mark Blackburn. All members of the committee during the financial year are financially literate (i.e., they are able to read and understand financial statements). Both Mr Blackburn and Mr Brown have financial expertise and experience (Mr Blackburn is a Certified Practicing Accountant and has held numerous CFO roles and Mr Brown is a Chartered Accountant). All members have an understanding of the industry in which the Company operates.

Recommendation 4.1 requires that the composition of the audit, business risk and compliance committee comprise 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. For the entirety of the reporting period the committee comprised only 2 members and therefore did not meet the requirement to have 3 members.

The former 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 was not considered an independent Director. He was also interim CFO during the reporting period up until the appointment of Mr Domenic Romanelli as CFO on 7 November 2022.

Corporate Governance Statement

Whilst Mr Brown held the position as chair of the committee, the Board considered him to be the most appropriate person to lead the committee as he was able to bring quality and independence of judgement to all relevant issues falling within the scope of the role. The committee benefited from his long-standing experience in the manufacturing and packaging industry and as an experienced financial professional. In addition, up until the date of his resignation the Board obtained confirmation from Mr Brown that:

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

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

(c) he was 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 was 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 2023 and the half-year ended 31 December 2022, the Company's CEO and CFO have provided the Board with declarations, that in their opinion:

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

Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

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

Principle 5: Make timely and balanced disclosure

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

The Company has adopted a disclosure policy a copy of which is available on its website. The policy aims to ensure that all investors have equal and timely access to material information concerning the Company, that there is compliance with continuous disclosure requirements and that announcements made by the Company are factual and presented in a clear and balanced way.

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

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

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

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

Corporate Governance Statement

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 CEO and CFO. 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 AGM 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.

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).

Corporate Governance Statement

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 CEO and CFO 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 2023.

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.

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 a 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.
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.

Corporate Governance Statement

Foreign currency risk

The Group's financial reports are prepared in Australian dollars. As a result of operations in New Zealand and 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

Borrowings 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 regularly to ensure applicable interest rates are competitive and reflective of the Group's future funding requirements.

Health & Safety risk

The Group has exposure to health and safety risks in the manufacturing operations and warehousing facilities, in line with the broader manufacturing industry.

A safety management system, including policies, procedures, training, incident reporting and investigation, and injury management is in place to mitigate these risks. If controls fail to be adequate a breach of the legislation may result in harm to employees, contractors or visitors, and an impact to operations, finances and reputation.

Loss of key management personnel and technical expertise

The Company's key management personnel, senior executives and technical experts 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 Integrated Recycling operation, due to the nature of the operation. Each of the manufacturing sites that hold a licence or permit work collaboratively with the relevant environmental agencies to mitigate the risk of impacting the environment, and risk of financial and reputational impacts.

Cyber security risk

IT application and data security are fundamental not only in protecting confidential and commercially sensitive information, but also enabling day to day operations. Cyber-attacks, if successful, could have implications ranging from reputational damage to cessation of business trading. The Group has in place a range of policies, plans, procedures, controls and training to mitigate this risk which are regularly tested.

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.

Regulatory changes	Changes to government policy and legislation, including those covering plastics, recycled products and data disclosure, may have an impact on the financial performance and reputation of the Company. Working groups continue to monitor these changes in order to remain abreast of the evolving regulatory environment and align with various government, customer and other stakeholders' requirements.

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 Mr Harrington (Chair), Mr Ling and Ms Valentine (until her resignation on 22 November 2022) all of whom are independent Non-executive Directors having regard to the response to Recommendation 2.3 (however please also refer to the Notes thereto). Ms Valentine was not replaced as a member of this committee following her resignation and therefore during the period 23 November 2022 until the date of this report the recommendation to have 3 members was not fulfilled. However, effective from 1 September 2023, Mr Blackburn will join the remuneration and nomination committee.

In addition to the members, the CEO is invited to the meetings at the discretion of the committee. Details of directors' attendance at committee meetings are disclosed in the directors' report.

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

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

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

Corporate Governance Statement

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 three areas of impact – business, planet and communities.

The Company's has focused its efforts on its three most material sustainability issues:

- Better Products: Addressing the 2025 National Packaging Targets and preparing for the federal government's incoming sustainable packaging mandate.
- Better Operations: Measuring the Company's carbon emissions, setting its reduction roadmap and preparing for mandatory emissions reporting.
- Better Supply Chains: Reducing our modern slavery supply chain risk through improving governance, monitoring and reporting.

Better Products: Addressing the 2025 National Packaging Targets

Australian Packaging Covenant Organisation (APCO) 2023 Annual Report Performance Summary

As a member of APCO since 2012, the Company continually strives to improve its performance to meet the 2025 National Packaging Targets.

This year provided its sixth Annual Report and Action Plan which saw us progress to 54% and maintain our Level 3 – Advanced performance.

Sustainability

Australian Packaging Covenant Organisation (APCO) 2023 Action Plan

In our 2023 Action Plan, the Company have set the following commitments:

- Develop a policy or procedure to buy products and/or packaging made from recycled materials
- Improve the accuracy of our data regarding the review of packaging against the Sustainable Packaging Guidelines, use of recycled materials, recoverability of products and on-site waste.
- Review 50% of our packaging against the Sustainability Packaging Guidelines.
- Aim to have 100% of our compostable packaging certified to Australian standards.
- Have recycling programs for our on-site waste, including paper/cardboard, soft plastics, rigid plastics, timber, textiles, glass and metals.
- Aim for 50% of our on-site waste to be diverted from landfill.

Better Operations: Reducing Our Greenhouse Gas Emissions

2021 Carbon Baseline

PPG is committed to reducing our greenhouse gas emissions and contributing to global ambitions to limit global temperature rises to 1.5 degrees. In 2022, we measured our 2021 carbon baseline which saw the Company with calculated emissions of 30,590 tonnes of CO2-e.

In mid-2023, the Company measured its 2022 carbon emissions with higher level of data confidence to medium. The total emissions for 2022 amounted to 25,154 tonnes of CO2-e. This total excludes two business units that were divested in 2022. After removing these business units from the calculation, year-on-year emissions increased from 24,727 to 25,154, representing a 1.7% increase. Additional data obtained, particularly in waste and natural gas, has resulted in higher figure and shift in resource category share of emissions.

Greenhouse gas emissions by Resource Category:

Resource Category	Resource Consumption	Unit	GHG Emissions (tCO2-e)	% Share of Emissions
Electricity	37,275,080	kWh	19,654	78%
Waste	3,435	tonne	3,393	13%
Water	6,803	kL	9	<1%
Business Flights	651,155	passenger km	103	<1%
Business Vehicles	171	kL	443	2%
Fuel (LPG)	1,852	GJ	112	<1%
Natural Gas	43,819	GJ	1,440	6%
Total			25,154	100%

Sustainability

Greenhouse gas emissions by Scope:

Scope of Emissions	GHG Emissions (tCO2-e)	% Share of Emissions
Scope 1	1,995	8%
Scope 2	19,654	78%
Scope 3	3,505	14%
Total	25,154	100%

2025 Carbon Reduction Roadmap

The Company has committed to setting science-based targets via the SBTi, and to begin reducing its emissions by implementing the below 2025 roadmap:

Action
Set science-based targets, including Net Zero and short-term reduction targets.
Complete waste audits for all sites, expand waste recycling services and improve waste data collection.
Improve the collection and reporting of carbon data by implementing Microsoft Sustainability Manager.
Investigate renewable energy power purchasing agreements
Investigate carbon offsetting for all business air travel

Better Supply Chain: Enabling Our Ethical Supply Chain

The Company completes an annual Modern Slavery Statement which details its structure and operations, supply chain by spend and country of origin, most significant risks and improvement activities. For FY23, the Company committed and completed the below improvement activities:

- Completing a third-party gap analysis on our processes and procedures and develop a 2-year roadmap based on the recommendations.
- Improve our data and reporting mechanisms to better identify performance and risks.
- Developing a remediation framework that guides appropriate action.
- Investigate three of our largest and/or highest risk suppliers.
- Conduct training with key team members.

For FY24, the Company will carry out the following improvement activities:

- Review all Modern Slavery documentation and policies.
- Deliver key person training on the revised policies and practices.
- Evaluate company IT systems to improve Modern Slavery data capture
- Update current Modern Slavery platform memberships and profiles including Sedex.

CONSOLIDATED STATEMENT OF
Comprehensive Income

For the year ended	Notes	30 June 2023 $'000	30 June 2022 $'000
Revenue from contracts with customers	3	339,100	358,706
Raw materials and consumables used		(192,522)	(211,484)
Employee benefits expense	22	(80,729)	(84,860)
Occupancy, distribution, administration and selling expenses		(56,676)	(61,757)
Allowance for expected credit losses	7	(507)	(837)
Impairment losses	11	-	(25,051)
Depreciation and amortisation expense	10,11,29	(17,217)	(16,121)
Other income	25	2,932	1,671
Interest income		52	97
Finance costs	18	(5,366)	(6,692)
Profit/(loss) before income tax from continuing operations		**(10,933)**	**(46,328)**
Income tax (expense)/benefit	4	2,446	1,027
Profit/(loss) after income tax from continuing operations		**(8,487)**	**(45,301)**
Discontinued operations			
Profit/(loss) after income tax from discontinued operations	6	(1,751)	19,430
Profit/(loss) after income tax from continued and discontinued operations		**(10,238)**	**(25,871)**
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		(284)	(124)
Exchange differences arising on translation of foreign operations		(144)	(202)
Other comprehensive income/(loss), net of income tax		**(428)**	**(326)**
Total comprehensive income/(loss)		**(10,666)**	**(26,197)**
Earnings per share			
EPS (cents) – Basic	2	(5.63)	(31.90)
EPS (cents) – Diluted	2	(5.63)	(31.90)
EPS from continuing operations (cents) – Basic*	2	(4.67)	(55.85)
EPS from continuing operations (cents) – Diluted*	2	(4.67)	(55.85)

*Re-presented to adjust for the Rigid and Source & Sell businesses being discontinued operations.

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 2023 $'000	30 June 2022 $'000
Current assets			
Cash and cash equivalents	17	8,323	1,322
Trade and other receivables	7	63,803	83,112
Inventories	8	66,521	75,920
Current tax assets		656	738
Derivative financial assets	27,28	499	2,165
Other assets	13	2,482	3,558
Total current assets		**142,284**	**166,815**
Non-current assets			
Property, plant and equipment	10	56,191	58,839
Right-of-use assets	29	30,288	35,411
Intangible assets	11	32,296	29,295
Deferred tax assets	4	6,153	2,579
Total non-current assets		**124,928**	**126,124**
Total assets		**267,212**	**292,939**
Current liabilities			
Trade and other payables	9	57,982	89,729
Derivative financial liabilities	27,28	15	2,886
Borrowings	16	16,075	3,505
Lease liabilities	29	8,727	7,645
Other liabilities	14	7,011	1,734
Employee entitlements	21	9,678	10,423
Other provisions	15	524	1,502
Total current liabilities		**100,012**	**117,424**
Non-current liabilities			
Borrowings	16	-	21,455
Lease liabilities	29	28,010	33,850
Employee entitlements	21	331	445
Other provisions	15	3,079	3,069
Total non-current liabilities		**31,420**	**58,819**
Total liabilities		**131,432**	**176,243**
Net assets		**135,780**	**116,696**
Equity			
Issued capital	19	320,538	291,678
Reserves	20	2,312	1,850
Accumulated losses		(187,070)	(176,832)
Total equity		**135,780**	**116,696**

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 2022		**291,678**	**(176,832)**	**1,850**	**116,696**
Profit/(loss) after income tax		-	(10,238)	-	(10,238)
Other comprehensive income, net of income tax		-	-	(428)	(428)
Total comprehensive income/(loss)		**-**	**(10,238)**	**(428)**	**(10,666)**
Rights issue proceeds	19	30,174	-	-	30,174
Transaction cost for rights issue, net of income tax	19	(1,314)	-	-	(1,314)
Share-based payments expense	22	-	-	890	890
Dividends declared or paid	5	-	-	-	-
Balances as at 30 June 2023		**320,538**	**(187,070)**	**2,312**	**135,780**
Balances as at 1 July 2021		**291,678**	**(148,530)**	**1,806**	**144,954**
Profit/(loss) after income tax		-	(25,871)	-	(25,871)
Other comprehensive loss, net of income tax		-	-	(326)	(326)
Total comprehensive income/(loss)		**-**	**(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**

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 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers		362,631	456,566
Payments to suppliers and employees		(360,898)	(442,185)
Income tax refund/(paid)		(1)	(909)
Interest received		52	97
Interest paid		(4,799)	(7,030)
Net cash flow (used in)/from operating activities	**17**	**(3,015)**	**6,539**
Cash flows from investing activities			
Payments for property, plant, and equipment		(4,104)	(10,608)
Proceeds from sale of property, plant, and equipment		15	39
Payments for intangible assets		(3,605)	(6,657)
Government grant received	14	5,579	-
Payments for businesses acquired net of cash acquired	6	-	(404)
Proceeds from business disposed	6	1,909	50,875
Net cash flows (used in)/from investing activities		**(206)**	**33,245**
Cash flows from financing activities			
Repayment of borrowings*		(219,424)	(69,917)
Proceeds from borrowings*		211,282	35,701
Payment of transaction costs on borrowings		(1,310)	-
Repayment of lease liability principal	29	(8,672)	(9,776)
Proceeds from rights issue	19	30,174	-
Payment of transaction costs from rights issued	19	(1,874)	-
Dividends paid	5	-	(2,431)
Net cash flows (used in)/from financing activities		**10,176**	**(46,423)**
Net increase/(decrease) in cash and cash equivalents		6,955	(6,639)
Cash and cash equivalents at the beginning of the year		1,322	7,884
Effect of foreign exchange		46	77
Cash and cash equivalents at the end of the year	**17**	**8,323**	**1,322**

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

*For the year ended 30 June 2023, includes the revolving nature of the debtor finance facility (refer Note 16).

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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 2023 were authorised for issue in accordance with a resolution of the directors on 23 August 2023.

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, Distribution and rigid packaging products (which was disposed of during the prior 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 2023 the Group incurred a net loss after tax from continuing and discontinued operations of $10.2 million (2022: loss $25.9 million). Cash flow from operating activities was an outflow of $3.0 million (2022: inflow of $6.5 million).

The Directors believe the Group is a going concern which is based on the following factors:

- The Directors assessment of current trading performance, particularly having regard to the realisation of the Group's cost reduction initiatives and improved volumes through new customers onboarded and growth in existing customer base within the Flexibles segment;
- The Directors consideration of forecast trading results and cash flows;
- As at 30 June 2023 the Group had cash on hand of $8.3 million (of which $6.1 million related to a government grant (incl GST)) and unused financing facilities of $18.8 million, which comprised:
  - $12.8 million of the $30.0 million debtor finance facility,
  - an unused $5.0 million bank overdraft facility (which includes financial covenants), which is up for renewal at the discretion of the financier in November 2023, and
  - $1.0 million standby credit arrangements, (collectively the "Facilities)

  Refer to note 16 for further details of the operation of the Facilities.
- The ability of the Group to generate sufficient funds from operating activities to meet its financial obligations as and when they fall due and operate within the limits of its Facilities.

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 2023.

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	Distribution	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 Distribution protective films.	The Distribution packaging segment sources and distributes Distribution packaging materials and related consumer products (previously known as Industrial segment).	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 2023	Flexibles $'000	Distribution $'000	Un-allocated $'000	Total $'000
External revenues	265,327	73,773	-	339,100
Inter-segment revenues	1,832	-	(1,832)	-
Segment revenues	267,159	73,773	(1,832)	339,100

For the year ended 30 June 2022	Flexibles $'000	Distribution $'000	Un-allocated $'000	Total $'000
External revenues	279,464	79,242	-	358,706
Inter-segment revenues	3,190	-	(3,190)	-
Segment revenues	282,654	79,242	(3,190)	358,706

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 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 2023	Flexibles $'000	Distribution $'000	Un-allocated $'000	Total $'000
Segment results (PBT) from continuing operations	(5,601)	(647)	(4,375)	(10,623)
Significant items from continuing operations				(310)
Profit/(loss) before income tax from continuing operations				(10,933)
Income tax (expense)/benefit from continuing operations				2,446
Profit/(loss) after income tax from continuing operations				(8,487)

For the year ended 30 June 2022	Flexibles $'000	Distribution $'000	Un-allocated $'000	Total $'000
Segment results (PBT) from continuing operations	(4,751)	(2,544)	(5,088)	(12,383)
Significant items from continuing operations				(33,945)
Profit/(loss) before income tax from continuing operations				(46,328)
Income tax (expense)/benefit from continuing operations				1,027
Profit/(loss) after income tax from continuing operations				(45,301)

Significant items from continuing operations

For the year ended	Notes	30 June 2023 $'000	30 June 2022 $'000
Intangibles impairment	(a)	-	25,051
Integration and restructuring costs	(b)	310	7,304
Chester Hill closure program	(c)	-	1,433
Insurance income, less losses expensed	(d)	-	157
Significant items		310	33,945

(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) 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 $93,000 (2022: $2,669,000), while payments in respect of significant items were $1,288,000 (2022: $1,499,000).

NOTE 2. EARNINGS PER SHARE (EPS)

	30 June 2023	30 June 2022
EPS (cents) – Basic	(5.63)	(31.90)
EPS (cents) – Diluted	(5.63)	(31.90)
EPS from continuing operations (cents) – Basic	(4.67)	(55.85)
EPS from continuing operations (cents) – Diluted*	(4.67)	(55.85)
Calculated using:		
Profit/(loss) after income tax ($'000)	(10,238)	(25,871)
Profit/(loss) after income tax from continuing operations ($'000)	(8,487)	(45,301)
Weighted average of ordinary shares (number) – Basic	181,687,711	81,110,410
Weighted average of ordinary shares (number) – Diluted*	181,687,711	81,110,410

*Performance rights were not included in the calculation of diluted earnings per share because they are anti-dilutive of the periods presented.

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 2023	Flexibles $'000	Distribution $'000	Un-allocated $'000	Total $'000
Type of goods or services				
Sale of manufactured goods	267,159	-	(1,832)	265,327
Sale of distribution goods	-	73,773	-	73,773
Revenue from contracts with customers	**267,159**	**73,773**	**(1,832)**	**339,100**
Geographic markets				
Australia	209,872	73,773	(1,832)	281,813
New Zealand	57,287	-	-	57.287
Revenue from contracts with customers	**267,159**	**73,773**	**(1,832)**	**339,100**
Timing of revenue recognition				
Goods transferred at a point in time	213,435	73,773	(1,832)	285,376
Services transferred over time	53,724	-	-	53,724
Revenue from contracts with customers	**267,159**	**73,773**	**(1,832)**	**339,100**

For the year ended 30 June 2022	Flexibles $'000	Distribution $'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	-	79,242	-	79,242
Revenue from contracts with customers	**282,654**	**79,242**	**(3,190)**	**358,706**
Geographic markets				
Australia	232,609	79,242	(3,190)	308,661
New Zealand	50,045	-	-	50,045
Revenue from contracts with customers	**282,654**	**79,242**	**(3,190)**	**358,706**
Timing of revenue recognition				
Goods transferred at a point in time	216,658	79,242	(3,190)	292,710
Services transferred over time	65,996	-	-	65,996
Revenue from contracts with customers	**282,654**	**79,242**	**(3,190)**	**358,706**

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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)

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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 2023 $'000	30 June 2022 $'000
Current income tax		
Current income tax charge	441	2,010
Adjustments in respect of previous years	81	(290)
Deferred income tax		
Relating to origination and utilisation of timing differences	(4,235)	5,580
Adjustments in respect of previous years	516	-
Income tax expense/(benefit)	**(3,197)**	**7,300**
Income tax expense/(benefit) from discontinued operations	751	(8,327)
Income tax expense/(benefit) from continuing operations	**(2,446)**	**(1,027)**

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

For the year ended	30 June 2023 $'000	30 June 2022 $'000
Profit before income tax from continuing operations	**(10,933)**	**(46,328)**
At the statutory income tax rate of 30% (2022: 30%)	(3,280)	(13,898)
Differential income tax rates	(16)	(87)
Adjustments in respect of previous years	597	(290)
Derecognition of deferred tax assets	-	5,864
Non-deductible impairment losses	-	7,515
Other items	253	(131)
Income tax expense/(benefit) from continuing operations	**(2,446)**	**(1,027)**
Income tax expense/(benefit) from discontinued operations	(751)	8,327
Income tax expense/(benefit)	**(3,197)**	**7,300**

NOTE 4. TAXATION (CONT'D)

Deferred tax balances

As at	Balance Sheet 30 June 2023 $'000	Balance Sheet 30 June 2022 $'000	Profit or Loss 30 June 2023 $'000	Profit or Loss 30 June 2022 $'000
Deferred tax assets				
Provisions and other accruals	9,903	9,742	161	(1,965)
Derivative financial liabilities	5	866	(225)	225
Lease liabilities	10,925	12,449	(1,524)	(5,748)
Carry forward tax losses	7,334	2,094	4,749	(669)
Transaction costs	623	382	241	(353)
Deferred tax assets	**28,790**	**25,533**	**3,402**	**(8,510)**
Deferred tax liabilities				
Intangibles	6,442	6,442	-	53
Property, plant and equipment	7,000	5,239	(1,761)	(5,239)
Derivative financial assets	150	650	500	-
Right-of-use assets	9,044	10,623	1,579	5,778
Other items	1	-	(1)	2,338
Deferred tax liabilities	**22,637**	**22,954**	**317**	**2,930**
Deferred tax assets/(liabilities), net	**6,153**	**2,579**	**3,719**	**(5,580)**

Movements in the deferred tax balances during the year ended:

	Notes	30 June 2023 $'000	30 June 2022 $'000
Balance as at beginning of the year		**2,579**	**8,155**
Recognised through profit or loss		3,719	(5,580)
Recognised through other comprehensive income		(145)	4
Balance as at end of the year		**6,153**	**2,579**

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.

Deferred tax assets relating to tax losses are recognised to the extent of expected future taxable income against which the losses can be utilised. This assessment is reviewed at each reporting date.

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 2023		30 June 2022	
	Cents/ share	$'000	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	-	-	-	-

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 2023 $'000	30 June 2022 $'000
Franking account balance as at the end of the year	6,854	6,854
Franking credits that will arise from the payment of income tax payable for the year	81	-
Franking credits that will be utilised upon payment of dividends at the end of the year	-	-
Franking credits available for subsequent years	6,935	6,854

Our Operational Footprint

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

NOTE 6. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

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Key accounting policy – businesses acquired

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

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

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

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

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

There were no businesses acquired in the current or previous financial year.

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 and Source & Sell business have been disclosed as discontinued operations in the current and prior year and as a result these businesses are no longer presented in the segment note.

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Key estimate and judgement – businesses acquired

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration 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.

Discontinued operations

On 1 September 2022, the Company entered into an agreement to transfer future sale and purchase contracts in relation to the Source & Sell business (which was part of the Industrial distribution segment) to Rank Sharp Industries Limited. The Company's related employees and their entitlements were also transferred. The extended working capital cycle of the Source & Sell business resulted in the business being considered non-core to the Group.

The Source & Sell business was not considered discontinued operations or classified as held-for-sale as at 30 June 2022 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.

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

NOTE 6. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS (CONT'D)

The Rigid business was considered discontinued operations as at 30 June 2022. The comparative consolidated income statement, the statement of comprehensive income and certain applicable notes include the results of Rigid Packaging.

Results of discontinued operation	30 June 2023 $'000	30 June 2022 $'000
Revenue – Source & Sell	2,197	45,207
Revenue – Rigid business	-	63,049
Expenses – Source & Sell	(3,142)	(40,629)
Expenses – Rigid business	(1,462)	(59,960)
Profit/(loss) before tax	**(2,407)**	**7,667**
Income tax (expense)/benefit	722	(2,300)
Gain/(loss) on divestment after income tax	(66)	14,063
Profit/(loss) after tax from discontinued operation	**(1,751)**	**19,430**

Gain on divestment	Notes	Source & Sell $'000
Proceeds from divestment		-
Carrying value of net assets		95
Net profit/(loss) on divestment before income tax		**(95)**
Income tax (expense)/benefit		29
Gain/(loss) on divestment after tax		**(66)**

Cash flows of discontinued operation	30 June 2023 $'000	30 June 2022 $'000
Net cash flows (used in)/from operating activities	2,130	2,249
Net cash (used in)/from investing activities	1,909	50,033
Net cash (used in)/from financing activities	-	(2,876)
Net cash flows for the year	**4,039**	**49,406**

NOTE 6. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS (CONT'D)

The net assets disposed of in relation to discontinued operations is summarised as follows:

Assets and liabilities at the date of disposal	Source and Sell[(1)] $'000	Rigid Business[(2)] $'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	95	2,146
Other provisions	-	522
Lease liabilities	-	9,212
Total liabilities divested	**95**	**11,880**
Net assets divested	**(95)**	**32,584**

(1) Source & Sell was disposed of on the 1 September 2022
(2) The Rigid Business was disposed of on the 24 June 2022

Earnings per share – discontinued operations	30 June 2023 cents	30 June 2022 cents
Basic earnings per share	(0.96)	23.95
Diluted earnings per share	(0.96)	23.95

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 2023 $'000	30 June 2022 $'000
Trade and other receivables	7	63,803	83,112
Inventories	8	66,521	75,920
Deposits and prepayments	13	2,482	1,758
Trade and other payables	9	(57,982)	(89,729)
Working capital		**74,824**	**71,061**

NOTE 7. TRADE & OTHER RECEIVABLES

As at	30 June 2023 $'000	30 June 2022 $'000
Trade receivables	47,669	71,002
Contract assets	10,246	7,997
Trade receivables from related parties	5,608	3,065
Trade and related party receivables	**63,523**	**82,064**
Allowance for expected credit losses	(1,350)	(843)
Trade and related party receivables, net of provision	**62,173**	**81,221**
Other debtors	1,630	1,891
Trade and other receivables	**63,803**	**83,112**

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

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

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.

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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract' leading to financial loss. 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 ageing profile and related provisioning of trade and related party receivables as at:

		Trade and related party receivables Days past due				
30 June 2023	Contract assets $'000	Current- < 30 days $'000	31-60 days $'000	61 – 90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	-	0.06%	1.25%	0.66%	62.55%	-
Gross carrying amount of receivables	10,246	50,090	802	302	2,083	63,523
Expected credit loss	-	(35)	(10)	(2)	(1,303)	(1,350)
30 June 2022						
Expected credit loss rate	-	0.09%	17.27%	15.78%	53.12%	-
Gross carrying amount of receivables	7,997	71,418	608	1,109	932	82,064
Expected credit loss	-	(68)	(105)	(175)	(495)	(843)

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

	30 June 2023 $'000	30 June 2022 $'000
Balance as at beginning of the year	(843)	(413)
Additional amounts provided	(526)	(837)
Amounts written-off as uncollectible	19	407
Reversal of doubtful amounts provided, subsequently collected	-	-
Balance as at end of the year	(1,350)	(843)

NOTE 8. INVENTORIES

As at	30 June 2023 $'000	30 June 2022 $'000
Raw materials	34,468	37,902
Work-in-progress	2,620	4,339
Finished goods	33,690	39,738
Engineering spares	1,193	1,203
Provision for obsolete inventories	(5,450)	(7,262)
Inventories	66,521	75,920

NOTE 8. INVENTORIES (CONT'D)

Key accounting policy – inventories

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

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

Key estimate and judgement – provision for obsolete inventories

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

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

	30 June 2023 $'000	30 June 2022 $'000
Balance as at beginning of the year	(7,262)	(5,988)
Additional amounts provided	(2,660)	(2,647)
Amounts written-off as obsolete	4,391	1,373
Reversal of obsolete amounts provided, subsequently sold	81	-
Balance as at end of the year	(5,450)	(7,262)

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 2023 $'000	30 June 2022 $'000
Trade payables	32,409	58,383
Payables to related parties	1,877	1,653
Trade and related party payables	**34,286**	**60,036**
GST and other taxes payable*	1,939	9,451
Other payables	21,757	20,242
Trade and other payables	**57,982**	**89,729**

* GST and other taxes payable includes $0.6 million relating to Government grant proceeds received in June 2023.

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.

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

Managing foreign currency risk

Foreign currency risk is the risk that the fair value or future cashflows of an exposure will fluctuate because of changes in foreign exchange rates.

As a result of its international activities, the Group is exposed to changes in foreign exchange rates on sales and purchases. 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. Refer to Note 28: Derivate Financial Instruments and Hedge Accounting for more details of the Group's foreign currency risk policy.

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

As at	30 June 2023 $'000	30 June 2022 $'000
United States dollars	(12,283)	(16,696)
Swedish Kronor	(68)	(2)
New Zealand dollars	(425)	(147)
Euros	(52)	(418)
Great British pounds	(6)	267

The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constant. The impact on the Group's profit/(loss) before tax is due to changes in the fair value of monetary liabilities denominated in foreign exchange. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

	Effect on profit/(loss) before tax		Effect on pre-tax equity	
As at	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
+/- 10% in AUD/USD	1,228	1,670	29	103
+/- 10% in AUD/NZD	43	15	13	6
+/- 10% in AUD/EUR	5	42	7	7
+/- 10% in AUD/GBP	1	27	-	1

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 2022	**56,548**	**2,231**	**60**	**58,839**
Additions	3,344	138	391	3,873
Disposals	(75)	-	(9)	(84)
Depreciation expense	(5,909)	(505)	(136)	(6,550)
Movement in foreign exchange rates	119	(6)	-	113
Balances as at 30 June 2023	**54,027**	**1,858**	**306**	**56,191**
Represented by:				
At cost	119,236	7,201	3,464	129,901
Accumulated depreciation and impairment	(65,209)	(5,343)	(3,158)	(73,710)
Balances as at 30 June 2023	**54,027**	**1,858**	**306**	**56,191**
Balances as at 1 July 2021	**56,277**	**1,622**	**326**	**58,225**
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	**56,548**	**2,231**	**60**	**58,839**

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
Motor vehicles	7% - 25%	Straight-line
Computer equipment	20% - 50%	Straight-line
Office equipment	5% - 33%	Straight-line

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 AND IMPAIRMENT TESTING

	Goodwill $'000	Brand Names $'000	Customer Contracts $'000	Other $'000	Total $'000
Balances as at 1 July 2022	-	19,524	466	9,305	29,295
Additions	-	-	2,220	2,545	4,765
Disposals	-	-	-	-	-
Amortisation expense	-	-	(366)	(1,398)	(1,764)
Impairment loss	-	-	-	-	-
Movement in foreign exchange rate	-	-	-	-	-
Balances as at 30 June 2023	-	19,524	2,320	10,452	32,296
Represented by:					
At cost	-	21,472	4,610	13,851	39,933
Accumulated amortisation and impairment	-	(1,948)	(2,290)	(3,399)	(7,637)
Balances as at 30 June 2023	-	19,524	2,320	10,452	32,296
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

NOTE 11. INTANGIBLE ASSETS AND IMPAIRMENT TESTING (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. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. 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).

Other intangibles are amortised on a straight line basis over the period of their expected benefit, which is between 1.5 years and 8 years.

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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 AND IMPAIRMENT TESTING(CONT'D)

Impairment testing

Brand names 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**).

The CGUs assessed at 30 June 2023 were Integrated Packaging Group Australia, Integrated Packaging Group New Zealand, and Perfection Packaging (all comprising the Flexibles operating segment), and Distribution operating segment. These CGUs represent 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.

Indefinite life intangible assets for the year ended 30 June 2023 represent brand names, these brand names form part of the Integrated Packaging Group Australia CGU, which were acquired as part of a prior period acquisition.

Methodology and Testing of Recoverable Amount

Value-in-use

The recoverable amount of each 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.

- <u>Discount rates</u>

  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.

- <u>Growth rates</u>

  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.

- <u>Long-term growth rate</u>

  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.

NOTE 11. INTANGIBLE ASSETS & IMPAIRMENT TESTING (CONT'D)

Impairment testing results of Flexibles operating segment and Distribution operating segment

As at balance date, the carrying amount of intangible assets and other non-financial non-current assets tested for impairment have been allocated as per below operating segments:

	Operating segments		
	Flexibles	Distribution	Total
As at 30 June 2023	$'000	$'000	$'000
Property, plant and equipment	53,374	2,817	56,191
Right-of-use assets	23,513	6,775	30,288
Brand names	19,524	-	19,524
Customer contracts & other intangibles	11,244	1,528	12,772
Total	**107,655**	**11,120**	**118,775**

	Operating segments		
	Flexibles	Distribution	Total
As at 30 June 2022	$'000	$'000	$'000
Property, plant and equipment	56,154	2,685	58,839
Right-of-use assets	28,962	6,449	35,411
Brand names	19,524	-	19,524
Customer contracts & other intangibles	6,264	3,507	9,771
Total	**110,904**	**12,641**	**123,545**

As a result of impairment testing the VIU was higher than the carrying amount and therefore nil impairment was recorded for the year ended 30 June 2023 (2022: $25,051,000 impairment).

Refer below for headroom information and sensitivity analysis.

NOTE 11. INTANGIBLE ASSETS & IMPAIRMENT TESTING (CONT'D)

Sensitivity analysis

The table below includes details of the amount by which the recoverable amount exceeded its carrying amount ('Headroom') for each CGUs at 30 June 2023, 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 2023	Distribution 2023	Flexibles 2022	Distribution 2022
Headroom ($'000)	90,695	9,747	-	8,484
Discount rates				
Adopted assumption (%)	12.84	12.74	13.49	13.49
Breakeven assumption (%)	19.07	18.47	13.49	19.59
EBITDA compound annual growth rates				
Adopted assumption (%)	8.54	2.98	0.79	0.00
Breakeven assumption (%)	(0.03)	(1.34)	0.79	(20.67)
Long-term growth rates				
Adopted assumption (%)	2.50	2.50	2.50	2.50
Breakeven assumption (%)	(10.02)	>(100.00)	2.50	>(100.00)

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.

	Flexibles 2023	Distribution 2023	Flexibles 2022	Distribution 2022
Discount rates				
Revised assumption (%)	13.84	13.74	14.49	14.49
Impact on recoverable amount ($'000)	(21,068)	(2,373)	(11,342)	(1,888)
EBITDA compound annual growth rates				
Revised assumption (%)	7.54	1.98	(0.21)	(1.00)
Impact on recoverable amount ($'000)	(10,583)	(2,259)	(23,220)	(569)
Long-term growth rates				
Revised assumption (%)	1.50	1.50	1.50	1.50
Impact on recoverable amount ($'000)	(14,600)	(853)	(5,246)	(536)

NOTE 11. INTANGIBLE ASSETS & IMPAIRMENT TESTING (CONT'D)

Impairment testing results of CGU's with indefinite life intangible assets

Indefinite life intangible assets for the year ended 30 June 2023 represent brand names of $19,524,000, these brand names form part of the Integrated Packaging Group Australia CGU, which were acquired as part of a prior period acquisition. The total carrying amount of assets the Integrated Packaging Group Australia CGU as at 30 June 2023 was $99,000,000.

As a result of impairment testing the VIU was higher than the carrying amount and therefore nil impairment was recorded for the year ended 30 June 2023.

Details of the headroom, key assumptions and a sensitivity analysis have been included below:

	Integrated Packaging Group Australia
Headroom ($'000)	72,859
Discount rates	
Adopted assumption (%)	12.95
Breakeven assumption (%)	22.42
EBITDA compound annual growth rates	
Adopted assumption (%)	3.26
Breakeven assumption (%)	(5.77)
Long-term growth rates	
Adopted assumption (%)	2.50
Breakeven assumption (%)	(55.28)

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 the Integrated Packaging Group Australia CGU to reasonable possible changes in each key assumption when moved in isolation.

	Integrated Packaging Group Australia
Discount rates	
Revised assumption (%)	13.95
Impact on recoverable amount ($'000)	(13,198)
EBITDA compound annual growth rates	
Revised assumption (%)	2.26
Impact on recoverable amount ($'000)	(7,449)
Long-term growth rates	
Revised assumption (%)	1.5
Impact on recoverable amount ($'000)	(7,513)

NOTE 12. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

As at	30 June 2023 $'000	30 June 2022 $'000
Less than one year	3,443	1,152
Capital expenditure commitments	**3,443**	**1,152**

Contingencies

As at	Notes	30 June 2023 $'000	30 Jun 2022 $'000
Security deposit guarantees given to landlords		1,056	1,878
Standby letters of credits given to overseas suppliers		2,031	2,100
Contingent liabilities	**16**	**3,087**	**3,978**

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 2023 $'000	30 June 2022 $'000
Current		
Deposits and prepayments	2,482	1,758
Accrued proceeds on sale	-	1,800
Current other assets	**2,482**	**3,558**

NOTE 14. OTHER LIABILITIES

As at	Notes	30 June 2023 $'000	30 June 2022 $'000
Current			
Deferred consideration	6	-	99
Accrued capital expenditure		1,192	906
Government grant	(a)	5,579	-
Unearned income		240	729
Current other liabilities		**7,011**	**1,734**

(a) The Government grant was received through the Federal Government's Modern Manufacturing Initiative for the establishment of a soft plastic film recycling plant. Proceeds received in relation to this grant are to be used in line with the terms and conditions of the grant agreement and have been classified as cashflows from investing activities in the statement of cash flows.

Key accounting policy – government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The Group has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

The Group has chosen to present grants related to an expense item as occupancy, distribution, administration and selling expense in the statement of profit or loss.

NOTE 15. OTHER PROVISIONS

As at	Notes	30 June 2023 $'000	30 June 2022 $'000
Current			
Business restructuring	(a)	79	1,057
Lease make-good		445	445
Current other provisions		**524**	**1,502**
Non-current			
Lease make-good		3,079	3,069
Non-current other provisions		**3,079**	**3,069**

[a] Business restructuring plan relates to organisation right sizing. The restructuring plan was drawn up and announced to its employees in June 2022. The restructuring is expected to be completed by early FY24.

Movements in other provisions during the year ended:

	Business Restructuring $'000	Lease Make-Good $'000	Total $'000
Balances as at 1 July 2022	**1,057**	**3,514**	**4,571**
Additional amounts provided	-	-	-
Amounts utilised	(978)	-	(978)
Reversal of amounts provided	-	-	-
Movement in foreign exchange rates	-	10	10
Balances as at 30 June 2023	**79**	**3,524**	**3,603**

	Business Restructuring $'000	Lease Make-Good $'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**

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Key accounting policy – other provisions

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

NOTE 15. OTHER PROVISIONS (CONT'D)

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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 2023 $'000	30 June 2022 $'000
Borrowings	16	16,075	24,960
Less: cash and cash equivalents	17	(8,323)	(1,322)
Net debt		7,752	23,638
Less: government grant proceeds[1]		6,137	-
Net debt excluding government grant proceeds		13,889	23,638

[1] Proceeds received from the government grant are to be used in line with the agreement terms and conditions.

NOTE 16. BORROWINGS

As at	Interest rate %	Maturity		30 June 2023 $'000	30 June 2022 $'000
Current					
Bank overdraft	BBSW + margin	Nov 23	(b)	-	313
Debtor finance facility	BBSW + margin	Dec 25	(c)	16,075	-
Trade finance	-	Repaid	(d)	-	3,192
Current borrowings				16,075	3,505
Non-current					
Bank loans		Repaid	(a)	-	21,455
Non-current borrowings				-	21.455

NOTE 16. BORROWINGS (CONT'D)

a) During the year ended 30 June 2023 the Group repaid all amounts outstanding under the syndicated debt facility agreement. This was replaced by a $30 million debtor finance facility, effective from 2 December 2022

b) The bank overdraft is up for renewal at the discretion of the financier in November 2023. As at 30 June 2023, the Group received a waiver from covenant ratio compliance for the 30 June 2023 calculation period.

c) The debtor finance facility has a committed limit to December 2025. The drawings made under the committed facility limit are however revolving in nature and accordingly, the debt of $16.1 million outstanding under the facility at 30 June 2023 has been disclosed as a current liability. This facility will continue to be available to be redrawn, subject to eligible sale invoices being presented against the facility until December 2025. The Interest rate applicable is floating and is charged monthly using the relevant bank bill swap rate (BBSW) on the 4th day of each month as determined by the Australian Securities Exchange (ASX) plus an agreed margin.

d) In the year ended 30 June 2022, trade finance was used to make supplier payments, with extended terms of 60 days provided by the financial institution to the company in exchange for interest charged. This was repaid during the year ended 30 June 2023, and is no longer a source of funding for the Group.

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.

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

As at 30 June 2023	Notes	Utilised $'000	Unutilised $'000	Total $'000
Debtor finance facility	(c)	17,168	12,832	30,000
Bank overdraft	(b)	-	5,000	5,000
Contingent funding facilities		3,087	1,013	4,100
Total facilities		**20,255**	**18,845**	**39,100**

As at 30 June 2022		Utilised $'000	Unutilised $'000	Total $'000
Bank overdraft		313	24,687	25,000
Bank loans	(a)	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**

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 2023	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	-	34,286	-	-	-	34,286	34,286
Other payables	-	23,696	-	-	-	23,696	23,696
Other liabilities	-	7,011	-	-	-	7,011	7,011
Bank overdraft	-	-	-	-	-	-	-
Derivatives	-	1	14	-	-	15	15
Debtor finance facility	17,168	-	-	-	-	17,168	16,075
Lease liabilities	-	2,790	7,902	27,779	3,338	41,809	36,737
Total	**17,168**	**67,784**	**7,916**	**27,779**	**3,338**	**123,985**	**117,820**

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	-	60,036	-	-	-	60,036	60,036
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	**-**	**99,028**	**8,381**	**57,880**	**2,875**	**168,164**	**160,804**

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

	1 July 2022 $'000	Cash Flows $'000	Foreign exchange movement $'000	New leases $'000	Disposal of leases $'000	Other $'000	30 June 2023 $'000
Current borrowings	3,505	(3,272)	-	-	-	(233)	-
Current lease liabilities	7,645	(7,711)	-	-	-	8,793	8,727
Debtor finance facility	-	15,276	(5)	-	-	804	16,075
Non-current borrowings	21,455	(21,455)	-	-	-	-	-
Non-current lease liabilities	33,850	(961)	-	3,867	(87)	(8,659)	28,010
Dividend payable	-	-	-	-	-	-	-
Total	**66,455**	**(18,123)**	**(5)**	**3,867**	**(87)**	**705**	**52,812**

NOTE 16. BORROWINGS (CONT'D)

	1 July 2021 $'000	Cash Flows $'000	Foreign exchange movement $'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	(8,693)	-	-	-	6,419	7,645
Non-current borrowings	51,400	(26,716)	(288)	-	-	(2,941)	21,455
Non-current lease liabilities	50,736	(1,083)	-	-	(9,385)	(6,418)	33,850
Dividend payable	2,361	(2,431)	-	-	-	70	-
Total	**121,916**	**(46,423)**	**(288)**	**-**	**(9,385)**	**635**	**66,455**

NOTE 17. CASH & CASH EQUIVALENTS

As at	30 June 2022 $'000	30 June 2020 $'000
Cash on hand	83	48
Cash at bank	8,240	1,274
Cash and cash equivalents	**8,323**	**1,322**

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 2023 $'000	30 June 2022 $'000
Profit before income tax from continuing and discontinued operations		(13,435)	(18,571)
Non-cash items:			
Impairment losses		-	25,051
Depreciation and amortisation expense		17,217	19,319
Loss/(gain) on disposal of property, plant and equipment		186	(19,856)
Share-based payments expense	22	890	370
Amortisation of borrowing costs	18	567	276
Change in fair value of derivatives recognised in equity		26	(766)
Changes in assets and liabilities:			
Decrease/(increase) in trade and other receivables		19,632	(10,396)
Decrease/(increase) in inventories		9,399	(8,200)
Decrease/(increase) in derivative financial instruments		(1,205)	766
Decrease/(increase) in other assets		(719)	6,214
Increase/(decrease) in trade and other payables		(32,071)	16,417
Increase/(decrease) in other liabilities		(1,674)	(2,402)
Increase/(decrease) in employee entitlements		(859)	(41)
Increase/(decrease) in other provisions		(968)	(733)
Income tax refund/(paid)		(1)	(909)
Net cash (used in)/ flows from operating activities		(3,015)	6,539

NOTE 18. FINANCE COSTS

For the year ended	Notes	30 June 2023 $'000	30 June 2022 $'000
Interest expense		2,376	3,100
Amortisation of borrowing costs		567	276
Interest on lease liabilities	29	2,423	3,316
Finance costs		5,366	6,692

During the year ended 30 June 2023, the Group incurred $1.3 million of costs as a result of establishing the new debtors finance facility (refer Note 16. Borrowings). These costs are being amortised over the 3-year term of the facility. Residual borrowing costs of $0.1 million relating to the previous syndicated debt facility (initial expiry was 31 March 2023) were written off during the year.

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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

Interest rate risk is the risk that the fair value or future cashflows of borrowings will fluctuate because of changes in market interest rates. 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 2023 $'000	30 June 2022 $'000
+/- 1% in interest rates	161	250

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 2023		30 June 2022	
	Number	$'000	Number	$'000
Ordinary shares as at beginning of the year	81,110,410	291,678	81,110,410	291,678
Rights issue	100,577,301	30,174	-	-
Transaction costs for rights issue, net of income tax	-	(1,314)	-	-
Ordinary shares as at end of the year	181,687,711	320,538	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.

Rights issue

During the year ended 30 June 2023, the Group completed 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, which raised gross proceeds of $30.2 million. $1.3 million (net of income tax) in transaction costs were incurred as part of the rights issue.

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 2023 $'000	30 June 2022 $'000
Share-based payments reserve	(a)	1,935	1,045
Cash flow hedge reserve	(b)	394	678
Foreign currency translation reserve	(c)	(17)	127
Reserves		2,312	1,850

(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.

NOTE 20. RESERVES (CONT'D)

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 a foreign currency 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. Refer to Note 28. Derivative Financial Instruments and Hedge Accounting for more details of the accounting treatment of foreign currency forward contracts.

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 2023 $'000	30 June 2022 $'000
Current		
Annual leave	5,062	5,893
Time off in lieu and rostered days off	70	67
Long service leave	4,546	4,463
Current employee entitlements	**9,678**	**10,423**
Non-current		
Long service leave	331	445
Non-current employee entitlements	**331**	**445**

NOTE 21. EMPLOYEE ENTITLEMENTS (CONT'D)

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.

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 2023 $'000	30 June 2022 $'000
Wages and salaries		66,915	71,690
Superannuation contributions		5,370	5,136
Share-based payments expense	23	890	370
Other employee benefits		7,554	7,664
Employee benefits expense		80,729	84,860

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 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 no longer operates an ESPP. The Board has resolved that all long-term incentives will be offered to eligible employees under the Company’s performance rights plan.

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 2023		30 June 2022	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	-	-	78,000	$2.10
Forfeited	-	-	(78,000)	$2.10
Expired	-	-	-	-
Outstanding as at end of the year	-	-	-	-
Exercisable	-	-	-	-

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.

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

A summary of the performance share rights (PSR) granted under the PRP during the year ended 30 June 2023 is as follows:

Grant date	Vesting date	Expiry date	Exercise price	Fair Value	Balance at beginning of year	Granted	Exercised	Forfeited	Balance at end of year
9-Dec-19[1]	30 Jun-22	31-Dec-22	$0.00	$0.458	422,593	-	-	(422,593)	-
11-Dec-20[1]	30 Jun-23	31-Dec-23	$0.00	$0.134	415,503	-	-	(365,544)	49,959
20-Dec-21[1]	30 Jun-24	31-Dec-24	$0.00	$0.867	709,030	-	-	(482,371)	226,659
3-Oct-22[2]	30 Jun-23	31-Dec-24	$0.00	$0.300	-	1,000,000	-	-	1,000,000
3-Oct-22[2]	30 Jun-24	31-Dec-24	$0.00	$0.300	-	3,000,000	-	-	3,000,000
3-Oct-22[2]	30 Jun-24	31-Dec-24	$0.00	$0.300	-	3,000,000	-	-	3,000,000
3-Oct-22[2]	30 Jun-24	31-Dec-24	$0.00	$0.300	-	1,000,000	-	-	1,000,000
16 Mar-23[1]	30 Jun-25	31-Dec-25	$0.00	$0.247	-	4,041,556	-	-	4,041,556
Total					**1,547,126**	**12,041,556**	**-**	**(1,270,508)**	**12,318,174**

[1]**Other PSR** – performance share rights issued to other executives. The performance hurdles for these rights include market conditions.

[2]**CEO PSR** – performance share rights issued to J. Cerini (CEO and Managing Director). On 3 October 2022, 8 million performance rights were issued as part of his employment contract on commencement as CEO of the Group. The performance hurdles for these rights only contain non-market conditions.

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

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 2023		30 June 2022	
	Number	WAEP	Number	WAEP
Outstanding as at beginning of the year	**1,547,126**	**$0.000**	**1,499,622**	**$0.000**
Granted	12,041,556	$0.000	1,063,558	$0.000
Forfeited	(1,270,508)	$0.000	(879,161)	$0.000
Exercised	-	$0.000	(136,893)	$0.000
Outstanding as at end of the year	**12,318,174**	**$0.000**	**1,547,126**	**$0.000**
Exercisable	-	-	-	-

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

The following table lists the inputs to the valuation models used to calculate the fair value of performance rights issued during the year ended 30 June 2023 and 30 June 2022 respectively.

	30 June 2023		30 June 2022	
	Other PSR	CEO PSR	Other PSR	CEO PSR
Fair value at measurement date	$0.247	$0.300	$0.867	n/a
Dividend yield (%)	0.00	n/a	1.63	n/a
Expected volatility (%)	64	n/a	62	n/a
Risk-free interest rate (%)	3.1	n/a	0.89	n/a
Expected life of PSRs (years)	2.4	n/a	2.7	n/a
Exercise price	$0.00	n/a	$0.00	n/a
Model used	Monte Carlo	(1)	Monte Carlo	n/a

[1]As the CEO PSR issued during the year only contain non-market vesting conditions the fair value is determined as the share price at grant date. This is adjusted for any expected dividends between the grant date and vesting date.

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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 performance rights, that are provided to employees in exchange for the rendering of services.

The fair value of equity-settled transactions is measured at grant date.

Where the performance hurdle contains market conditions the fair value is independently determined using the Monte Carlo option pricing model. This model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right 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).

Where the performance hurdle only contains non-market conditions it is not appropriate to use an option pricing model such as Monte Carlo. In this instance the valuation is based on the share price at grant date. This is adjusted for any dividends to be received between grant date and vesting date.

NOTE 24. KEY MANAGEMENT PERSONNEL

Employee benefits expense

For the year ended	Notes	30 June 2023 $'000	30 June 2022 $'000
Short-term employee benefits		1,778	1,852
Long-term employee benefits		(3)	8
Post-employment benefits		104	93
Share-based payments		452	244
Compensation to key management personnel	(a)	2,331	2,197

(a) Employee benefits includes termination benefits of $144,679 for the year ended 30 June 2023 (2022: $63,429).

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 2023 $'000	30 June 2022 $'000
Other		2,932	1,671
Other income	(a)	2,932	1,671

(a) Other income for the year ended 30 June 2023 includes $1,073,000 in relation to transitional services provided on the sale of the Rigid Business and $1,054,000 of sub-lease income (2022: $467,000).

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 2023 $'000	30 June 2022 $'000
Other income	3	-
Expenses	(2,920)	(3,323)
Profit/(loss) before income tax	**(2,917)**	**(3,323)**
Income tax (expense)/benefit	875	997
Profit/(loss) after income tax	**(2,042)**	**(2,326)**
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	**(2,042)**	**(2,326)**

Statement of financial position

As at	30 June 2023 $'000	30 June 2022 $'000
Current assets	227,308	195,885
Non-current assets	133,478	132,194
Total assets	**360,786**	**328,079**
Current liabilities	67,939	62,050
Non-current liabilities	-	-
Total liabilities	**67,939**	**62,050**
Net assets	**292,847**	**266,029**
Issued capital	320,538	291,678
Retained earnings/(accumulated losses)	(27,691)	(25,649)
Equity	**292,847**	**266,029**

NOTE 27. FAIR VALUE MEASUREMENT

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.

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.

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

NOTE 27. FAIR VALUE MEASUREMENT (CONT'D)

As at 30 June 2023		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Accrued proceeds on sale	(a)	13	-	-	-	-
Borrowings	(b)	16	-	-	-	-
Debtor finance facility	(b)	16	-	(16,075)	-	(16,075)
Derivative financial assets	(c)					
Foreign exchange forward contracts						
- AUD/USD		-	-	303	-	303
- AUD/EUR		-	-	66	-	66
- AUD/GBP		-	-	-	-	-
- NZD/USD		-	-	130	-	130
Derivative financial liabilities	(c)					
- AUD/USD		-	-	(11)	-	(11)
- AUD/EUR		-	-	-	-	-
- NZD/USD		-	-	(4)	-	(4)
Total		-	-	(15.591)	-	(15,591)

As at 30 June 2022		Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	
Accrued proceeds on sale	(a)	13	-	-	1,800	1,800
Borrowings	(b)	16	-	(24,960)	-	(24,960)
Derivative financial assets	(c)					
Foreign exchange forward contracts						
- AUD/USD		28	-	1,655		1,655
- AUD/EUR			-	207		207
- AUD/GBP			-	8		8
- NZD/USD			-	295		295
Derivative financial liabilities	(c)	28				
Foreign exchange forward contracts						
- AUD/USD			-	(2,688)		(2,688)
- AUD/EUR			-	(138)		(138)
- NZD/AUD			-	(60)		(60)
Total			-	(25,681)	1,800	(23,881)

(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.

(b) Borrowings 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. During the year the Group repaid all amounts outstanding under the syndicated debt facility agreement. This was replaced by a $30.0 million debtors finance facility. The Interest rate applicable to this facility is floating and is charged monthly using the relevant bank bill swap rate (BBSW) on the 4th day of each month as determined by the Australian Stock Exchange (ASX). The debtors finance facility is initially recognised at fair value and subsequently 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 28. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses forward currency contracts to manage its foreign currency risk.

Under the Treasury Policy approved by the Board, certain forward foreign currency cover is taken out to hedge against unfavourable foreign exchange movements on committed purchases and highly probable forecasts denominated in a currency other than the functional currency of the legal entities within the Group.

Such derivative financial instruments are initially measured at fair value on the date on which the derivative contract is entered into and are remeasured at each subsequent reporting date.

As at 30 June 2023, Management has recognised a net derivative asset of $0.5m (30 June 2022: net derivative liability of $0.7m) when assessing the fair value of open hedge instruments on foot.

Hedge Accounting

At the inception of the foreign exchange forward contract, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. This involves identification of the hedging instrument and the underlying hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

For the purposes of hedge accounting these forward currency contracts are designated as cash flow hedges as they hedge the exposure to variability in cash flows attributed to the foreign currency risk of a recognised underlying asset or liability.

Cash flow hedges that meet all the qualifying criteria for hedge accounting are accounted for as follows:

1. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve (refer Note. 20: Reserves).
2. 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 the fair value of the hedged item;
3. Any ineffective portion of the hedging instrument is recognised immediately in the statement of profit or loss;
4. Any unrealised gains or losses on effective cash flow hedges that have been deferred in the cash flow hedge reserve are subsequently released to profit or loss when the underlying hedged item is settled and the corresponding gain or loss recorded in the profit or loss.

Management has assessed that the remainder of the open hedge book to be highly effective in hedging the associated foreign currency risks implicit in the underlying hedged items and consequently, the unrealised gain of $0.5 million at 30 June 2023 has been deferred within equity.

All realised foreign currency gains and losses arising upon closing a forward foreign currency contract during the year ended 30 June 2023 have been recognised as occupancy, distribution, administration and selling expense in the statement of comprehensive income.

NOTE 28. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D)

The Group is holding the following foreign exchange forward contracts:

		Less than 1 month $'000	1 to 3 months $'000	3 to 6 months $'000	6 to 9 months $'000	9 to 12 months $'000	Total $'000
As at 30 June 2023							
Foreign exchange forward contracts (highly probable forecast net purchases)							
-	Notional amount	6,152	11,004	1,377	-	-	18,533
	Average forward rate (AUD/USD)	0.6997	0.6748	0.6821	-	-	-
-	Notional amount	1,126	1,128	358	811	-	3,423
	Average forward rate (AUD/EUR)	0.6215	0.6203	0.6185	0.6164	-	-
-	Notional amount	-	-	-	-	-	-
	Average forward rate (AUD/GBP)	-	-	-	-	-	-
-	Notional amount	-	-	-	-	-	-
	Average forward rate (AUD/NZD)	-	-	-	-	-	-
-	Notional amount	4,531	3,716	-	-	-	8,247
	Average forward rate (NZD/USD)	0.6176	0.6168	-	-	-	-
As at 30 June 2022							
Foreign exchange forward contracts (highly probable forecast net purchases)							
-	Notional amount	27,191	24,311	19,217	1,552	-	72,271
	Average forward rate (AUD/USD)	0.7440	0.7290	0.7261	0.7254	-	-
-	Notional amount	4,491	-	-	-	-	4,491
	Average forward rate (AUD/EUR)	0.6156	-	-	-	-	-
-	Notional amount	177	-	-	-	-	177
	Average forward rate (AUD/GBP)	0.5392	-	-	-	-	-
-	Notional amount	3,220	-	-	-	-	3,220
	Average forward rate (AUD/NZD)	1.0920	-	-	-	-	-
-	Notional amount	2,648	3,899	-	-	-	6,547
	Average forward rate (NZD/USD)[1]	0.6506	0.6349	-	-	-	-

[1] The notional amount of these foreign exchange forward contracts is denominated in $NZD and have been translated into $AUD using the spot rate at 30 June 2023 of 1.0883 (AUD/NZD). (spot rate of 1.1088 (AUD/NZD) at 30 June 2022).

NOTE 28. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D)

The effect of the cash flow hedge in the statement of comprehensive income is, as follows:

	Total hedging gain/(loss) recognised $'000	Ineffect-Iveness recognised in the statement of compre-hensive income $'000	Cost of hedging recognised in OCI $'000	Amount reclassified from OCI to profit or loss $'000	Line item in the statement of compreh-ensive income
Year ended 30 June 2023					
Highly probable forecast purchases	(284)	-	-	678	(1)
Year ended 30 June 2022					
Highly probable forecast purchases	(124)	(750)	-	803	(1)

(1) Occupancy, distribution, administration and selling expense.

The impact of the hedging instruments in the statement of financial position:

	Notional amount $'000	Carrying amount $'000	Change in fair value used for measuring ineffectiveness for the period $'000	Line item in the statement of financial position
	$'000	$'000	$'000	
As at 30 June 2023				
Foreign exchange forward contracts	26,767	499	-	Derivative financial assets
Foreign exchange forward contracts	3,436	(15)	-	Derivative financial liabilities
As at 30 June 2022				
Foreign exchange forward contracts	40,817	2,165	750	Derivative financial assets
Foreign exchange forward contracts	45,889	(2,886)	-	Derivative financial liabilities

NOTE 29. 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.

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 2022	**33,754**	**1,657**	**35,411**	**41,495**
Additions	3,603	264	3,867	3,867
Disposals	(38)	(49)	(87)	(220)
Depreciation expense	(8,260)	(643)	(8,903)	-
Interest expense	-	-	-	2,423
Payments	-	-	-	(10,828)
As at 30 June 2023	**29,059**	**1,229**	**30,288**	**36,737**
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**

The Group recognised rent expense and payments for short-term leases of nil (2022: nil), leases of low-value assets of nil (2022: nil) and variable lease expense and payments of $934,000 (2022: $733,000) for the year ended 30 June 2023.

The Group recognised impairment losses of nil (2022: nil) for the year ended 30 June 2023.

The Group had total cash outflows for leases of $8,672,000 in 2023 ($9,776,000 in 2022).

NOTE 29. LEASES (CONT'D)

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 2023 $'000	30 June 2022 $'000
Occupancy, distribution, administration and selling expenses		10,828	10,411
Depreciation and amortisation expense		(8,903)	(8,629)
Finance costs	18	(2,423)	(2,713)
Profit/(loss) before income tax from continuing operations		**(498)**	**(931)**
Income tax (expense)/benefit		149	279
Profit/(loss) after income tax from continuing operations		**(349)**	**(652)**

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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 29. LEASES (CONT'D)

There was no impact on other comprehensive income for the year ended 30 June 2023.

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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 2023	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 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

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 30. 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 2023	Notes	Sales $'000	Purchases $'000	Receivable $'000	Payable $'000
Kin Group Pty Ltd	(a)	4,337	138	1,055	-
Pact Group Limited	(a)	4,305	16	1,132	-
Visy Industries Pty Ltd	(a)	12,691	10,679	3,421	1,877

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
Visy Industries Pty Ltd	(a)	14,147	17,537	1,919	666

(a) Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Kin Group Pty Ltd

Mr Raphael Geminder owns 65.8% (2022: 57.6%) 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 received a sub-underwriting fee of $0.109 million.

Pact Group Limited

The Group is an exclusive supplier of certain products 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 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.

Visy Industries Pty Ltd

Visy Industries (Visy), a related party of Pro-Pac Packaging Limited, is a supplier to, and customer of, Pro-Pac Packaging Limited. The Group purchases products such as cardboard boxes from Visy and sells flexible packaging to Visy.

NOTE 31. 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 2023	30 June 2022
Direct Controlled Entities:				
Pro-Pac Distribution 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 Distribution 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 31. CONTROLLED ENTITIES (CONT'D)

Key accounting policy – controlled entities

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

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the 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 32. 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):

Consolidated statement of comprehensive income

For the year ended	30 June 2023 $'000	30 June 2022 $'000
Revenue from contracts with customers	288,907	416,917
Raw materials and consumables used	(159,010)	(246,286)
Employee benefits expense	(73,305)	(97,147)
Occupancy, distribution, administration and selling expenses	(50,618)	(43,354)
Allowance for expected credit loss	(579)	(661)
Impairment losses	-	(25,051)
Depreciation and amortisation expense	(16,593)	(18,639)
Other income	2,885	1,810
Interest income	3	57
Finance costs	(2,196)	(3,888)
Profit/(loss) before income tax	**(10,506)**	**(16,242)**
Income tax (expense)/benefit	3,205	(7,286)
Profit/(loss) after income tax	**(7,301)**	**(23,528)**
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	(117)	(71)
Total other comprehensive income/(loss)	**(117)**	**(71)**
Total comprehensive income/(loss)	**(7,418)**	**(23,599)**

NOTE 32. DEED OF CROSS GUARANTEE (CONT'D)

Consolidated statement of financial position

As at	30 June 2023 $'000	30 June 2022 $'000
Current assets		
Cash and cash equivalents	50	426
Trade and other receivables	56,918	76,112
Inventories	51,064	56,787
Current tax assets	656	738
Derivative financial assets	499	2,165
Other assets	2,219	3,236
Total current assets	**111,406**	**139,464**
Non-current assets		
Property, plant and equipment	49,776	52,440
Right-of-use assets	30,288	35,411
Intangible assets	34,089	31,092
Investments	3,108	3,108
Deferred tax assets	5,337	1,777
Other assets	19,190	6,129
Total non-current assets	**141,788**	**129,957**
Total assets	**253,194**	**269,421**
Current liabilities		
Trade and other payables	49,833	82,471
Derivative financial liabilities	15	2,886
Interest-bearing liabilities	(505)	(1,223)
Lease liabilities	8,727	7,645
Current tax liability	4,560	4,843
Other liabilities	7,011	1,734
Employee entitlements	8,880	9,669
Other provisions	524	1,433
Total current liabilities	**79,045**	**109,458**
Non-current liabilities		
Lease liabilities	28,010	35,386
Employee entitlements	331	445
Other provisions	2,528	2,528
Total non-current liabilities	**30,869**	**38,359**
Total liabilities	**109,914**	**147,817**
Net assets	**143,280**	**121,604**
Equity		
Issued capital	320,538	291,678
Reserves	(1,716)	(1,833)
Accumulated losses	(175,542)	(168,241)
Total equity	**143,280**	**121,604**

NOTE 32. DEED OF CROSS GUARANTEE (CONT'D)

Summary of movements in consolidated retained earnings

For the year ended	30 June 2023 $'000	30 June 2022 $'000
Balance as at beginning of the year	**(168,241)**	**(142,282)**
Profit/(loss) after income tax	(7,301)	(23,528)
Dividends provided for or paid	-	(2,431)
Balance as at end of the year	**(175,542)**	**(168,241)**

NOTE 33. AUDITORS' REMUNERATION

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

For the year ended	Notes	30 June 2023 $'000	30 June 2022 $'000
Audit and assurance services			
Audit and review of the financial statements	(a)	529	380
Other assurance related services	(b)	77	49
Total remuneration for audit and other assurance services		**606**	**429**
Other services			
Tax compliance services	(c)	152	129
Tax advisory services	(c)	103	64
Total remuneration for other services		**255**	**193**
Total auditors' remuneration		**861**	**622**

(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 2022 and 30 June 2023 was Ernst & Young.

NOTE 34. 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 financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

AASB 2020 – 1: Amendments to AASs : Classification of Liabilities as Current or Non-current and AASB 2022-6 Amendments to AASs - Non-current Liabilities with Covenants

The AASB issued AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current to clarify the requirements for classifying liabilities as current or non-current, specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect the classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period.

In response to this possible outcome, in December 2022 the AASB issued AASB 2022-6 Amendments to AASs - Non-current Liabilities with Covenants:

- Clarifying that only covenants with which an entity must comply on or before the reporting date will affect a
- liability's classification as current or non-current.
- Adding presentation and disclosure requirements for non-current liabilities subject to compliance with future covenants within the next 12 months.
- Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date.

These amendments are applied retrospectively. Earlier application is permitted.

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

NOTE 34. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

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 not expected to have a material impact on the Group's financial statements.

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 35. SUBSEQUENT EVENTS

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

Directors' Declaration

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

1. The consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
   (b) give a true and fair view of the Group's financial position at 30 June 2023 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 32 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 23 August 2023.

Jonathan Ling
Executive Chairman

John Cerini
Chief Executive Officer

Ernst & Young
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Melbourne VIC 3000 Australia
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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 2023, 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 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional 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. 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 brand name

Why significant	How our audit addressed the key audit matter

At 30 June 2023 the Group's non-current assets balance was $125 million which represents 46% of total assets.
 	
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 and when there are indicators of impairment.
 	
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. As a result, this matter was considered to be a key audit matter.
 	
Details of the Group's impairment assessment, are set out in Note 11 to the financial report.
	Our audit procedures included the following:
	▶ Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards, including the Group's identification of its CGUs.
	▶ 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.
	  ▶ 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 where impairment testing was performed.
	▶ Assessed the adequacy of the financial report disclosures regarding the impairment testing approach and key assumptions as disclosed in Note 11.

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Inventory existence and valuation

Why significant	How our audit addressed the key audit matter
At 30 June 2023, the Group held inventories of \$66.5 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 25% 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 assessing the accuracy 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 2023 Annual Report but does not include the financial report and our auditor's report thereon.

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

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

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

Building a better working world

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 28 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Pro-Pac Packaging Limited for the year ended 30 June 2023, 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
23 August 2023

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 20 July 2023.

Twenty largest holders

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

Rank	Holder	Number	%
1	BENNAMON PTY LTD	119,455,738	65.748%
2	CITICORP NOMINEES PTY LIMITED	23,622,098	13.001%
3	TORRI PTY LTD	3,700,000	2.036%
4	ZACHARY INVESTMENTS PTY LTD	3,163,319	1.741%
5	MR CHRISTIAN JAMES HAUSTEAD	2,370,000	1.304%
6	HSBC CUSTODY NOMINEES	1,680,199	0.925%
7	EQUITY TRUSTEES LIMITED	1,579,107	0.869%
8	LSND PTY LTD	1,176,000	0.647%
9	MOGGS CREEK PTY LTD	1,051,567	0.579%
10	MR JOHN JOSEPH CERINI	1,013,309	0.558%
11	WILBOW GROUP PTY LTD	988,929	0.544%
12	MR KADURUWANE INDIKA	811,355	0.447%
13	DOLDORY PTY LTD	685,208	0.377%
14	HSBC CUSTODY NOMINEES	475,247	0.262%
15	MR JOSEPH SCARDINO	472,000	0.260%
16	AKAT INVESTMENTS PTY LTD	448,000	0.247%
17	TAG FAMILY FOUNDATION PTY LTD	448,000	0.247%
18	ST LUCY'S SCHOOL FOUNDATION	448,000	0.247%
19	MALCOLM & JUNE ROSS	416,204	0.229%
20	AGO PTY LTD	338,000	0.186%
	Total Securities of Top 20 Holdings	164,342,280	90.453%
	Total of Securities	181,687,711	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	521	236,399	0.130
1,001-5,000	523	1,414,075	0.780
5,001-10,000	212	1,610,479	0.890
10,001-100,000	275	8,467,921	4.660
100,001-9,999,999,999	51	169,958,837	93.540
Totals	1,582	181,687,711	100.000

There are 732 holders of unmarketable parcels of ordinary shares totalling 557,333 shares representing 0.310% 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	0.540
10,001-100,000	4	155,622	1.870
100,001-9,999,999,999	12	8,124,999	97.590
Totals	22	8,325,989	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	106,246,915
Investors Mutual Limited	23,525,701

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 2023.