

Appendix 4E Rule 4.3A

Preliminary Final report

ORORA LIMITED
ABN 55 004 275 165

1. Details of the reporting period and the previous corresponding period

Reporting Period: Year Ended 30 June 2017
Previous Corresponding Period: Year Ended 30 June 2016

2. Results for announcement to the market

Key information	30 June 2017				30 June 2016	
	A\$ million					
Statutory results						
2.1 Revenue from ordinary activities						
• From Continuing Operations	4,039.1	Up	4.9%	from		3,849.8
• From Discontinued Operations	-	-	-	-		-
2.2 Net profit/(loss) from ordinary activities after tax but before significant items, attributable to members	186.2	Up	14.4%	from		162.7
2.3 Net profit/(loss) for the period, after significant items, attributable to members	171.1	Up	1.5%	from		168.6

Dividends	Amount per security	Franked amount per security
<i>Current period</i>		
2.4 Final dividend	6.0 cents	30.0%
2.4 Interim dividend	5.0 cents	30.0%
<i>Previous corresponding period</i>		
2.4 Final dividend	5.0 cents	30.0%
2.4 Interim dividend	4.5 cents	30.0%

2.5 Record date for determining entitlements to the dividend	Final dividend – 12 September 2017
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2.6 Brief explanation of figures in 2.1 to 2.4:

- i) Both the current period final and interim dividend are 30.0% franked.
- ii) 70.0% of the current period final and interim dividend are sourced from the Conduit Foreign Income Account. Dividends to foreign holders are not subject to withholding tax.
- iii) The significant items presented in both the current and comparative period relate to the sale of the former cartonboard mill site in Petrie, Queensland and the Group's retention of decommissioning obligations under the sale agreement. The comparative period includes significant item income representing the gain recognised on sale of the site, whilst the current period includes a significant item expense relating to anticipated additional decommissioning costs of the site. Refer note 1.2 in the attached Preliminary Final Financial Report for further details.
- iv) Refer to attached Preliminary Final Financial Report and the Investor Results Release for further details relating to 2.1 to 2.4.

3. Income Statement and Statement of Comprehensive Income

Refer to the attached Preliminary Final Financial Report

4. Statement of Financial Position

Refer to the attached Preliminary Final Financial Report

5. Statement of Cash Flows

Refer to the attached Preliminary Final Financial Report

6. Statement of Retained Earnings

Refer to the attached Preliminary Final Financial Report, Note 2.4.3 Retained Earnings

7. Details of individual dividends and payment dates

Refer to the attached Preliminary Final Financial Report, Note 2.2 Dividends

8. Details of dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) is in operation. No discount is available under the DRP in respect of the FY17 final dividend. The issue price for the FY17 final dividend will be calculated based on the arithmetic average of the weighted average market price for the ten ASX trading days from 18 to 29 September 2017, inclusive. The last date for receipt of election notices for the DRP is 13 September 2017. Shares allotted under the DRP rank equally with existing fully paid ordinary shares of Orora Limited.

9. Net tangible assets

	Current period	30 June 2016
Net tangible asset backing per ordinary security	\$0.91	\$0.93

10. Control gained over entities having a material effect

Refer to the attached Preliminary Final Financial Report, Note 6.2 Acquisition of Controlled Businesses

11. Details of associates and joint venture entities

Not applicable

12. Significant information

Refer to the attached Investor Results Release

13. For foreign entities, which set of accounting standards is used in compiling the report

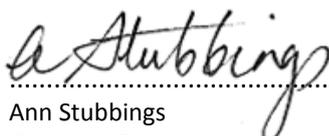
Not applicable

14. Commentary on results for the period

Refer to the attached Preliminary Final Financial Report, Note 1.3 Earnings per Share and the attached Investor Results Release

15. This report is based on accounts which have been audited.

The audit report, which is unmodified, will be made available with the Company's financial report, which also contains the Directors' Report (including the audited Remuneration Report) and Directors' Declaration. These will all be released to the ASX at the same time as part of the Company's Annual Report which is nearing completion and will be released on approximately 15 September 2017.


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Ann Stubbings
Company Secretary

Dated: 10 August 2017

ORORA LIMITED
ABN: 55 004 275 165

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2017

10 August 2017

Financial Report

This is the financial report of Orora Limited (the Company) and its subsidiaries (collectively referred to as the Group).

The financial report has been prepared in a style that attempts to make the report less complex and more relevant to shareholders. The note disclosures have been grouped into a number of sections with each section also including details of the accounting policies applied in producing the relevant note, along with details of any key judgements and estimates used.

Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes which follow also provide explanation and additional disclosures to assist readers in their understanding and interpretation Annual Report and the financial statements.

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Orora Limited

Income Statement

For the financial year ended 30 June 2017

\$ million	Note	2017	2016
Sales revenue	1.1	4,039.1	3,849.8
Cost of sales		(3,274.6)	(3,135.2)
Gross profit		764.5	714.6
Other income	1.4	17.1	21.8
Sales and marketing expenses		(200.2)	(191.1)
General and administration expenses		(300.7)	(264.8)
Profit from operations	1.1	280.7	280.5
Finance income		0.2	0.4
Finance expenses		(37.8)	(41.5)
Net finance costs		(37.6)	(41.1)
Profit before related income tax expense		243.1	239.4
Income tax expense	4.1	(72.0)	(70.8)
Profit for the financial period attributable to the owners of Orora Limited⁽¹⁾		171.1	168.6
\$ million		Cents	Cents
Profit per share attributable to the ordinary equity holders of Orora Limited⁽¹⁾			
Basic earnings per share	1.3	14.3	14.1
Diluted earnings per share	1.3	14.1	13.9

⁽¹⁾ Profit for the current period includes an after tax significant item expense of \$15.1 million relating to anticipated additional decommissioning costs at the former cartonboard mill site in Petrie, Queensland (refer note 1.2). The Petrie site was sold on 20 July 2015 and an after tax gain on sale of \$5.9 million was recognised in profit in the comparative period. Excluding these Petrie related impacts on the results of the Group, basic earnings per share is 15.6 cents (2016: 13.6 cents) and diluted earnings per share 15.3 cents (2016: 13.4 cents), refer note 1.3.

Orora Limited

Statement of Comprehensive Income

For the financial year ended 30 June 2017

\$ million	2017	2016
Profit for the financial period	171.1	168.6
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss:		
<i>Cash flow hedge reserve</i>		
Unrealised gains/(losses) on cash flow hedges	(2.5)	(13.7)
Realised losses/(gains) transferred to profit or loss	13.7	(2.6)
Realised losses transferred to non-financial assets	1.0	-
Time value of options	-	(0.4)
Tax effect	(3.7)	4.9
<i>Exchange fluctuation reserve</i>		
Exchange differences on translation of foreign operations	(3.9)	5.2
Net investment hedge of foreign operations	(0.4)	8.3
Tax effect	-	(0.3)
Other comprehensive income for the financial period, net of tax	4.2	1.4
Total comprehensive income for the financial period attributable to the owners of Orora Limited	175.3	170.0

Orora Limited

Statement of Financial Position

As at 30 June 2017

\$ million	Note	2017	2016
Current assets			
Cash and cash equivalents	2.3	58.5	66.1
Trade and other receivables	3.1	571.6	515.8
Inventories	3.2	492.6	459.4
Derivatives	5.4	1.3	0.7
Other current assets	3.4	46.1	39.3
Current tax receivable		-	1.4
Total current assets		1,170.1	1,082.7
Non-current assets			
Property, plant and equipment	3.5	1,648.6	1,564.3
Goodwill and intangible assets	3.6	446.5	378.2
Derivatives	5.4	0.2	0.1
Other non-current assets	3.4	97.8	104.6
Total non-current assets		2,193.1	2,047.2
Total assets		3,363.2	3,129.9
Current liabilities			
Trade and other payables	3.3	826.9	708.5
Interest-bearing liabilities	2.3	21.1	-
Derivatives	5.4	7.8	13.7
Current tax liabilities		2.8	-
Provisions	3.8	126.8	111.2
Total current liabilities		985.4	833.4
Non-current liabilities			
Other payables		40.5	28.5
Interest-bearing liabilities	2.3	711.4	695.7
Derivatives	5.4	5.8	12.3
Deferred tax liabilities	4.2	49.1	32.2
Provisions	3.8	24.2	30.2
Total non-current liabilities		831.0	798.9
Total liabilities		1,816.4	1,632.3
NET ASSETS		1,546.8	1,497.6
Equity			
Contributed equity	2.4.1	508.7	513.1
Treasury shares	2.4.1	(36.4)	(31.3)
Reserves	2.4.2	144.0	136.8
Retained earnings	2.4.3	930.5	879.0
TOTAL EQUITY		1,546.8	1,497.6

Orora Limited

Statement of Changes in Equity

For the financial year ended 30 June 2017

\$ million	Note	Attributable to owners of Orora Limited					Total equity	
		Contributed equity	Cash flow hedge reserve	Share-based payment reserve	Demerger reserve	Exchange fluctuation reserve		Retained earnings
Balance at 1 July 2015		502.7	(3.6)	6.9	132.9	(9.0)	812.1	1,442.0
Net profit for the financial period	2.4.3	-	-	-	-	-	168.6	168.6
<i>Other comprehensive income/(loss):</i>								
Unrealised losses on cash flow hedges		-	(13.7) ⁽¹⁾	-	-	-	-	(13.7)
Realised gains transferred to profit or loss		-	(2.6) ⁽¹⁾	-	-	-	-	(2.6)
Time value of options		-	(0.4)	-	-	-	-	(0.4)
Exchange differences on translation of foreign operations		-	-	-	-	13.5	-	13.5
Deferred tax		-	4.9	-	-	(0.3)	-	4.6
Total other comprehensive income/(loss)		-	(11.8)	-	-	13.2	-	1.4
Transactions with owners in their capacity as owners:								
Purchase of treasury shares	2.4.1	(21.3)	-	-	-	-	-	(21.3)
Dividends paid	2.2 & 2.4.3	-	-	-	-	-	(101.7)	(101.7)
Settlement of options and performance rights	2.4.1	0.4	-	(0.4)	-	-	-	-
Share-based payment expense	7.1	-	-	8.6	-	-	-	8.6
Balance at 1 July 2016		481.8	(15.4)	15.1	132.9	4.2	879.0	1,497.6
Net profit for the financial period	2.4.3	-	-	-	-	-	171.1	171.1
<i>Other comprehensive income/(loss):</i>								
Unrealised losses on cash flow hedges		-	(2.5) ⁽¹⁾	-	-	-	-	(2.5)
Realised losses transferred to profit or loss		-	13.7 ⁽¹⁾	-	-	-	-	13.7
Realised losses transferred to non-financial assets		-	1.0 ⁽¹⁾	-	-	-	-	1.0
Exchange differences on translation of foreign operations		-	-	-	-	(4.3)	-	(4.3)
Deferred tax		-	(3.7)	-	-	-	-	(3.7)
Total other comprehensive income/(loss)		-	8.5	-	-	(4.3)	-	4.2
Transactions with owners in their capacity as owners:								
Proceeds received from employees on exercise of options	2.4.1	6.2	-	-	-	-	-	6.2
Shares granted on business acquisition transaction	2.4.1 & 6.2.2	2.1	-	-	-	-	-	2.1
Purchase of treasury shares	2.4.1	(23.9)	-	-	-	-	-	(23.9)
Dividends paid	2.2 & 2.4.3	-	-	-	-	-	(119.6)	(119.6)
Settlement of options and performance rights	2.4.1	6.1	-	(6.1)	-	-	-	-
Share-based payment expense	7.1	-	-	9.1	-	-	-	9.1
Balance at 30 June 2017		472.3	(6.9)	18.1	132.9	(0.1)	930.5	1,546.8

⁽¹⁾ During the 12-months to 30 June 2017 losses relating to the valuation of forward exchange contracts of \$2.9 million and gains of \$0.4 million, relating to the valuation of interest rate swap contracts, were recognised in the cash flow hedge reserve (2016: losses of \$13.3 million and \$0.4 million, respectively). In addition, losses of \$7.3 million (2016: gains of \$4.8 million) relating to the forward exchange contracts and losses of \$6.4 million (2016: losses \$2.2 million) relating to interest rate swap contracts were transferred to profit or loss, whilst losses of \$1.0 million relating to forward exchange contracts was transferred to non-financial assets. Refer to note 5.4 for further information on these derivative instruments.

Orora Limited

Cash Flow Statement

For the financial year ended 30 June 2017

\$ million	Note	2017	2016
Cash flows from/(used in) operating activities			
Profit for the financial period		171.1	168.6
Depreciation	1.5	108.7	101.2
Amortisation of intangible assets	1.5	7.4	6.3
Net impairment losses on property, plant and equipment, intangibles, receivables and inventory		2.9	6.6
Net finance costs		37.6	41.1
Net gain on disposal of non-current assets	1.4	(4.3)	(8.3)
Fair value loss on financial instruments at fair value through income statement		0.1	1.7
Dividends from other entities		-	(0.1)
Share-based payment expense	1.5	9.1	8.6
Other sundry items		19.8	19.5
Income tax expense	4.1	72.0	70.8
Operating cash inflow before changes in working capital and provisions		424.4	416.0
- (Increase)/Decrease in prepayments and other operating assets		(8.3)	(5.4)
- Increase/(Decrease) in provisions		11.5	(12.0)
- (Increase)/Decrease in trade and other receivables		(58.5)	(43.5)
- (Increase)/Decrease in inventories		(43.7)	2.7
- Increase/(Decrease) in trade and other payables		109.2	28.8
		434.6	386.6
Dividends received		-	0.1
Interest received		0.2	0.4
Interest and borrowing costs paid		(34.5)	(29.6)
Income tax paid		(49.1)	(52.5)
Net cash inflow from operating activities		351.2	305.0
Cash flows from/(used in) investing activities			
Repayment of loans to associated companies and other persons		0.5	-
Payments for acquisition of controlled entities and businesses, net of cash acquired		(134.9)	(120.2)
Payments for property, plant and equipment and intangible assets	1.1	(157.1)	(110.1)
Proceeds on disposal of non-current assets		20.0	30.6
Net cash flows used in investing activities		(271.5)	(199.7)
Cash flows used in financing activities			
Proceeds from exercise of employee share options		6.2	-
Payments for treasury shares	2.4.1	(23.9)	(21.3)
Proceeds from borrowings		1,391.0	2,648.9
Repayment of borrowings		(1,345.0)	(2,634.1)
Principal lease repayments		(0.2)	-
Dividends paid and other equity distributions	2.2	(119.6)	(101.7)
Net cash flows used in financing activities		(91.5)	(108.2)
Net (decrease)/increase in cash held		(11.8)	(2.9)
Cash and cash equivalents at the beginning of the financial period		66.1	67.3
Effects of exchange rate changes on cash and cash equivalents		(0.9)	1.6
Cash and cash equivalents at the end of the financial period		53.4	66.1
Reconciliation of cash and cash equivalents			
For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short-term money market investments, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:			
Cash assets and cash equivalents	2.3	58.5	66.1
Bank overdrafts	2.3	(5.1)	-
Cash and cash equivalents at the end of the financial period		53.4	66.1

Notes to the financial statements

About this report

About this report

Orora Limited (the Company) is a for-profit entity for the purposes of preparing this financial report and is domiciled in Australia. The Company and its subsidiaries (collectively referred to as the Group) are primarily involved in the manufacture and supply of packaging products and services to grocery, fast moving consumer goods and industrial markets.

This financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the AASB, and the *Corporations Act 2001*. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost basis except for financial instruments which have been measured at fair value. Non-derivative financial instruments are measured at fair value through the income statement;
- is presented in Australian dollars with values rounded to the nearest \$100,000 unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current period presentation. This includes the restatement of the comparative period in respect of treating the profit recognised in respect of the sale of the former cartonboard mill site in Petrie, Queensland as a significant item. Refer note 1.2.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective, with the exception of AASB 9 *Financial Instruments* (December 2014), including consequential amendments to other standards, which was adopted on 1 July 2015; and
- has applied the Group accounting policies consistently to all periods presented.

This general purpose financial report for the Group for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 10 August 2017. The Directors have the power to amend and reissue the financial report.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities. Details of the controlled entities (subsidiaries) of the Company are contained in note 6.1.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group obtains control until the date that control ceases. The subsidiary financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies and all balances and transactions between entities included within the Group are eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting when control is obtained by the Group.

Foreign currency

Items included in the financial statements of each of the entities included within the Group are measured using the currency of the economic environment in which the entity primarily generates and expends cash (the 'functional currency'). These financial statements are presented in Australian dollars, which is the functional and reporting currency of the Company, Orora Limited.

Transactions in foreign currencies are initially recorded in the functional currency of the entity using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses arising from the translation of the monetary assets and liabilities, or from the settlement of foreign currency transactions, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges. The amounts deferred in equity in respect of cash flow hedges are recognised in the income statement when the hedged item affects profit or loss and for net investment hedges when the investment is disposed of.

As at the reporting date, the assets and liabilities of entities within the Group that have a functional currency different from the presentation currency, are translated into Australian dollars at the rate of exchange at the balance sheet date and the income statements are translated at the average exchange rate for the year. The exchange differences arising on the balance sheet translation are taken directly to a separate component of equity in the Exchange Fluctuation Reserve.

Judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

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Other accounting policies

Significant and other accounting policies that summarise the measurement basis used, and are relevant to an understanding of the financial statements, are provided throughout the notes to the financial statements.

Notes to the financial statements

About this report (continued)

The notes to the financial statements

The following notes include information which is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant due to its size or nature or the information:

- is important for understanding the Group's current period results;
- provides an explanation of significant changes in the Group's business – for example, business acquisitions; or
- it relates to an aspect of the Group's operations that are important to its future performance.

The notes are organised into the following sections:

- *Results for the year* – provides details on the results and performance of the Group for the year;
- *Capital structure and financing* - outlines how the Group manages its capital structure and related financing activities;

- *Assets and liabilities* – provides details of the assets used to generate the Group's trading performance and the liabilities incurred as a result;
- *Income tax* – provides information on the Group's tax position and the current and deferred tax charges or credits in the year;
- *Financial risk management* – provides information on how the Group manages financial risk exposures associated with holding financial instruments;
- *Group structure* – explains the characteristics of and changes within the group structure during the year;
- *Other* – provides additional financial information required by accounting standards and the *Corporates Act 2001*, including details of the Groups employee reward and recognition programs and unrecognised items.

Current Period Significant Events

Dividend

During the financial year the Group paid a 30% franked dividend of \$119.6 million being 10.0 cents per ordinary share, representing payment of the FY16 final dividend of 5.0 cents and the FY17 interim dividend of 5.0 cents.

Since 30 June 2017 the Directors have determined a final dividend for FY17 of \$71.6 million, 30% franked, of 6.0 cents per ordinary share. Refer note 2.2 for further details.

Acquisitions

During the period the Group acquired the assets and operations of a number of business which have expanded the Group's point-of-purchase (POP) capabilities. The acquired businesses provide retail display solutions to blue-chip retailers and brand owners in the USA servicing the full POP value chain. The businesses provide customers with concept development, design, digital printing, large format lithographic printing, manufacturing and fulfilment support.

These acquisitions expand the Group's footprint into the Northeast, West and Midwest of the USA and strengthen the ability of the Group to service national corporate customers across multiple locations. The results of these businesses are included in the North America segment from the date of acquisition.

The acquisitions include:

The Register Print Group

On 2 January 2017, the Group acquired the assets and operations of The Register Print Group. The initial consideration of USD47.0 million (AUD63.3 million) includes a deferred consideration payment of USD4.0 million, which is payable eighteen months from acquisition date.

The Garvey Group and Graphic Tech

On 27 March 2017, the Group acquired the assets and operations of The Garvey Group and Graphic Tech. The initial consideration of USD58.9 million (AUD72.7 million) includes a deferred consideration payment of USD6.8 million, which is payable over two years from acquisition date.

Refer to note 6.2 for further details.

Petrie decommissioning

On 20 July 2015, the Group reached an agreement to sell the former cartonboard mill site in Petrie, Queensland for total consideration of \$50.5 million. During the year ended 30 June 2016 the Group recognised a profit before tax on the sale of \$8.4 million (profit after tax \$5.9 million). The gain on sale has been presented as a significant item within this financial report. Under the terms of the sale agreement the Group retained decommissioning obligations.

During the year ended 30 June 2017 a before tax significant item expense of \$21.6 million (after tax expense of \$15.1 million) has been recognised relating to expected additional decommissioning costs at the Petrie Mill site (refer note 1.2). The recognition of the additional decommissioning costs followed an interim project review and reassessment of the estimated costs to complete and is based upon management's best estimate at the date of this report. The increase in expected decommissioning costs is due to a range of factors including delays in the commencement of some works, the scope and complexity of remediation works required and increases in costs.

Notes to the financial statements

Section 1: Results for the year

In this section

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, significant items and earnings per share.

This section also analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs. Earnings before significant items, interest and related income tax expense (EBIT) is a key profit indicator for the Group. This measure reflects the way the business is managed and how the Directors assess the performance of the Group.

Financial highlights of the Group

- Sales revenue of \$4,039.1 million, up 4.9%
- EBIT, before significant items, of \$302.3 million, up 11.1%
- Operating free cash flow of \$330.2 million, up 0.3%
- Earnings per share, before significant items of 15.6 cents, up 14.7%

1.1 Segment results

The Group's operating segments are organised and managed according to their geographical location. Each segment represents a strategic business that offers different products and operates in different industries and markets. The Corporate Executive Team (the chief operating decision-makers) monitor the operating results of the businesses separately for the purpose of making decisions about resource allocation and performance assessment.

The following summary describes the operations of each reportable segment.

Orora Australasia

This segment focuses on the manufacture of fibre and beverage packaging products within Australia and New Zealand. The products manufactured by this segment include glass bottles, beverage cans, wines closures, corrugated boxes, cartons and sacks, and the manufacture of recycled paper.

Orora North America

This segment, predominately located in North America, purchases, warehouses, sells and delivers a wide range of packaging and other related materials. The business also includes integrated corrugated sheet and box manufacturing and equipment sales capabilities and the recently acquired point of purchase retail display solutions and other visual communication services provided by the Orora Visual businesses (refer note 6.2).

Other

This segment includes the Corporate function of the Group.

The results of the reportable segments for the year ended 30 June 2017 and 30 June 2016 are set out below:

\$ million	Australasia		North America		Other		Total Reported	
	2017	2016	2017	2016	2017	2016	2017	2016
Reportable segment revenue								
Revenue from external customers	2,001.6	1,956.6	2,037.5	1,893.2	-	-	4,039.1	3,849.8
Inter-segment revenue	43.5	48.6	-	-	-	-	43.5	48.6
Total reportable segment revenue	2,045.1	2,005.2	2,037.5	1,893.2	-	-	4,082.6	3,898.4
Reportable segment earnings								
Earnings before significant items, interest, tax, depreciation and amortisation	301.9	286.1	139.8	115.6	(23.3)	(22.1)	418.4	379.6
Depreciation and amortisation	(88.3)	(85.7)	(22.3)	(16.7)	(5.5)	(5.1)	(116.1)	(107.5)
Earnings before significant items, interest and tax	213.6	200.4	117.5	98.9	(28.8)	(27.2)	302.3	272.1
Significant items before related income tax (refer note 1.2)	-	-	-	-	(21.6)	8.4	(21.6)	8.4
Earnings before interest and tax	213.6	200.4	117.5	98.9	(50.4)	(18.8)	280.7	280.5
Capital spend on the acquisition of property, plant and equipment and intangibles	132.4	82.7	22.5	27.1	2.2	0.3	157.1	110.1
Receivables	278.7	262.6	309.1	252.6	8.9	7.1	596.7	522.3
Inventory	351.2	333.6	141.3	125.8	0.1	-	492.6	459.4
Payables	(433.3)	(381.6)	(334.2)	(271.8)	(51.9)	(50.5)	(819.4)	(703.9)
Working capital	196.6	214.6	116.2	106.6	(42.9)	(43.4)	269.9	277.8
Inter-segment working capital	12.3	14.9	(12.3)	(14.9)	-	-	-	-
Total reportable segment working capital	208.9	229.5	103.9	91.7	(42.9)	(43.4)	269.9	277.8
Average funds employed ⁽¹⁾	1,719.6	1,724.4	495.7	400.1	7.0	14.7	2,222.3	2,139.2
Operating free cash flow ⁽²⁾	229.7	224.2	110.1	90.2	(9.6)	14.7	330.2	329.1

⁽¹⁾ Average funds employed represents total assets less net debt held at the beginning and end of the reporting period.

⁽²⁾ Operating free cash flow represents the cash flow generated from the Groups operating and investing activities, before interest, tax and dividends. The prior year comparative includes proceeds of \$20.0m relating to the sale of the former cartonboard mill site in Petrie, Queensland.

Notes to the financial statements

Section 1: Results for the year (continued)

1.1 Segment results (continued)

Accounting policies

Segment performance is evaluated based on earnings before significant items, interest and related income tax expense (EBIT). This measure excludes the effects of individually significant non-recurring gains/losses whilst including items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Interest income and expenditure and other finance costs are not allocated to the segments, as this type of activity is managed at the Group level. Transfer prices between segments are priced on an 'arms-length' basis, in a manner similar to transactions with third parties, and are eliminated on consolidation.

Geographical segments

In presenting information on the basis of geographical location both segment revenue and non-current assets are based on the location of the Orora business.

Revenue
\$mNon-current assets⁽¹⁾
\$m

(1) Non-current assets exclude deferred tax assets and non-current financial instruments.

Revenue by product

\$ million	2017	2016
Fibre and paper-based packaging	1,938.5	1,747.2
Beverage packaging	697.3	692.4
Traded packaging products	1,403.3	1,410.2
Total sales revenue	4,039.1	3,849.8

No single customer, within an operating segment, generates revenue greater than 10% of the Group's total revenues.

Reconciliation of segmental measures

The following segmental measurements reconcile to the financial statements as follows:

Capital spend on the acquisition of property, plant and equipment and intangibles

\$ million	2017	2016
Reported segment capital spend	157.1	110.1
Movement in capital creditors	(0.3)	0.7
Movement in prepaid capital items	(0.4)	5.4
Capitalised asset restoration costs	(0.8)	(1.0)
Other non-cash adjustments	4.4	0.9
Acquisition of property, plant and equipment and intangibles⁽¹⁾	160.0	116.1

(1) Excludes balances acquired through business combinations. Refer notes 3.5 and 3.6.

Operating free cash flow

\$ million	2017	2016
Reported segment operating free cash flow	330.2	329.1
Add back investing cash flow activities included in segment operating free cash flow	104.4	57.6
Less interest and tax paid excluded from segment operating free cash flow	(83.4)	(81.7)
Net cash flows from operating activities	351.2	305.0

Working capital

\$ million	2017	2016
Reported segment working capital	269.9	277.8
Add/(Less) amounts included in working capital for management reporting purposes:		
Derivatives	6.5	12.1
Add/(Less) amounts excluded from working capital for management reporting purposes:		
Net capital receivables and payables	0.7	9.1
Loan receivables and other assets	0.1	0.6
Other payables	(8.6)	(8.3)
	268.6	291.3

Reconciles to the financial statements as follows:

Trade receivables (note 3.1)	571.6	515.8
Inventories (note 3.2)	492.6	459.4
Trade and other payables (note 3.3)	(826.9)	(708.5)
Current prepayments (note 3.4)	31.3	24.6
	268.6	291.3

Notes to the financial statements

Section 1: Results for the year (continued)

1.2 Significant items

Significant items are typically gains or losses arising from events that are not considered part of the core operations of the business.

The significant income item arising in the comparative period was presented in 'other income' and the significant expense item arising in the current period was presented in 'general and administration' expense in the income statement.

\$ million	Before tax	Tax (expense)/ benefit	Net of tax
2016			
<i>Other income</i>			
Gain on sale on disposal of Petrie site	8.4	(2.5)	5.9
Total significant item income	8.4	(2.5)	5.9
2017			
<i>General and administrative expense</i>			
Petrie decommissioning costs	(21.6)	6.5	(15.1)
Total significant item expense	(21.6)	6.5	(15.1)

On 20 July 2015, the Group reached an agreement to sell the former cartonboard mill site in Petrie, Queensland for total consideration of \$50.5 million. During the year ended 30 June 2016 the Group recognised a profit before tax on the sale of \$8.4 million (profit after tax \$5.9 million).

During the year ended 30 June 2017 an after tax significant item expense of \$15.1 million has been recognised relating to anticipated additional decommissioning costs at the Petrie Mill site. The recognition of the additional decommissioning costs followed an interim project review and reassessment of the estimated costs to complete and is based upon management's best estimate at the date of this report. The increase in expected decommissioning costs is due to a range of factors including delays in the commencement of some works, the scope and complexity of remediation works required and increases in costs.

1.3 Earnings per share (EPS)

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to ordinary shareholders of the Company of \$171.1 million (2016: \$168.6 million) divided by the weighted average number of shares on issue during the reporting period, excluding ordinary shares purchased by the Company and held as Treasury Shares, being 1,194.0 million (2016: 1,194.9 million).

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the effect of the potential conversion of share options and rights granted to employees. To calculate the impact it is assumed that all share options and rights are exercised and new shares are issued.

Basic and Diluted EPS, before significant items, is presented below in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis.

Calculation of EPS

Calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

EPS attributable to the ordinary equity holders of Orora Limited

million	2017	2016
Profit for the financial period	\$171.1	\$168.6
Add back significant items	\$15.1	(\$5.9)
Profit for the financial period, before significant items	\$186.2	\$162.7
Weighted average number of ordinary shares for basic earnings per share	1,194.0	1,194.9
Dilution due to share options and rights	19.6	19.3
Weighted average number of ordinary shares for diluted earnings per share	1,213.6	1,214.2
Basic earnings per share	14.3c	14.1c
Diluted earnings per share	14.1c	13.9c
Basic earnings per share, before significant items	15.6c	13.6c
Diluted earnings per share, before significant items	15.3c	13.4c

Notes to the financial statements

Section 1: Results for the year (continued)

1.4 Income

\$ million	2017	2016
Revenue from sale of goods	4,039.1	3,849.8
Net gain on disposal of property, plant and equipment	4.3	8.3
Net foreign exchange gains	-	0.5
Service income	7.2	6.8
Other	5.6	6.2
Total other income	17.1	21.8



Judgements and estimates

Revenue is measured at the fair value of the consideration received or receivable. Selecting the appropriate timing and amount of revenue recognised requires some judgement.

Sale of goods

Revenue is recognised when the risks and rewards of ownership have transferred to the customer and it can be reliably measured. Risk and rewards are considered passed to the customer at the time of delivery of the goods. Revenue from the sale of products is measured at fair value of the consideration received or receivable, net of returns allowances and discounts. No revenue is recognised if:

- there is a risk of return of goods;
- there is continuing managerial involvement with the goods;
- there are significant uncertainties regarding recovery of the consideration due; or
- the costs incurred or to be incurred cannot be measured reliably.

Rendering of services

With respect to services rendered, revenue is recognised in the period in which the services are rendered. For fixed-price contracts revenue is recognised depending on the stage of completion of the service to be provided.

Operating leases

The Group leases motor vehicles, plant and equipment and property which are classified as operating leases. The leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease, while any material lease incentive is recognised as an integral part of the total lease expense, over the term of the lease.

The minimum lease rental payments expensed during the year was \$79.5 million (2016: \$75.0 million). There were no contingent rental payments (2016: nil).

Refer to note 7.3 for future operating lease commitments.

1.5 Operating costs

Employee benefit expense

\$ million	2017	2016
Wages and salaries	711.6	651.3
Workers' compensation and other on-costs	52.7	54.1
Superannuation costs - accumulation funds	26.8	26.6
Other employment benefits expense	7.8	8.2
Share-based payments expense		
- Options	1.7	1.8
- Performance rights and other plans	7.4	6.8
Total employee benefits expense	808.0	748.8

The Group's accounting policy for liabilities associated with employee benefits is contained in note 3.8, whilst the policy for share-based payments is set out in note 7.1.

Depreciation and amortisation

Depreciation in the year was \$108.7 million (2016: \$101.2 million) whilst the amortisation charge was \$7.4 million (2016: \$6.3 million). Refer to notes 3.5 and 3.6 for the Group's accounting policy and details on depreciation and amortisation.

Notes to the financial statements

Section 2: Capital structure and financing

In this section This section outlines how the Group manages its capital structure and related financing including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of the Group, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group, as seen through the issuance of the US Private Placement notes and other refinancing activities. Any potential courses of action in respect of the Group's structure, take into account the Group's liquidity needs, flexibility to invest in the business and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

2.1 Capital management

Capital is defined as the combination of shareholders' equity, reserves and net debt. The key objective of the Group when managing its capital is to safeguard its ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital and funding structure.

The aim of the Group's capital management framework is to maintain an investment grade credit profile, and the requisite financial metrics, to secure access to alternate funding sources with a spread of maturity dates and sufficient undrawn committed facility capacity; and optimise, over the long term and to the extent practicable, the weighted average cost of capital to reduce the cost of capital to the Group while maintaining financial flexibility.

The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including on-balance sheet gearing and leverage ratios, and ensure that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost. At 30 June 2017, the Group's on-balance sheet gearing and leverage ratios were 30.3% (2016: 29.6%) and 1.6 times (2016: 1.6 times), respectively.

\$ million	Note	2017	2016
Net debt			
Total interest-bearing liabilities	2.3	732.5	695.7
Less: Cash and cash equivalents	2.3	(58.5)	(66.1)
		674.0	629.6
Equity and reserves			
Contributed equity	2.4.1	508.7	513.1
Treasury shares	2.4.1	(36.4)	(31.3)
Reserves	2.4.2	144.0	136.8
Retained earnings	2.4.3	930.5	879.0
		1,546.8	1,497.6
Net Capital		2,220.8	2,127.2

In order to optimise the capital structure, the Group may:

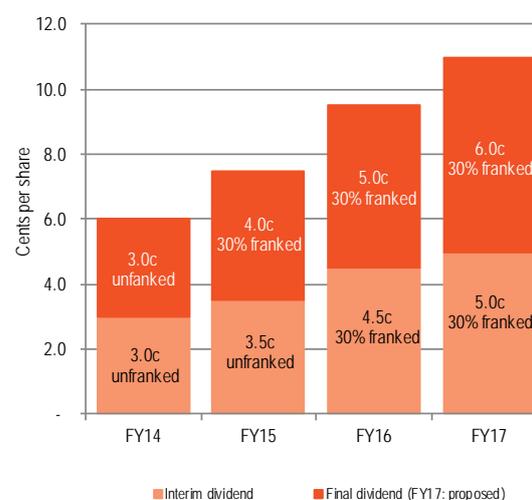
- adjust the amount of ordinary dividends paid to shareholders;
- maintain a dividend investment plan;
- raise or return capital to shareholders; and
- repay debt or raise debt for working capital and capital expenditure requirements, or to facilitate acquisitions in line with the strategic objectives and operating plans of the Group.

2.2 Dividends

	Cents per share	Total \$ million
Declared and paid during the period		
<i>For the year ended 30 June 2017</i>		
Final dividend for 2016 (30% franked)	5.0	60.0
Interim dividend for 2017 (30% franked)	5.0	59.6
		119.6
<i>For the year ended 30 June 2016</i>		
Final dividend for 2015 (30% franked)	4.0	48.0
Interim dividend for 2016 (30% franked)	4.5	53.7
		101.7
Proposed and unrecognised at period end⁽¹⁾		
<i>For the year ended 30 June 2017</i>		
Final dividend for 2017 (30% franked)	6.0	71.6
<i>For the year ended 30 June 2016</i>		
Final dividend for 2016 (30% franked)	5.0	60.3

⁽¹⁾ Estimated final dividend payable, subject to variations in the number of shares up to record date.

Shareholder distributions – cents per share



Notes to the financial statements

Section 2: Capital structure and financing (continued)

2.2 Dividends (continued)

Dividend reinvestment plan

The Group operates a dividend reinvestment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Orora Limited ordinary shares with Australian or New Zealand addresses registered with the share registry are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Orora Limited ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than ten consecutive trading days as determined by the Directors.

Franking Account

Franking credits are available to shareholders of the Company at the 30.0% (2016: 30.0%) corporate tax rate. Both the interim and proposed final dividend for 2017 are 30.0% franked (2016: 30.0% franked). The balance of the franking credits available as at 30 June 2017 is \$2.4 million (2016: \$5.5 million). It is estimated that this will reduce by \$9.3 million (2016: \$7.8 million) after payment of the estimated final dividend on 16 October 2017. The Company is of the opinion that sufficient franking credits will arise from tax instalments expected to be paid in the year ending 30 June 2018.

Conduit Foreign Income Account

For Australian tax purposes non-resident shareholder dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from the Company's Conduit Foreign Income Account. For the 2017 dividends, 70.0% of the dividend is sourced from the Company's Conduit Foreign Income account (2016: 70.0%). As a result 100.0% of the 2017 dividends paid to a non-resident will not be subject to Australian withholding tax. The balance of the conduit foreign income account as at 30 June 2017 is \$88.9 million (2016: \$100.9 million), it is estimated that this will reduce by \$50.4 million (2016: \$42.2 million) after payment of the estimated final dividend on 16 October 2017.

2.3 Net debt

In addition to the US Private Placement of notes of USD250.0 million, of which USD100.0 million matures in July 2023 and USD150 million in July 2025, the Group had access to the following facilities as at 30 June 2017:

- a \$400.0 million revolving multicurrency facility through a syndicate of domestic and international financial institutions maturing in December 2019,
- a USD200.0 million five year USD revolving facility, through a syndicate of domestic and international financial institutions, maturing in April 2021, and
- two bilateral agreements for \$50.0 million, each with separate domestic institutions, maturing in April 2018.

These facilities are unsecured. During both the current and comparative reporting period Orora Limited has complied with the financial covenants of its borrowing facilities.

\$ million	2017	2016
Cash on hand and at bank	39.7	66.1
Deposits at call	18.8	-
Total cash and cash equivalents	58.5	66.1
Bank overdrafts	5.1	-
Bank loans due within one year	15.0	-
Lease liabilities due within one year	1.0	-
Current interest-bearing liabilities	21.1	-
Lease liabilities due after one year	1.4	-
Bank loans due after one year	387.0	361.9
US Private Placement due after one year	323.0	333.8
Non current interest-bearing liabilities	711.4	695.7
Total debt	732.5	695.7
Net debt	674.0	629.6

Accounting policies

Cash and cash equivalents

Cash and cash equivalents include, cash at bank and on hand and short-term money market investments with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying value of cash and cash equivalents is considered to approximate fair value due to the assets liquid nature.

Bank loans

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortised cost using the effective interest rate method.

Interest-bearing liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

Interest-bearing liabilities are classified as current liabilities, except for those liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the reporting period which are classified as non-current liabilities.

The US Private Placement notes have a carrying value of \$324.7 million (excluding borrowing costs) while the fair value of the notes is \$340.3 million. For all other borrowings, the fair values are not materially different to their carrying amount since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Notes to the financial statements

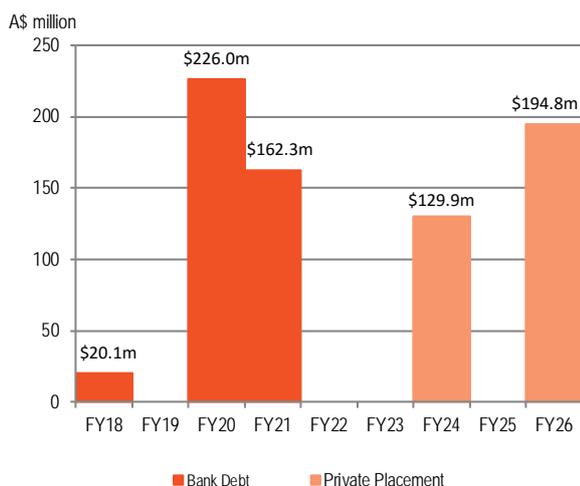
Section 2: Capital structure and financing (continued)

2.3 Net debt (continued)

2.3.1 Interest-bearing liabilities

The Group's interest-bearing liabilities represent borrowings from financial institutions. The maturity profile of the Group's borrowings drawn down, excluding the impact of capitalised borrowing costs, as at 30 June 2017 is illustrated in the following chart:

Maturity profile of drawn debt by facility



Loans due after one year

At 30 June 2017 bank loans due after one year include:

- \$200.0 million and USD20.0 million drawn under a \$400.0 million committed global syndicated multicurrency facility maturing in December 2019 (2016: \$250.0 million and USD20.0 million drawn under a \$400.0 million committed global syndicated multicurrency facility maturing in December 2019);
- USD125.0 million drawn under a USD200.0 million committed syndicated facility maturing in April 2021 (2016: USD50.0 million drawn under a USD200.0 million committed syndicated facility maturing in April 2021); and
- \$15.0 million drawn under a \$50.0 million committed AUD bilateral facility maturing in April 2018 (2016: \$20.0 million drawn under a \$50.0 million committed AUD bilateral facility maturing in April 2018).

The amounts have been drawn under Australian and US dollars and bear interest at the applicable BBSY and LIBOR rate plus an applicable credit margin.

2.4 Equity

This section explains material movements in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 30 June 2017 are presented in the statement of changes in equity.

2.4.1 Contributed equity

	Ordinary shares		Treasury shares	
	No. '000	\$ million	No. '000	\$ million
At 1 July 2015	1,206,685	513.8	(6,461)	(11.1)
Acquisition of shares by the Orora Employee Share Trust (note 6.3)	-	-	(9,427)	(21.3)
Treasury shares used to satisfy issue of CEO Grant	-	(1.1)	708	1.1
Restriction lifted on shares issued under the CEO Grant (note 7.1)	-	0.4	-	-
At 30 June 2016	1,206,685	513.1	(15,180)	(31.3)
Acquisition of shares by the Orora Employee Share Trust (note 6.3)	-	-	(8,269)	(23.9)
Restriction lifted on shares issued under the CEO Grant (note 7.1)	-	0.6	-	-
Treasury shares used to satisfy issue of CEO Grant	-	(0.7)	290	0.7
Exercise of vested grants under Employee Share Plans	8,432	11.7	-	-
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	(8,432)	(16.7)	8,432	16.7
Treasury shares used to satisfy shares granted in business acquisition transaction	-	0.7	863	1.4
At 30 June 2017	1,206,685	508.7	(13,864)	(36.4)

Notes to the financial statements

Section 2: Capital structure and financing (continued)

2.4 Equity (continued)

2.4.1 Contributed equity (continued)

Ordinary shares

Ordinary shares are classified as equity. The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid, all shares rank equally with regard to the Company's residual assets. Ordinary shares entitle the holder to participate in dividends, as declared from time to time, and are entitled to one vote per share at meetings of the Company. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax benefit effects.

Treasury shares

Where the Orora Employee Share Trust purchases equity instruments in the Company that have been identified as treasury shares, the consideration paid, including any directly attributable costs is deducted from equity, net of any related income tax effects. When the treasury shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and the related income tax effects, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings. Refer to note 6.3 for further information on the Orora Employee Share Trust.

2.4.2 Reserves

\$ million	2017	2016
Cash flow hedge reserve	(6.9)	(15.4)
Share-based payment reserve	18.1	15.1
Demerger reserve	132.9	132.9
Exchange fluctuation reserve	(0.1)	4.2
Total reserves	144.0	136.8

Details of movements in each of the reserves is presented in the statement of changes in equity.

Accounting policies

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and the cumulative change in fair value arising from the time value of options related to future forecast transactions. Refer to note 5.4 for more information on hedging instruments.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options and rights recognised as an expense. The Company provides benefits to employees of the Group in the form of share-based payments, whereby employees render services in exchange for options or rights over shares. Refer to note 7.1 for further details of the Groups share-based payment plans.

The fair value of options and rights granted is recognised as an employee benefit expense in the income statement with a corresponding increase in the share-based payments reserve in equity and is spread over the vesting period during which the employees become unconditionally entitled to the option or right. Upon exercise of the options or rights, the balance of the share-based payments reserve, relating to the option or right, is transferred to share capital.

Demerger reserve

The demerger reserve represents the difference between the consideration paid by Orora under an internal corporate restructure and the assets and liabilities acquired, which were recognised at their carrying value under a common control transaction.

Exchange fluctuation reserve

For controlled entities with a functional currency, that is not Australian dollars, their assets and liabilities are translated at the closing exchange rate at reporting date while income and expenses are translated at year to date average exchange rates.

On consolidation all exchange differences arising from translation are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. When a foreign operation is disposed of, the amount within the reserve related to that entity is transferred to the income statement as an adjustment to the profit or loss on disposal.

2.4.3 Retained earnings

Retained earnings comprises profit for the year attributable to owners of the Company and other items recognised directly in equity as presented on the statement of changes in equity.

\$ million	2017	2016
Retained earnings at the beginning of the period	879.0	812.1
Net profit attributable to the owners of Orora Limited	171.1	168.6
	1,050.1	980.7
Ordinary dividends:		
- Interim paid (refer note 2.2) ⁽¹⁾	(59.6)	(53.7)
- Final paid (refer note 2.2) ⁽²⁾	(60.0)	(48.0)
	(119.6)	(101.7)
Retained earnings at the end of the period	930.5	879.0

⁽¹⁾ 2017 Interim dividend paid on 10 April 2017 (2016: 2016 Interim dividend paid on 6 April 2016).

⁽²⁾ 2016 Final dividend paid on 17 October 2016 (2016: 2015 Final dividend paid on 13 October 2015).

Notes to the financial statements

Section 3: Assets and liabilities

In this section

This section details the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages there are notes covering working capital, other assets, non-current assets and provisions.

Liabilities relating to the Group's financing activities are set out in Section 2, whilst the assets and liabilities recognised in respect of derivative instruments, used to hedge financial risks, are contained in Section 5. Information pertaining to deferred tax assets and liabilities is provided in Section 4.

3.1 Trade and other receivables

\$ million	2017	2016
Trade receivables	527.8	466.6
Less loss allowance provision	(4.3)	(4.2)
	523.5	462.4
Other receivables ⁽¹⁾	48.1	53.4
Total current trade and other receivables	571.6	515.8

⁽¹⁾ These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Accounting policies

Trade receivables and other receivables are all classified as financial assets held at amortised cost.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less a loss allowance provision. The carrying value of trade and other receivables, less impairment provisions, is considered to approximate fair value, due to the short-term nature of the receivables.

Impairment of trade receivables

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified.

The Group recognises an impairment provision based upon anticipated lifetime losses of trade receivables. The anticipated losses are determined with reference to historical loss experience and is regularly reviewed and updated.

The amount of the impairment loss is recognised in the income statement within 'general and administration' expense.

Credit risks related to receivables

In assessing an appropriate provision for impairments of receivables consideration is given to historical experience of bad debts, the ageing of receivables, knowledge of debtor insolvency or other credit risk and individual account assessment.

Customer credit risk is managed by each business group in accordance with the procedures and controls set out in the Group's credit risk management policy. Credit limits are established for all customers based on external and internal credit rating criteria and letters of credit or other forms of credit insurance cover are obtained where appropriate. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry and existence of previous financial difficulties.

For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the

terms of the agreement. The Group does not otherwise require collateral in respect of trade and other receivables.

The following tables sets out the ageing of trade receivables, according to their due date:

\$ million	Loss allowance provision		Gross carrying amount	
	2017	2016	2017	2016
Not past due	-	-	394.5	333.2
Past due 0-30 days	-	0.5	95.4	94.3
Past due 31-120 days	2.4	2.0	33.0	35.7
More than 121 days past due	1.9	1.7	4.9	3.4
	4.3	4.2	527.8	466.6

The Group has recognised a net loss of \$1.4 million (2016: \$2.9 million) in respect of the trade receivables written off in the financial year. The loss has been included in 'general and administration' expense in the income statement.

3.2 Inventories

\$ million	2017	2016
<i>At cost</i>		
Raw materials and stores	178.6	184.5
Work in progress	17.5	15.9
Finished goods	272.7	247.3
Total inventory carried at cost	468.8	447.7
<i>At net realisable value</i>		
Raw materials and stores	7.6	3.7
Work in progress	0.1	0.3
Finished goods	16.1	7.7
Total inventory carried at net realisable value	23.8	11.7
Total inventories	492.6	459.4

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.2 Inventories (continued)

Accounting policies

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its existing location and condition are accounted for as follows.

- Raw materials – purchase cost on a weighted average cost formula
- Manufactured finished goods and work in progress – cost of direct material and labour and an appropriate proportion of production and variable overheads incurred in the normal course of business.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

During the period the Group recognised a net write-down of \$1.2 million (2016: \$3.9 million) with regard to the net realisable value of inventories which has been recognised in 'cost of sales' expense in the income statement.

3.3 Trade and other payables

\$ million	2017	2016
Trade creditors	573.3	466.1
Other creditors and accruals	253.6	242.4
Total current trade and other payables	826.9	708.5

Accounting policies

Trade and other payables are all classified as financial liabilities held at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which were unpaid at the end of the financial year and these amounts are unsecured.

The carrying value of trade and other payables is considered to approximate fair value due to the short-term nature of the payables.

Trade and other payables are included in current liabilities, except for those liabilities where payment is not due within 12 months from reporting date which are classified as non-current liabilities.

3.4 Other assets

\$ million	2017	2016
Current		
Contract incentive payments ⁽¹⁾	14.8	14.7
Prepayments	31.3	24.6
Total other current assets	46.1	39.3
Non-Current		
Contract incentive payments ⁽¹⁾	50.6	56.8
Prepayments	-	1.4
Other non-current assets	47.2	46.4
Total other non-current assets	97.8	104.6

⁽¹⁾ Contract incentives are provided to customers to secure long-term sale agreements and are amortised over the period of the contractual arrangement.

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.5 Property, plant and equipment

The following note details the physical assets used by the Group to operate the business, generating revenues and profits.

The cost of these assets is the amount initially paid for them with a depreciation charge recognised in the income statement to reflect the wear and tear of the assets as they are used which reduces the value of the asset over time.

\$ million	Land	Land improvements	Buildings	Plant and equipment	Finance leased assets	Total
Cost						
At 1 July 2015	71.7	11.7	469.1	2,817.3	-	3,369.8
Additions for the period	-	-	0.1	107.7	-	107.8
Disposals during the period	(9.3)	(0.5)	(15.0)	(33.5)	-	(58.3)
Additions through business acquisitions	-	-	3.9	15.2	-	19.1
Other transfers	(0.1)	0.1	7.2	(7.2)	-	-
Effect of movements in foreign exchange rates	0.2	0.1	2.1	24.4	-	26.8
At 30 June 2016	62.5	11.4	467.4	2,923.9	-	3,465.2
Additions for the period	-	-	1.4	150.7	-	152.1
Disposals during the period	(2.8)	(0.1)	(1.5)	(299.8)	-	(304.2)
Additions through business acquisitions	-	-	-	47.9	3.6	51.5
Other transfers	-	-	7.1	(7.9)	-	(0.8)
Effect of movements in foreign exchange rates	-	0.1	(1.1)	(10.0)	(0.3)	(11.3)
At 30 June 2017	59.7	11.4	473.3	2,804.8	3.3	3,352.5
Accumulated depreciation and impairment						
At 1 July 2015	(0.3)	(3.6)	(127.0)	(1,691.5)	-	(1,822.4)
Depreciation charge	-	(0.3)	(10.7)	(90.2)	-	(101.2)
Disposals during the period	-	0.2	8.2	31.2	-	39.6
Effect of movements in foreign exchange rates	-	-	(1.4)	(15.5)	-	(16.9)
At 30 June 2016	(0.3)	(3.7)	(130.9)	(1,766.0)	-	(1,900.9)
Depreciation charge	(0.1)	(0.3)	(11.9)	(95.8)	(0.6)	(108.7)
Disposals during the period	-	-	2.6	297.7	-	300.3
Other transfers	-	-	(2.1)	2.1	-	-
Effect of movements in foreign exchange rates	-	-	0.6	4.8	-	5.4
At 30 June 2017	(0.4)	(4.0)	(141.7)	(1,557.2)	(0.6)	(1,703.9)
Net book value						
At 30 June 2016	62.2	7.7	336.5	1,157.9	-	1,564.3
At 30 June 2017	59.3	7.4	331.6	1,247.6	2.7	1,648.6

At 30 June 2017, no property, plant and equipment was provided as security for any interest-bearing borrowings (2016: nil).

Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs that are related to the acquisition, construction or production of an asset. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated at rates based upon the expected useful lives, or in the case of leasehold improvements and certain leased plant and equipment the lease term, using the straight-line method. Land is

not depreciated. Depreciation rates used for each class of asset for the current and comparative periods are as follows:

- Buildings 1% - 5%
- Land improvements 1% - 3%
- Plant and equipment 2.5% - 25%

**Judgements and estimates**

Depreciation is calculated by estimating the number of years the Group expects an asset to be used over. At each reporting date depreciation methods, residual values and useful lives are reassessed and adjusted if necessary. In addition, assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that an asset carrying amount may not be recoverable. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit. Refer note 3.7 for further details.

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.6 Intangible assets

The following note details the non-physical assets used by the Group to generate revenue and profits.

These assets include computer software and licences, customer relationships and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets identified. In the case of goodwill, its cost is the amount the Group has paid for acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is 'intangible' value that comes from, for example, synergies available with the integration of the acquired business into the Group, a skilled and knowledgeable assembled workforce, proprietary technologies and processes, a uniquely strong market position and customer relationships.

\$ million	Other intangible assets			Total
	Computer software	Other	Goodwill	
Cost				
At 1 July 2015	176.6	6.9	250.6	434.1
Additions for the period	8.3	-	-	8.3
Additions through business acquisitions	0.5	-	80.6	81.1
Disposals during the period	(3.1)	-	-	(3.1)
Effect of movements in foreign exchange rates	1.5	0.2	6.8	8.5
At 30 June 2016	183.8	7.1	338.0	528.9
Additions for the period	7.9	-	-	7.9
Additions through business acquisitions	1.5	7.7	67.5	76.7
Disposals during the period	(4.4)	-	-	(4.4)
Effect of movements in foreign exchange rates	(2.3)	(0.7)	(7.1)	(10.1)
At 30 June 2017	186.5	14.1	398.4	599.0
Accumulated amortisation and impairment				
At 1 July 2015	(131.4)	(6.9)	(7.9)	(146.2)
Amortisation charge	(6.3)	-	-	(6.3)
Disposals during the period	3.1	-	-	3.1
Effect of movements in foreign exchange rates	(1.1)	(0.2)	-	(1.3)
At 30 June 2016	(135.7)	(7.1)	(7.9)	(150.7)
Amortisation charge	(6.5)	(0.9)	-	(7.4)
Disposals during the period	4.4	-	-	4.4
Impairment loss	-	-	(0.3)	(0.3)
Effect of movements in foreign exchange rates	1.3	0.2	-	1.5
At 30 June 2017	(136.5)	(7.8)	(8.2)	(152.5)
Net book value				
At 30 June 2016	48.1	-	330.1	378.2
At 30 June 2017	50.0	6.3	390.2	446.5

Accounting policies

Other intangible assets

Other intangible assets include computer software, customer relationships and software licences. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, their fair value at the date of acquisition. Internal spend on computer software is only capitalised within the development phase, when the asset is separate and it is probable that future economic benefits attributable to the asset will flow to the Group. Following initial recognition, other intangible assets are carried at cost less amortisation and any impairment losses.

Other intangible assets are amortised on a straight line basis over their useful life and tested for impairment whenever there is an indication that they may be impaired. Refer to note 3.7 for further details on impairment.

Computer software and licences are amortised over a period of between three to ten years whilst customer relationships are amortised over a period of up to 20 years. The amortisation period and method is reviewed each financial year.

The Group does not hold any indefinite life other intangible assets.

Goodwill

The goodwill recognised by the Group has arisen as a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.6 Intangible assets (continued)

Accounting policies (continued)

Goodwill

Goodwill is initially measured as the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. Goodwill is not amortised but is instead 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 any accumulated impairment losses.

For the purpose of impairment testing goodwill is allocated to cash generating units, refer to note 3.7 for further details.



Judgements and estimates

The value of intangible assets, with the exception of goodwill, reduces over the number of years the Group expects to use the asset via an annual amortisation charge to the income statement. The amortisation charge is calculated by estimating the number of years the Group expects to benefit from the use of the asset. At each reporting date amortisation methods and useful lives are reassessed and adjusted if necessary. In addition, assets subject to amortisation are reviewed for impairment.

Where there has been a technological change or decline in business performance a review of the value of the intangible assets, including goodwill, is undertaken to ensure the assets have not fallen below their amortised value. Should an assets' value fall below its amortised value an additional one-off impairment charge is made against profit. Refer note 3.7.

3.7 Impairment of non-financial assets

During the period an impairment loss of \$0.3 million has been recognised in respect of goodwill (refer note 3.6). No impairment losses were recognised during the year ended 30 June 2016.

In accordance with the Group's accounting policies impairment losses recognised in prior periods, excluding those relating to goodwill, were reassessed at 30 June 2017 for any indications that the loss may have decreased or may no longer exist, no such indicators were identified.

Testing for impairment

The Group tests property, plant and equipment, intangibles and goodwill for impairment:

- where there is an indication that an asset may be impaired (which is assessed each reporting date);
- where there is an indication that previously recognised impairments (on assets other than goodwill) have changed; and
- at least annually for indefinite life intangibles and goodwill.

In testing for impairment, the recoverable amount is estimated for an individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the smallest identifiable group of assets that generate cash inflows that are largely independent from the cash

flows of other assets or group of assets. Each CGU is no larger than an operating segment.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or value in use.

An impairment loss is recognised in the income statement if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs).

Impairment calculations

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the asset or CGU and the market's current assessment of the time value of money.

Value in use is assessed using cash flow projections for five years using data from the Group's latest internal forecasts and is management's best estimate of income, expenses, capital expenditure and cash flows for each CGU. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets in which the Group operates. Cash flows beyond the five year period are extrapolated using estimated growth rates which are determined with regard to the long-term performance of each CGU in their respective markets and are not expected to exceed the long-term average growth rates for the industry in which each CGU operates.

The discount rate used in performing the value in use calculations reflects the Group's weighted average cost of capital, as adjusted for specific risks relating to each geographical region in which the CGU's operate.

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or may have decreased, the asset is tested for impairment. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Impairments recognised for goodwill are not reversed.

Goodwill impairment tests

For the purpose of impairment testing, goodwill is allocated to cash generating units or groups of cash generating units (CGUs) according to the level at which management monitors goodwill. Goodwill is tested annually or more regularly if there are indicators of impairment.

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount of each CGU:

	Australasia CGU		North America CGU	
	2017	2016	2017	2016
Goodwill allocation (\$million)	98.8	94.2	291.5	235.9
Pre-tax discount rate (%)	10.7	10.7	11.5	11.8
Growth rate (%)	2.0	2.0	2.0	2.0

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.7 Impairment of non-financial assets (continued)

Goodwill impairment tests (continued)

The recoverable amounts of the CGUs were based on the present value of the future cash flows expected to be derived from the CGU (value in use calculation). Value in use is calculated from cash flow projections for five years using data from the Group's latest internal forecasts. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in earnings during the initial five year period.



Judgements and estimates

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment. Management is required to make significant judgements concerning the identification of impairment indicators, such as changes in competitive positions, expectations of growth, increased cost of capital, and other factors that may indicate impairment, such as a business restructuring.

Management is also required to make significant estimates regarding future cash flows and the determination of fair values when assessing the recoverable amount of assets (or groups of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

3.8 Provisions

\$ million	Employee entitlements	Workers' compensation, insurance and other claims	Asset restoration and decommissioning	Restructuring	Total
2017					
Opening balance	83.8	16.1	21.2	20.3	141.4
Provisions made during the period	32.7	3.5	23.8	6.3	66.3
Payments made during the period	(30.9)	(5.9)	-	(16.4)	(53.2)
Released during the period	(0.8)	(0.1)	(1.4)	(1.6)	(3.9)
Additions through business acquisitions	0.4	-	-	-	0.4
Unwinding of discount	-	-	0.4	-	0.4
Effect of movement in foreign exchange rate	(0.2)	(0.1)	(0.1)	-	(0.4)
Closing balance	85.0	13.5	43.9	8.6	151.0
Current	76.0	13.5	28.7	8.6	126.8
Non-current	9.0	-	15.2	-	24.2
2016					
Opening balance	79.3	18.7	21.1	16.8	135.9
Provisions made during the period	30.8	7.3	0.5	23.0	61.6
Payments made during the period	(26.5)	(7.5)	-	(18.5)	(52.5)
Released during the period	(0.4)	(2.8)	(1.2)	(1.2)	(5.6)
Additions through business acquisitions	0.2	-	-	-	0.2
Unwinding of discount	-	0.2	0.5	0.1	0.8
Effect of movement in foreign exchange rate	0.4	0.2	0.3	0.1	1.0
Closing balance	83.8	16.1	21.2	20.3	141.4
Current	75.9	15.8	5.1	14.4	111.2
Non-current	7.9	0.3	16.1	5.9	30.2

Accounting policies

A provision is recognised when: the Group has a present legal or constructive obligation arising from past events; it is probable that cash will be paid to settle it; and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the income statement.

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.8 Provisions (continued)

Accounting policies (continued)

Employee entitlements

The provision for employee entitlements represents the obligation for annual leave, long service leave entitlements and incentives accrued by employees.

Liabilities for employee benefits such as wages, salaries and other current employee entitlements represent present obligations arising from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates, including related on-costs, such as workers compensation insurance and payroll tax, and are presented in other payables.

The liability for annual leave and long service leave is measured as the present value of estimated future cash outflows to be made in respect of services provided by the employee up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments that are not expected to be settled within 12 months are discounted using market yields at the reporting date of high quality corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Workers' compensation, insurance and other claims

The Group self-insures for various risks including risks associated with workers' compensation. Provisions are recognised for claims received and expected to be received in relation to incidents occurring prior to reporting date and are measured based upon historical claim rates.

Estimated net future cash flows are based on the assumption that all claims will be settled and the weighted average cost of historical claims adjusted for inflation will continue to approximate future costs.

Asset restoration and decommissioning

Where the Group has a legal or constructive obligation to restore a site on which an asset is located, either through make-good provisions included in lease agreements or decommissioning of environmental risks, the present value of the estimated costs of dismantling and removing the asset and restoring the site is recognised as a provision with a corresponding increase in the related item of property, plant and equipment. At each reporting date, the liability is remeasured in line with changes in discount rates, estimated cash flows and the timing of those cash flows. Any changes in the liability are added to or deducted from the related asset, other than the unwinding of the discount, which is recognised as a financing cost in the income statement.

During the period an additional provision of \$21.6 million was recognised relating to the former cartonboard mill site in Petrie, Queensland which was disposed of 20 July 2015. As the site assets have already been derecognised in the prior period, on the sale of the land, the provision has been recognised immediately in the income statement (refer note 1.2).

Restructuring

The restructuring provision primarily relates to cost reduction and reorganisation activities associated with the Australasia operations.

A provision for restructuring is recognised when the Group has a detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced, including discussions with affected personnel, with employee-related costs recognised over the period of any required further service. Future operating costs in relation to the restructuring are not provided for. Payments falling due greater than 12 months after reporting date are discounted to present value.

**Judgements and estimates**

A provision is recognised by the Group where an obligation exists relating to a past event, it is probable that a cash payment will be required to settle it, and the Group is not certain how much cash will be required to settle the liability. The value of that provision is based upon estimates and assumptions with regards to the amount and timing of cash flows required to settle the obligation, which are dependent on future events. The key assumptions applicable to the determination of the provisions are as follows:

Employee entitlements

The provision for employee entitlements is based on a number of management estimates, which include:

- future increase in salaries, wages and on-cost rates
- future probability of employee departures
- future probability of years of service (long service leave provision)

Workers' compensation

The self-insured workers' compensation provision is based on a number of management estimates including, but not limited to:

- future inflation
- claim administration expenses
- historical weighted average size of claims
- claim development

Asset restoration and decommissioning

Asset restoration and decommissioning provisions require assessments to be made of lease make-good conditions and decommissioning and environmental risks. The provisions require estimates to be made of costs to dismantle and remove equipment and to restore the site to the condition required under the terms of the lease or contract and as required by environmental laws and regulations.

Restructuring

Restructuring provisions require assessments to be made regarding the timing of recognition, specifically are plans sufficiently detailed, approved and communicated to support recognition at a point in time. The provisions also require estimates to be made of the cost of restructuring and the timing of these cash outflows.

The judgements, estimates and assumptions used in the booking of all provisions are evaluated on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstance and are management's best estimates based on currently available information, legislation and environmental laws and regulations. The actual result may differ from these account estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the financial statements

Section 4: Income tax

In this section

This section sets out the Group's tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the income statement), a reconciliation of profit before tax to the tax charge for the period and the movements in the deferred tax assets and liabilities.

4.1 Income tax expense

The total taxation charge in the income statement is analysed as follows:

\$ million	2017	2016
Current tax expense		
Current period	(55.7)	(50.1)
Adjustments relating to prior periods	2.6	2.3
Total current tax expense	(53.1)	(47.8)
Deferred tax expense		
Origination and reversal of temporary differences	(18.9)	(23.0)
Total income tax expense	(72.0)	(70.8)
<i>Deferred income tax expense included in income tax expense comprises:</i>		
Increase/(Decrease) in deferred tax assets	9.3	(3.8)
(Increase)/Decrease in deferred tax liabilities	(28.2)	(19.2)
Deferred income tax expense included in total income tax expense	(18.9)	(23.0)

The following table provides a numerical reconciliation of income tax expense to prima facie tax payable:

\$ million	2017	2016
Profit before related income tax (expense)/benefit	243.1	239.4
Tax at the Australian tax rate of 30% (2016: 30%)	(72.9)	(71.8)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Net non-deductible/non-assessable for tax	3.4	3.3
Tax losses, net tax credits and temporary differences not recognised for book in prior years now recouped	2.5	1.6
	(67.0)	(66.9)
Over/(under) provision in prior period	2.6	2.3
Foreign tax rate differential	(7.6)	(6.2)
Total income tax expense	(72.0)	(70.8)

Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income respectively.

Current Tax

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax is also adjusted by changes in deferred tax assets and liabilities attributable to temporary

4.2 Deferred tax balances

Deferred income tax in the balance sheet relates to the following:

\$ million	2017	2016
Deferred tax assets		
Trade receivable loss allowance provision	1.3	1.1
Valuation of inventories	11.0	10.0
Employee benefits	46.0	44.7
Provisions	19.0	16.3
Financial instruments at fair value	3.7	7.6
Accruals and other items	14.9	6.5
	95.9	86.2
Tax set off	(95.9)	(86.2)
Deferred tax asset	-	-
Deferred tax liabilities		
Property, plant and equipment	88.8	73.2
Intangible assets	23.2	20.1
Other items	33.0	25.1
Deferred tax liabilities	145.0	118.4
Tax set off	(95.9)	(86.2)
Deferred tax liability	49.1	32.2

Deferred income tax in the income statement relates to the following:

\$ million	2017	2016
Property, plant and equipment	17.3	14.8
Trade receivable loss allowance provision	(0.2)	(0.4)
Intangible assets	3.8	2.1
Valuation of inventories	(1.1)	2.2
Employee benefits	(1.9)	(1.4)
Provisions	(2.8)	(1.5)
Financial instruments at fair value	(0.2)	(1.6)
Tax losses carried forward	-	1.6
Accruals and other items	4.0	7.2
Deferred tax expense	18.9	23.0

differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused tax losses.

Current tax assets and liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

Section 4: Income tax (continued)

Accounting policies (continued)

Deferred Tax

Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- taxable temporary differences arising on the initial recognition of goodwill;
- taxable differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Unrecognised deferred tax assets and liabilities

Deferred tax liabilities have not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group investments in subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

Unremitted earnings of the Group's international operations are considered to be reinvested indefinitely and relate to the ongoing operations. Upon distribution of any earnings in the form of dividends or otherwise, the Group may be subject to withholding taxes payable to various foreign countries, however, such amounts are not considered to be significant. As the Group controls when the deferred tax liability will be incurred and is satisfied that it will not be incurred in the foreseeable future, the deferred tax liability has not been recognised. There are no unrecognised deferred tax assets.



Judgements and estimates

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result the calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items, including assumptions made in respect of the application of tax legislation. There are many transactions and calculations relating to the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for uncertain tax positions based on management's best estimate of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determinations are made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. The assumptions regarding the future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

The assumptions made in respect of the recognised tax balances are subject to risk and uncertainty and there is a possibility that changes in circumstances or differences in opinion will alter outcomes which may impact the amount of deferred tax assets and deferred tax liabilities recognised and the amount of tax losses and timing differences not yet recognised.

Notes to the financial statements

Section 5: Financial risk management

In this section

The following section outlines how the Group manages the financial risks it is exposed to associated with holding financial instruments that arise from the Group's need to access financing (bank loans and overdrafts and unsecured notes), from the Group's operational activities (cash, trade receivables and payables) and instruments held as part of the Group's risk management activities (derivate financial instruments).

Financial risk management is carried out by Orora Group Treasury under policies that have been approved by the Board for managing each of the below risks including principles and procedures with respect to risk tolerance, delegated levels of authority on the type and use of derivative financial instruments and the reporting of these exposures. The Treasury function reports regularly to the Audit & Compliance Committee and treasury procedures are subject to periodic reviews.

In accordance with Board approved policies the Group typically uses derivative financial instruments to hedge underlying exposures arising from the Group's operational activities relating to; changes in foreign exchange rates on foreign currency commercial transactions (transaction risk), exposure to changes in commodity prices, changes in interest rates on net borrowings and changes in the Company's share price.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as set out in the table below:

Risk	Exposure	Management
Market risks		
- Foreign exchange risk	The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, financial assets and liabilities not denominated in A\$ and net investments in foreign operations.	Where possible loans are drawn in foreign currency by foreign entities to create a natural hedge of foreign currency assets and liabilities. Where this is not possible the Group's policy is to hedge contractual commitments denominated in a foreign currency by entering into forward exchange contracts. Refer notes 5.1.1 and 5.4.
- Interest rate risk	The Group is exposed to interest rate risk in respect of short and long-term borrowings where interest is charged at variable rates.	The Group mitigates interest rate risk primarily by entering into fixed rate borrowing arrangements. Where necessary the Group hedges interest rate risk using derivative instruments – eg interest rate swaps. Refer notes 5.1.2 and 5.4.
- Commodity price risk	The Group is exposed to changes in commodity prices in respect of the purchase of aluminium raw materials.	Where possible, the Group mitigates raw material commodity price risk by contractually passing rise and fall adjustments through to customers. Refer notes 5.1.3 and 5.4.
- Employee share plan risk	The Group's employee share plans require the delivery of shares to employees in the future when rights vest or options are exercised. The Group currently acquires shares on market to deliver these shares exposing the Group to cash flow risk – ie as the share price increases it costs more to acquire the shares on market.	The Group has established the Orora Employee Share Trust which manages and administers the Group's responsibilities under the employee share plans through acquiring, holding and transferring shares or rights to shares in the Company to participating employees. Refer note 5.1.4 and 7.1.
Credit risk	The Group is exposed to credit risk from financial instrument contracts and trade and other receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.	The Group manages credit risk through a robust system of counterparty approval, granting and renewal of credit limits, regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis. Refer to notes 5.2 and 3.1 for credit risk exposures relating to trade and other receivables. The Group only enters into financial instrument contracts with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's.
Liquidity and funding risk	The Group is exposed to liquidity and funding risk from operations and from external borrowings, where the risk is that the Group may not be able to refinance debt obligations or meet other cash outflow obligations when required.	The Group mitigates funding and liquidity risks by ensuring that: <ul style="list-style-type: none"> • a sufficient range of funds are available to meet working capital and investment objectives; • adequate flexibility within the funding structure is maintained through the use of bank overdrafts, bank loans and unsecured notes; • through regular monitoring of rolling forecast of cash inflows and outflows the cost of funding is minimised and that the return on any surplus funds is maximised through efficient cash management; • there is a focus on improving operational cash flow and maintaining a strong balance sheet. Refer note 5.3.

Notes to the financial statements

Section 5: Financial risk management (continued)

5.1 Market risks

5.1.1 Foreign exchange risk

The Group operates internationally and is therefore exposed to currency risk arising from movements in foreign currency rates, primarily with respect to the US Dollar and NZ Dollar. The foreign exchange risk arises from:

- recognised monetary assets and liabilities held in a non-functional currency and net investments in foreign operations (translation risk); and
- differences in the dates foreign currency commercial transactions are entered into and the date they are settled (transaction risk).

Translation risk

To limit translation risk exposure the Group's borrowings are generally denominated in currencies that match the cash flows generated by the underlying operations of the Group, which are primarily Australian and US dollars. Interest payable on those borrowings is denominated in the currency of the borrowing. In respect of the US operations this provides a natural economic hedge without requiring derivatives to be entered into.

Exposure

The summary quantitative data about the Group's exposure to translation currency risk, as reported to the management of the Group, is as follows:

\$ million	2017		2016	
	USD	NZD	USD	NZD
Funds employed	542.0	178.2	434.8	160.5
Net Debt	(446.5)	22.8	(394.6)	28.6
Gearing	82.4%	(12.8%)	90.8%	(17.8%)

Transaction risk

To manage foreign currency transaction risk the Group's policy is to hedge material foreign currency denominated expenditure at the time of commitment and to hedge a proportion of foreign currency denominated forecasted exposures (mainly relating to export sales and the purchase of inventory) on a rolling 18 month basis, using either a natural hedge where one exists, or through the use of forward foreign exchange contracts or foreign currency options taken out for up to two years from the forecast date.

Sensitivity

The following sensitivity illustrates how a reasonably possible change in the US dollar and NZ dollar would impact the fair value of the derivative financial instruments (refer note 5.4) held for future commercial transactions as at 30 June 2017:

- if the Australian dollar had weakened by 10% against the US dollar with all other variables held constant, equity would have been \$5.7 million higher (2016: \$8.2 million higher).
- if the Australian dollar had weakened by 10% against the NZ dollar with all other variables held constant, equity would have been \$10.2 million lower (2016: \$15.3 million lower).

Amounts recognised in profit or loss and other comprehensive income

During the year, the Group recognised a foreign currency loss of \$3.8 million (2016: gain \$3.4 million) and a loss of \$0.1 million (2016: loss \$1.7 million) relating to foreign currency derivatives, that did not qualify as hedges, within general and administrative expenses in the income statement.

In addition, a loss of \$2.5 million (2016: \$13.7 million loss) relating to cash flow hedges and a \$4.3 million loss (2016: \$13.5 million gain) on the translation of foreign operations was recognised in other comprehensive income. Losses of \$13.7 million (2016: \$2.6 million gain) and \$1.0 million (2016: nil) relating to cash flow hedges were transferred from equity to operating profit and non-financial assets, respectively. A loss relating to hedge ineffectiveness on interest rate swaps contracts of \$2.5 million (2016: \$0.9 million) was recognised in finance costs.

5.1.2 Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's Treasury risk management policy is to maintain an appropriate mix between fixed and floating rate borrowings, monitoring global interest rates, and where appropriate, hedging floating interest rate exposures or borrowings at fixed interest rates through the use of interest rate swaps and forward interest rate contracts.

The Group's policy is to hold up to 85.0% fixed rate debt. At 30 June 2017 approximately 72.1% (2016: 83.0%) of the Group's debt is fixed rate.

Exposure

The Group had the following variable rate borrowings and interest rate swap contracts outstanding at 30 June:

	Weighted average interest rate %	Balance \$million
2017		
Bank loans	2.7%	402.2
Interest rate swaps (notional principal amount)	3.7%	200.0
Net exposure to cash flow interest rate risk		202.2
2016		
Bank loans	2.8%	361.9
Interest rate swaps (notional principal amount)	3.5%	250.0
Net exposure to cash flow interest rate risk		111.9

All of the Group's interest rate swaps are predominantly classified as cash flow hedges so any movement in the fair value is recognised directly in equity. The amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects profit or loss. During the period a \$0.4 million gain (2016: \$0.4 million loss) was recognised directly in equity in relation to interest rate swaps.

Sensitivity

At 30 June 2017, if Australian and US interest rates had increased by 1.0%, post-tax profit for the year would have been \$1.4 million lower (2016: \$0.8 million lower), net of derivatives. If interest rates on Australian and US dollar denominated borrowings had decreased by 1.0%, post-tax profit for the year would have been \$1.4 million higher (2016: \$0.1 million higher), net of derivatives.

Notes to the financial statements

Section 5: Financial risk management (continued)

5.1 Market risks (continued)

5.1.3 Commodity price risk

The Group is exposed to commodity price risk arising from the purchase of aluminium. In managing commodity price risk the Group is able to pass on the price risk contractually to customers through rise and fall adjustments. In the case of aluminium some hedging is undertaken using fixed price swaps on behalf of certain customers. Hedging undertaken is upon customer instruction and all related benefits and costs are passed onto the customer on maturity of the transaction.

The movements in commodity hedges are recognised in equity and the cumulative amount of the hedge is recognised in the income statement when the forecast transaction is realised. There is no impact on profit as a result of movements in commodity prices where hedges have been put in place as the Group passes the price risk contractually through to customers. As the Group ultimately passes on the movement risk associated with commodity prices to customers, no sensitivity has been performed.

5.1.4 Employee Share Plan risk

The Group is exposed to movements in the value of ordinary shares of the Company in respect of the obligations under the Group's Employee Share Plans (refer note 7.1). To mitigate this risk the Group has established the Orora Employee Share Trust (the Trust) to manage and administer the Group's responsibilities under the Employee Share Plans through the acquiring, holding and transferring of shares, or rights to shares, in the Company to participating employees.

As at 30 June 2017, the Trust held 13,864,381 treasury shares in the Company (2016: 15,179,750) and 1,808,109 allocated shares in respect of the CEO Grant (2016: 1,199,190). Refer to note 6.3 for further details.

5.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers, cash and cash equivalents and in-the-money derivatives. There is also credit risk relating to the Group's own credit rating as this impacts the availability and cost of future finance.

The Group manages credit risk through the maintenance of procedures such as the utilisation of systems of approval, granting and renewal of credit limits, regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis.

Trade and other receivables

Credit risk exposures related to trade and other receivables are discussed in note 3.1.

Cash and cash equivalents and derivatives

Credit risk related to balances with banks and financial institutions is managed by Orora Group Treasury in accordance with Group policy. The policy only allows financial derivative instruments to be entered into with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's. In addition the Board has approved the use of these financial institutions, and specific internal guidelines have been established with regards to limits, dealing and settlement procedures.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any security held, is equivalent to the carrying amount and classification of the financial assets (net of any provisions) as presented in the statement of financial position.

Guarantees

The Group's policy is to provide financial guarantees only to certain parties securing the liabilities of subsidiaries, and are only provided in exceptional circumstances (refer note 7.3).

5.3 Liquidity and funding risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financing policy is to fund itself for the long term by using debt instruments with a range of maturities and to ensure access to appropriate short-term facilities. Orora Group Treasury aims to maintain flexibility within the funding structure through the use of bank overdrafts and bank loans.

Management manages liquidity risk through maintaining minimum undrawn committed liquidity of at least \$175.0 million that can be drawn upon at short notice and regularly monitoring rolling forecasts of cash inflows and outflows in relation to the Group's activities. This monitoring includes financial ratios to assess possible future credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

Financing arrangements

At 30 June 2017, the Group had access to:

- A \$400.0 million revolving multicurrency facility through a syndicate of domestic and international financial institutions maturing in December 2019. This facility is unsecured and can be extended.
- US Private Placement of notes USD250.0 million of which USD100.0 million matures in July 2023 and USD150.0 million matures in July 2025.
- a USD200.0 million five year USD revolving facility, through a syndicate of domestic and international financial institutions, maturing in April 2021.
- two bilateral agreements for A\$50.0 million each with separate domestic institutions, maturing in April 2018.

Notes to the financial statements

Section 5: Financial risk management (continued)

5.3 Liquidity risk and funding risk (continued)

The committed and uncommitted standby arrangements and unused facilities of the Group are set out below:

\$ million	2017			2016		
	Committed	Uncommitted	Total	Committed	Uncommitted	Total
<i>Financing facilities available:</i>						
Bank overdrafts	-	6.3	6.3	-	6.3	6.3
US Private placement	324.6	-	324.6	335.7	-	335.7
Loan facilities and term debt	759.7	81.9	841.6	768.5	83.7	852.2
	1,084.3	88.2	1,172.5	1,104.2	90.0	1,194.2
<i>Facilities utilised:</i>						
Bank overdrafts	-	5.1	5.1	-	-	-
US Private placement	324.6	-	324.6	335.7	-	335.7
Loan facilities and term debt	403.4	-	403.4	364.0	-	364.0
	728.0	5.1	733.1	699.7	-	699.7
<i>Facilities not utilised:</i>						
Bank overdrafts	-	1.2	1.2	-	6.3	6.3
US Private placement	-	-	-	-	-	-
Loan facilities and term debt	356.3	81.9	438.2	404.5	83.7	488.2
	356.3	83.1	439.4	404.5	90.0	494.5

Maturity of financial liabilities

The table below analyses the Group's financial liabilities, including derivatives, into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed in the statement of financial position:

\$ million	1 year or less	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
2017						
<i>Non-derivative financial instruments</i>						
Trade and other payables	826.9	19.0	20.4	1.1	867.4	867.4
Borrowings	38.4	21.9	432.8	349.3	842.4	732.5
Total non-derivatives	865.3	40.9	453.2	350.4	1,709.8	1,599.9
<i>Derivatives</i>						
Net settled (interest rate swaps and commodity contracts)	(3.9)	(2.8)		-	(6.7)	(6.7)
Gross settled forward exchange contracts						
- Inflow	307.3	34.9	0.2	-	342.4	
- Outflow	(308.7)	(37.8)	(1.3)	-	(347.8)	
Total gross settled forward exchange contracts	(1.4)	(2.9)	(1.1)	-	(5.4)	(5.4)
Total derivatives	(5.3)	(5.7)	(1.1)	-	(12.1)	(12.1)
2016						
<i>Non-derivative financial instruments</i>						
Trade and other payables	708.5	11.5	15.8	1.2	737.0	737.0
Borrowings	22.9	42.4	396.7	372.5	834.5	695.7
Total non-derivatives	731.4	53.9	412.5	373.7	1,571.5	1,432.7
<i>Derivatives</i>						
Net settled (interest rate swaps and commodity contracts)	(5.7)	(4.1)	(4.5)	-	(14.3)	(14.3)
Gross settled forward exchange contracts						
- Inflow	344.3	34.4	15.6	-	394.3	
- Outflow	(353.0)	(35.9)	(16.3)	-	(405.2)	
Total gross settled forward exchange contracts	(8.7)	(1.5)	(0.7)	-	(10.9)	(10.9)
Total derivatives	(14.4)	(5.6)	(5.2)	-	(25.2)	(25.2)

Notes to the financial statements

Section 5: Financial risk management (continued)

5.4 Hedging instruments

Hedging activities and the use of derivatives

What is a derivative?

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables, such as exchange rates or interest rates, and is entered into for a fixed period of time. A hedge is where a derivative is used to manage exposure in an underlying variable.

The Group is exposed to certain market risks which include foreign exchange risk, interest rate risk and commodity price risk. In accordance with Board approved policies the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

Why do we need them?

The key market risks facing the Group:

- Foreign currency transaction risk is the risk that currency fluctuations will have a negative effect on the value of the Group's future cash flows due to changes in foreign currency between the date a commercial transaction is entered into and the date at which the transaction is settled
- Interest rate risk arises from fluctuations in variable market interest rates impacting the fair value or future cash flows on long-term borrowings
- Commodity price risk arises from significant changes in the price of key raw material inputs, in particular the purchase of aluminium.

How do we use them?

The Group employs the following derivative financial instruments when managing its foreign currency and interest rate risk:

- Forward exchange contracts and options are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date. The Group holds forward exchange contracts and options denominated in US Dollar, Euro and NZ Dollar to hedge highly probable forecast sale and purchase transactions (cash flow hedges);
- Interest rate swaps are derivative instruments that exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another, and are used to manage interest rate risk. These derivatives are entered into to optimise the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash flow hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.

In respect of managing commodity price risk the Group uses forward commodity contracts. Forward commodity contracts are derivative instruments used to hedge price risk so they enable the purchase of aluminium raw materials at a known fixed rate on an agreed future date. On behalf of customers, aluminium hedging is undertaken using fixed price swaps. The Group passes on the price risk of commodities contractually through to customers, including any benefits and costs relating to swaps upon their maturity (fair value hedge).

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Derivative instruments

The following table sets out the fair value of derivative financial instruments analysed by type of contract.

\$ million	Level 2 fair value hierarchy							
	2017				2016			
	Notional item	Weighted Average	Asset	Liability	Notional item	Weighted Average	Asset	Liability
Forward exchange contracts								
<i>Cash flow hedges</i>								
AUD/USD	USD84.5	0.7485	0.2	(3.2)	USD79.3	0.7213	0.4	(3.2)
AUD/NZD	NZD3.5	1.0880	0.2	(0.1)	NZD(6.7)	1.0849	0.2	(0.4)
AUD/EUR	EUR18.9	0.6810	0.8	(0.3)	EUR16.7	0.6466	0.1	(1.3)
NZD/USD	USD16.4	0.6983	-	(1.0)	USD9.2	0.6712	-	(0.7)
NZD/EUR	EUR2.8	0.6273	-	(0.1)	EUR7.6	0.6038	-	(0.5)
NZD/AUD	AUD90.4	1.0749	0.3	(2.0)	AUD100.8	1.1013	0.1	(5.0)
<i>Fair value hedges</i>								
AUD/USD	USD25.0	0.7707	-	-	USD40.0	0.7378	-	(0.5)
AUD/NZD	NZD20.0	1.0518	-	-	NZD25.0	1.0472	-	-
Interest rate swap contracts								
Cash flow hedge	AUD200.0 floating to fixed		-	(6.9)	AUD300.0 floating to fixed		-	(12.4)
Fair value hedge	-		-	-	USD50.0 floating to fixed		-	(2.0)
Total derivatives in an asset/(liability) position			1.5	(13.6)			0.8	(26.0)
Current asset/(liability)			1.3	(7.8)			0.7	(13.7)
Non-current asset/(liability)			0.2	(5.8)			0.1	(12.3)

Notes to the financial statements

Section 5: Financial risk management (continued)

5.4 Hedging instruments (continued)

Derivative instruments (continued)

All derivative financial instruments utilised by the Group are hedges of highly probable forecast transactions with a hedge ratio of 1:1, therefore the change in the hedging instrument is equal to the change in the value of the underlying hedged item.

Derivative financial instruments are only undertaken if they relate to underlying exposures, the Group does not use derivatives to speculate. As at 30 June 2017 and 30 June 2016, the Group only held derivative financial instruments (hedging instruments) whose fair values were measured in accordance with level 2 of the fair value hierarchy.

There were no transfers between level 1 and 2 for recurring fair value measurements during the year. The Group does not hold any level 3 derivative financial instruments.

Accounting policies

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into and are subsequently remeasured at fair value or 'marked to market' at each reporting

date. The gain or loss on remeasurement is recognised immediately in the income statement unless the derivative is designated as a hedging instrument in which case the remeasurement is recognised in equity.

Hedge accounting

At the inception of the hedge relationship, the Group formally designates the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Where option contracts are used to hedge forecast transactions, only the intrinsic value of the option contract is designated as the hedging instrument.

For the purposes of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or net investment hedges.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

	Fair value hedge	Cash flow hedge	Net investment hedge
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability or firm commitment.	A derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction.	Financial instruments hedging changes in foreign currency when the net assets of a foreign operation are translated from their functional currency into Australian dollars.
Movement in fair value	Changes in the fair value of the derivative are recognised in the income statement, together with the changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps, hedging fixed rate borrowings, is recognised in the income statement within 'finance costs', together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other income' or 'general and administration expenses'.	The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. The change in the fair value that is identified as ineffective is recognised immediately in the income statement within 'other income' or 'general and administration expenses'. Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset. Where options are used, changes in the fair value of the option are recognised in other comprehensive income depending on whether it is designated as the hedging instrument in its entirety, or it's intrinsic value only. If only the intrinsic value is designated, the option's time value that matches the terms of the hedged item is recognised in equity and released to profit or loss over the term of the hedged item.	On consolidation, foreign currency differences arising on the translation of financial assets and liabilities designated as net investment hedges of a foreign operation are recognised in other comprehensive income and accumulated in the foreign exchange reserve, to the extent that the hedge is effective. Any ineffective portion is recognised in the income statement.

Notes to the financial statements

Section 5: Financial risk management (continued)

5.4 Hedging instruments (continued)

Hedge accounting (continued)

	Fair value hedge	Cash flow hedge	Net investment hedge
Discontinuation of hedge accounting	If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the income statement over the period to maturity using a recalculated effective interest rate.	When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.	Upon disposal of the foreign operation, which is subject to the net investment hedge, the cumulative amount that has been recognised in equity in relation to the hedged net investment is transferred to the income statement and recognised as part of the gain or loss on disposal.

Rebalancing

If the hedging ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.



Judgements and estimates

The Orora Group Treasury team performs the financial instrument valuations and reports directly to the Chief Financial Officer (CFO) and the Audit & Compliance Committee. Discussions of valuation processes and results are held with the CFO and Orora Group Treasury at least once every six months, in line with the Group's half-yearly reporting requirements. Significant valuation issues are reported to the Audit & Compliance Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into three levels as prescribed under accounting standards, with each of these levels indicating the reliability of the inputs used in determining fair value. The levels in the fair value hierarchy are:

Level 1: fair value identified from quoted price traded in an active market for an identical asset or liability at the end of the reporting period. The quoted market price used for assets is the last bid price.

Level 2: fair value determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs used in the valuation method are observable.

Level 3: one or more of the significant inputs in determining fair value for the asset or liability is not based on observable market data (unobservable input).

Determining fair value

The specific valuation techniques used to value derivative financial instruments are as follows:

- the fair value of forward exchange contracts and currency options is determined by using the difference between the contract exchange rate and the quoted exchange rate at the reporting date;
- the fair value of interest rate swaps calculated as the present value of the estimated future cash flows – ie the amounts that the Group would receive or pay to terminate the swap at the reporting date, based on observable yield curves;
- the fair value of commodity forward contracts is determined by using the difference between the contract commodity price and the quoted price at the reporting date.

Notes to the financial statements

Section 6: Group Structure

In this section

This section provides information on those subsidiaries whose results principally affect the financial results of the Group, including details of the acquisitions that occurred during the period.

Details of the Orora Employee Share Trust are also discussed below.

6.1 Principal subsidiary undertakings and investments

The ultimate parent of the Group is Orora Limited, a company incorporated in Australia. The companies listed below are those whose results, in addition to the parent Company, principally affect the figures shown within the Annual Report:

Controlled entities	Country of incorporation	Orora Group's effective interest	
		2017	2016
Specialty Packaging Group Pty Ltd	Australia	100%	100%
Orora Packaging New Zealand Ltd	New Zealand	100%	100%
Orora Packaging Solutions	United States	100%	100%
Landsberg Orora	United States	100%	100%
Orora Visual TX LLC	United States	100%	100%

The Group did not dispose of any controlled entities during the twelve month period ending 30 June 2017 (2016: nil). Refer below for details of acquisitions.

6.2 Acquisition of controlled businesses

6.2.1 Current period acquisitions

During the period the Group acquired the assets and operations of a number of businesses which included, The Register Print Group in January 2017, and The Garvey Group and Graphic Tech in March 2017. The acquired businesses provide point-of-purchase (POP) retail display solutions to blue-chip retailers and brand owners in the USA and have expanded the Group's POP capabilities. Servicing the full POP value chain the businesses provide customers with concept development, design, digital printing, large format lithographic printing, manufacturing and fulfilment support.

The acquisitions expand the Group's footprint into the Northeast, West and Midwest of the USA and strengthen the ability of the Group to service national corporate customers across multiple locations. The results of these businesses are included in the North America segment from the date of acquisition.

The accounting for the above acquisitions has been provisionally determined as at 30 June 2017 as the post-close adjustment process remains in progress. Management is continuing to assess the fair value of the opening balance sheets which may result in adjustments to the fair value attributable to the net assets acquired as reported below.

The following information represents the aggregate impact of these three acquisitions upon the Group, as provisionally determined.

Purchase consideration

\$ million

Initial cash consideration paid	121.6
Deferred consideration	14.4
Total purchase consideration	136.0

Deferred consideration

Of the total \$14.4 million deferred consideration, \$5.4 million attracts interest of 2.0% per annum and is payable in July 2018. Of the remaining balance payable \$2.0 million is due in March 2018, \$5.7 million in September 2018 and \$1.3m is payable in March 2019.

Fair value of net assets acquired and goodwill

\$ million	Fair Value
Trade and other receivables	28.0
Inventories	5.1
Property, plant and equipment	46.7
Intangible assets	0.1
Trade and other payables	(16.7)
Fair value of net identifiable assets acquired	63.2
Add goodwill	72.8
Fair value of net assets acquired	136.0

Goodwill

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the businesses purchased into the Group's existing North American operations and the skills and talent of the workforce in the newly acquired businesses.

Acquired receivables

The fair value of acquired trade receivables is \$25.6 million. The gross contractual amount for trade receivables due is \$25.8 million of which \$0.2 million is expected to be uncollectable.

Purchase consideration and acquisition-related costs

\$ million

Cash consideration paid	121.6
Less: cash acquired	-
Outflow of cash	121.6

Acquisition-related costs of \$1.5 million were recognised in general and administrative expenses in the income statement and in operating cash flows in the cash flow statement.

Notes to the financial statements

Section 6: Group Structure (continued)

6.2 Acquisition of controlled businesses (continued)

6.2.2 Prior period acquisitions

IntegraColor LLC

On 1 March 2016, the Group acquired 100% of the issued share capital of IntegraColor LLC (IntegraColor), a provider of point of purchase retail display solutions and other visual communication services for customers across consumer (food and beverage), healthcare/education and horticulture industries. The operations are based in Dallas, Texas and service customers across North America. The results of IntegraColor are included in the North America segment from the date of acquisition.

The accounting for the IntegraColor acquisition was completed during the period and details of the fair attributable to the net assets acquired are reported below.

Purchase consideration

\$ million	
Initial cash consideration paid	91.2
Cash paid for completion adjustments	6.9
Deferred consideration	
Cash settled	7.1
Equity settled	2.1
Total purchase consideration	107.3

Deferred consideration

The deferred consideration payable includes a \$7.1 million cash payment and a \$2.1 million equity settled portion.

The cash settled amount attracts interest at 1.5% per annum and is payable in two instalments, the first instalment of \$4.6 million (plus interest) was paid in March 2017, whilst the second instalment of \$2.5 million is payable in September 2017.

In respect of the equity settled portion of the deferred consideration, the vendor will be entitled to receive 863,445 ordinary shares in Orora Limited in September 2017.

Fair value of net assets acquired and goodwill

\$ million	Fair value
Cash and cash equivalents	2.8
Trade and other receivables	25.1
Inventories	12.1
Property, plant and equipment	16.2
Deferred tax assets	5.0
Intangible assets	7.5
Trade and other payables	(13.2)
Provisions	(1.1)
Other liabilities	(3.3)
Fair value of net identifiable assets acquired	51.1
Add goodwill	56.2
Fair value of net assets acquired	107.3

Goodwill

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the company into the Group's existing North American business and the skills and talent of IntegraColor's workforce.

Acquired receivables

The fair value of acquired trade receivables is \$22.6 million. The gross contractual amount for trade receivables due is \$22.8 million of which \$0.2 million is expected to be uncollectable.

Purchase consideration and acquisition-related costs

30 June 2017

During the period the first instalment of the deferred consideration of \$4.6 million, including interest, was paid. This payment is presented in investing cash flows in the cash flow statement.

In the twelve months to 30 June 2017 no cash payments made were made relating to acquisition costs.

30 June 2016

During the period from the date of acquisition to 30 June 2016 the Group reported the following cash flows:

\$ million	2016
Cash consideration paid	98.1
Less: cash acquired	(2.8)
Outflow of cash	95.3

In addition, acquisition related costs of \$1.4 million were recognised in general and administrative expenses in the income statement and in operating cash flows in the cash flow statement.



Judgements and estimates

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

In accordance with the acquisition method the Group measures goodwill, at acquisition date, as the fair value of the consideration transferred less the fair value of the identifiable assets and liabilities acquired. The fair value of the consideration transferred comprises the initial cash paid and an estimate for any future contingent or deferred payments the Group may be liable to pay.

The application of the acquisition method requires certain estimates and assumptions to be made particularly around the determination of fair value of: any contingent or deferred consideration; the acquired intangible assets; property, plant and equipment; and liabilities assumed. Such estimates are based on the information available at the acquisition date and valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions.

Notes to the financial statements

Section 6: Group Structure (continued)

6.3 Orora Employee Share Trust

The Group holds shares in itself as a result of shares purchased by the Orora Employee Share Trust (the Trust). The Trust was established to manage and administer the Company's responsibilities under the Groups Employee Share Plans (refer note 7.1) through the acquiring, holding and transferring of shares, or rights to shares, in the Company to participating employees. In respect of these transactions, at any point in time the Trust may hold 'allocated' and 'unallocated' shares.

Allocated shares

Allocated shares represent those shares that have been purchased and awarded to employees under the CEO Grant (refer note 7.1). Shares granted to an employee under the CEO Grant are restricted in that the employee is unable to dispose of the shares for a period of up to five years (or as otherwise determined by the Board). The Trust holds these shares on behalf of the employee until the restriction period is lifted at which time the Trust releases the shares to the employee. Allocated shares are not identified or accounted for as treasury shares.

Where the Orora Employee Share Trust purchases equity instruments in the Company, as a result of managing the Company's responsibilities under the Group's CEO Grant Employee Share Plan award, the consideration paid, including any directly attributable costs is deducted from equity, net of any related income tax effects.

Unallocated shares

Unallocated shares represent those shares that have been purchased by the Trustee on-market to satisfy the potential future vesting of awards granted under the Groups Employee Shares Plans, other than the CEO Grant. As the shares are unallocated they are identified and accounted for as treasury shares (Treasury Shares) refer note 2.4.1.

Accounting policies

As at 30 June 2017 the Trust held 13,864,381 Treasury Shares (unallocated shares) in the Company (2016: 15,179,750) and 1,808,109 allocated shares in respect of the CEO Grant (2016: 1,119,190).

Transactions with the Group-sponsored Trust are included in these financial statements. In particular, the Trust's purchases of shares in Orora Limited are debited directly to equity. The shares are held in the Trust until such time as they may be transferred to participants of the various Group share schemes. In accordance with the Trust Deed, the Trustees have the power to exercise all voting rights in relation to any investment (including shares) held within the Trust.

Management has been authorised by the Board to issue a request to the Trustee to waive all right and entitlement to be paid the final FY17 dividend in respect of Treasury Shares held by the Trust. As a result, assuming the Trustee grants the request, the Treasury Shares will not receive a dividend payment in respect of the final FY17 dividend.

Notes to the financial statements

Section 7: Other

In this section

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001* including details about the Group's employee reward and recognition programs.

7.1 Share-based compensation

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based incentives. The Orora employee incentive plans have been established to ensure employees are motivated and incentivised to develop and successfully execute against both short and long-term strategies that grow the business and generate shareholder returns. The plans provide an appropriate level and mix of short and long-term incentives to appropriately recognise and reward employees creating a high performance culture and Orora's ability to attract and retain talent. Orora's remuneration strategy is competitive in the relevant markets to support the attraction and retention of talent.

The following information provides details of Orora's employee incentive plans. During the period the Group recognised a share-based payment expense of \$9.1 million (2016: \$8.6 million). Employee expenses and employee provisions are shown in note 1.5 and 3.8 respectively.

This note should be read in conjunction with the Remuneration Report, as set out in the Directors' Report, which contains detailed information regarding the setting of remuneration for Key Management Personnel.

The following table details the total movement in the CEO Grant, Share Options, Performance Rights or Performance Shares issued by the Group:

	CEO Grant		Long Term Incentive Plans				Short Term Incentive Plan	
			Share Options		Performance Rights and Performance Shares		Deferred Equity ⁽¹⁾	
	No.	\$ ⁽²⁾	No.	\$ ⁽²⁾	No.	\$ ⁽²⁾	No.	\$ ⁽²⁾
2017								
Outstanding at beginning of period	1,199,190	1.78	20,751,500	0.33	10,263,500	1.21	2,238,898	1.96
Granted during the period	1,152,485	2.47	5,058,500	0.55	1,835,500	2.05	1,107,411	2.77
Exercised during the period	(543,566)	1.16	(5,156,075)	0.29	(2,368,196)	1.05	(908,142)	1.61
Forfeited during the period	-	-	(1,102,364)	0.29	(455,804)	0.99	(35,921)	2.41
Outstanding at end of period	1,808,109	2.41	19,551,561	0.39	9,275,000	1.42	2,402,246	2.46
Exercisable at end of period	-	-	519,561	0.23	-	-	-	-
2016								
Outstanding at beginning of period	932,132	0.97	16,035,000	0.30	7,909,000	1.07	831,228	1.53
Granted during the period	708,124	2.29	4,716,500	0.43	2,354,500	1.68	1,407,670	2.22
Exercised during the period	(441,066)	0.89	-	-	-	-	-	-
Outstanding at end of period	1,199,190	1.78	20,751,500	0.33	10,263,500	1.21	2,238,898	1.96
Exercisable at end of period	-	-	-	-	-	-	-	-

⁽¹⁾ The equity outcomes for the 2017 financial year short term incentive will be determined and allocated in September 2017.

⁽²⁾ The above weighted average fair value is determined in accordance with AASB 2 *Share-based Payment* in respect of recognising the share-based payment expense of the award granted.

The exercise price of the CEO Grant, Performance Rights and Performance Shares and Deferred Equity Awards are nil. The exercise price of Share Options outstanding at the end of the year are set out below:

Grant date	Expiry date	Exercise price	Number	
			2017	2016
19 Feb 2014	30 Sept 2021	1.22	519,561	4,175,000
19 Feb 2014	30 Sept 2022	1.22	3,145,000	3,305,000
19 Feb 2014	30 Sept 2023	1.22	2,905,000	3,305,000
21 Oct 2014	30 Sept 2021	1.22	-	1,750,000
21 Oct 2014	30 Sept 2022	1.22	1,750,000	1,750,000
21 Oct 2014	30 Sept 2023	1.22	1,750,000	1,750,000
30 Oct 2015	30 Sept 2024	2.08	4,423,500	4,716,500
30 Oct 2016	30 Sept 2025	2.69	5,058,500	-
Share options outstanding at end of period			19,551,561	20,751,500
Weighted average contractual life of options outstanding at end of period			6.7 years	6.7 years

Notes to the financial statements

Section 7: Other (continued)

7.1 Share-based compensation (continued)

A description of the equity plans in place during the year ended 30 June 2017 is described below:

	Retention/Share Payment plan	Long term incentives		Short Term incentive
	CEO Grant	Share Options	Performance Rights and Performance Shares	Deferred Equity
Overview	<p>The Board endorses certain employees as eligible to receive ordinary shares in part satisfaction of their remuneration for the relevant financial year. The number of shares issued is at the discretion of the Board.</p> <p>The restrictions on these shares do not allow the employee to dispose of the shares within the vesting/restriction period.</p> <p>The shares subject to the CEO Grant carry full dividend entitlements and voting rights.</p>	<p>Under the long term incentive plan, share options or performance shares, may be issued to employees. The exact terms and conditions of each award are determined by the Directors of the Company at the time of grant.</p> <p>Give the employee the right to acquire a share at a future point in time upon meeting specified vesting conditions, described below, and require payment of an exercise price.</p> <p>The share options are granted at no consideration and carry no dividend entitlement or voting rights until they vest and are exercised to ordinary shares on a one-for-one basis.</p>	<p>Give the employee the right to receive a share at a future point in time upon meeting specified vesting conditions, as described below, no exercise price is payable.</p> <p>The rights are granted at no consideration and carry no dividend entitlement or voting rights until they vest and convert to ordinary shares on a one-for-one basis.</p>	<p>Provides an additional short-term incentive opportunity to selected employees, in the form of rights to ordinary shares. The number of rights that are allocated to each eligible employee is based on:</p> <ul style="list-style-type: none"> • 33.3% of the value of the cash bonus payable under the Short Term Incentive Plan, following the end of the performance period • the volume weighted average price of Orora Limited ordinary shares for the five trading days up to and including 30 June, being the end of the performance period; and • where cash bonuses are determined in currencies other than Australian dollars, the average foreign exchange rate for the same five day period.
Vesting conditions	Subject to alignment of performance with Orora's Values as assessed by the Board and the employee remaining in employment of the Group at the vesting date.	Subject to meeting an Earnings per Share (EPS) hurdle, the satisfaction of a Return on Average Funds Employed (RoAFE) gateway test, and the employee remaining in employment of the Group at the vesting date.	Two-thirds are subject to meeting a relative Total Shareholder Return test, the remaining one-third is subject to meeting an EPS hurdle and the satisfaction of a RoAFE gateway test. Vesting of the rights is subject to the employee remaining in employment of the Group at vesting date.	Remain in employment of the Group at vesting date.
Vesting period	Up to 5 years	4 years	4 years	2 years
Vested awards	Restriction lifted upon vesting	Vested share options will remain exercisable until the expiry date. On expiry, any vested but unexercised share options will lapse.	Shares are issued upon vesting.	Shares issued upon vesting.
Unvested awards	Unvested awards are forfeited if the employee voluntarily ceases employment or is dismissed for cause or poor performance.			

Accounting policies

The cost of the share-based compensation provided to employees is measured using the fair value at the date at which the option or right is granted and is recognised as an employee benefit expense in the income statement with a corresponding increase in the share-based payment reserve in equity. The expense is spread over the vesting period during which the employees become unconditionally entitled to the option or right granted. Upon exercise of the option or right, the balance of the share-based payment reserve, relating to the option or right, is transferred to share capital.

At each reporting period the Group revises the estimate of the number of options that are expected to vest based on the non-market vesting conditions. Any impact to the revision of an original estimate is recognised in the income statement with a corresponding adjustment to the share-based payment reserve. The employee expense, recognised each period, reflects the most recent estimate.

Notes to the financial statements

Section 7: Other (continued)

7.1 Share-based compensation (continued)

**Judgements and estimates**

The fair value of options is measured at grant date taking into account market performance conditions, but excludes the impact of any non-market conditions (eg profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to be exercisable.

The fair value of each option granted is measured on the date of grant using the Black Scholes option pricing model that takes into account the exercise price, the vesting and performance criteria, and where applicable the market condition criteria, term of the option, impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of rights is measured at grant date using a Monte-Carlo valuation model which simulates the date of vesting, the percentage vesting, the share price and total shareholder return. Once the simulated date of vesting is determined a Black-Scholes methodology is utilised to determine the fair value of the rights granted.

The following weighted average assumptions were used in determining the fair value of options and rights granted during the period:

	2017	2016
Expected dividend yield (%)	3.80	3.70
Expected price volatility of the Company's shares (%)	25.64	23.11
Share price at grant date (\$)	2.99	2.34
Exercise price (\$) - options only	2.69	2.08
Risk-free interest rate - options (%)	2.16	2.48
Expected life of options (years)	4.00	4.00
Risk-free interest rate - rights (%)	1.73	1.84
Expected life of rights (years)	3.65	3.66

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated changes. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected price volatility, of the Company's shares, reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the financial statements

Section 7: Other (continued)

7.2 Auditors' remuneration

\$ thousand	2017	2016
Auditors of the Company - PwC Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	802.4	742.2
Other assurance services	46.5	24.0
<i>Other services</i>		
Taxation services and transaction related taxation advice	45.5	54.5
Other advisory services	15.0	23.0
Total PwC Australia	909.4	843.7
Network firms of PwC Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	52.5	73.6
<i>Other services</i>		
Taxation services, transaction related taxation advice and due diligence	41.5	120.2
Total Network firms of PwC Australia	94.0	193.8
Total Auditors' remuneration	1,003.4	1,037.5

7.3 Commitments and contingent liabilities

Capital expenditure commitments

At 30 June 2017 the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of \$35.8 million (2016: \$31.7 million).

Other expenditure commitments

At 30 June 2017 the Group had other expenditure commitments of \$88.4 million (2016: \$66.4 million) in respect of other supplies and services yet to be provided.

Operating lease commitments

The total undiscounted future minimum lease payments under non-cancellable operating leases fall due for payment as follows:

\$ million	2017	2016
Within one year	81.4	83.6
Between one and five years	268.2	222.1
More than five years	122.2	105.1
	471.8	410.8
Less sub-lease rental income	-	(0.1)
	471.8	410.7

Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. In addition, Orora Limited has guaranteed senior notes issued by Orora DGP in the US private placement market in 2015, the notes have maturities between 2023 and 2025 (see note 2.3). It is not expected that these guarantees will be called on.

Other

Certain entities in the Group are party to various legal actions and exposures that have arisen in the ordinary course of business. The actions are being defended and the Directors are of the opinion that provisions are not required as no material losses are expected to arise.

Judgements and estimates

Legal proceedings

The outcome of currently pending and future legal, judicial, regulatory and other proceedings of a litigious nature cannot be predicted with certainty. Legal proceedings can raise difficult and complex issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each proceeding is brought and differences in applicable law.

An adverse decision in a legal proceeding could result in additional costs that are not covered, either wholly or partially, under insurance policies, which could significantly impact the business and the results of operations of the Group.

Each legal proceeding is evaluated on a case-by-case basis considering all available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recognised in the amount of the present value of the expected cash outflows, if these are deemed to be reliably measurable.

7.4 Orora Limited

Summarised income statement and comprehensive income

\$ million	2017	2016
Profit before related income tax expense	97.6	111.9
Income tax expense	(20.8)	(19.2)
Profit for the financial period	76.8	92.7
Total comprehensive income	85.3	80.7

Summarised balance sheet

\$ million	2017	2016
Total current assets	409.2	468.3
Total non-current assets	1,669.1	1,643.5
Total assets	2,078.3	2,111.8
Total current liabilities	567.9	502.0
Total non-current liabilities	247.8	306.4
Total liabilities	815.7	808.4
Net assets	1,262.6	1,303.4
Equity		
Contributed equity	472.3	481.8
Reserves:		
Share-based payment reserve	18.1	15.1
Cash flow hedge reserve	(6.4)	(14.9)
Retained profits	778.6	821.4
Total equity	1,262.6	1,303.4

Notes to the financial statements

Section 7: Other (continued)

7.4 Orora Limited (continued)

Orora Limited financial information

The financial information for the parent entity Orora Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are carried at cost less, where applicable, accumulated impairment losses.

Tax consolidation regime

Orora Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Orora Limited.

The Company, and the members of the tax-consolidated group, recognise their own current tax expense/income and deferred tax assets and liabilities arising from temporary differences using the 'stand alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

In addition to its current and deferred tax balances, the Company also recognises the current tax liabilities (or assets), and the deferred tax assets arising from unused tax losses and unused tax credits assumed from members of the tax-consolidated group, as part of the tax-consolidation arrangement. Assets or liabilities arising as part of the tax consolidation arrangement are recognised as current amounts receivable or payable from the other entities within the tax-consolidated group.

Nature of tax sharing agreement

Upon tax consolidation, the entities within the tax-consolidated group entered into a tax sharing agreement. The terms of this agreement specify the methods of allocating any tax liability in the event of default by the Company on its group payment obligations and the treatment where a subsidiary member exits the group. The tax liability otherwise remains with the Company for tax purposes.

Contingent liabilities of Orora Limited

Deed of Cross Guarantee

Pursuant to the terms of the ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, which relieved certain wholly-owned subsidiaries from specific accounting and financial reporting requirements, Orora Limited and all of the Company's Australian wholly-owned subsidiaries entered into an approved deed for the cross guarantee of liabilities. No liabilities subject to the Deed of Cross Guarantee at 30 June 2017 are expected to arise to Orora Limited and subsidiaries, as all such subsidiaries were financially sound and solvent at that date.

Details of the deed and the consolidated financial position of the Company and the subsidiaries party to the Deed are set out in note 7.5.

Other guarantees

Orora Limited has guaranteed senior notes issued by Orora DGP in the US private placement market in 2015, the notes have maturities between 2023 and 2025 (see note 2.3). It is not expected that these guarantees will be called on.

7.5 Deed of Cross Guarantee

The Company, Orora Limited, and the subsidiaries listed below are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others:

Orora Packaging Australia Pty Ltd	PP New Pty Ltd
Pak Pacific Corporation Pty Ltd	AP Chase Pty Ltd
Fibre Containers (Queensland) Pty Ltd	Lynyork Pty Ltd
Speciality Packaging Group Pty Ltd	Chapview Pty Ltd
ACN 002693843 Box Pty Ltd	AGAL Holdings Pty Ltd
ACN 089523919 CCC Pty Ltd	Rota Die Pty Ltd
Rota Die International Pty Ltd	Envirocrates Pty Ltd
Orora Closure Systems Pty Ltd	

Under the terms of ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, those wholly-owned subsidiaries that have entered into the Deed are granted relief from the *Corporations Act 2001* requirement to prepare and lodge audited Financial Reports and Directors' Reports.

Financial statements for the Orora Limited Deed of Cross Guarantee

The consolidated income statement, statement of comprehensive income and statement of financial position of the entities party to the Deed for the year ended and as at 30 June, are set out below.

Consolidated income statement, statement of comprehensive income and retained earnings

\$ million	2017	2016
Sales revenue	1,702.6	1,662.2
Profit from operations	191.5	204.7
Net finance costs	(11.0)	(12.2)
Profit before related income tax expense	180.5	192.5
Income tax expense	(25.0)	(23.8)
Profit for the financial period	155.5	168.7
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss:		
<i>Cash flow hedge reserve</i>		
Unrealised losses on cash flow hedges, net of tax	3.5	(9.8)
Realised losses/(gains) transferred to profit or loss, net of tax	5.8	(1.8)
Relaised losses/(gains) transferred to non-financial assets, net of tax	(0.8)	-
Time value of options	-	(0.4)
Tax on exchange differences on translating financial instruments	-	(0.3)
Other comprehensive income/(expense), net of tax	8.5	(12.3)
Total comprehensive income for the financial period	164.0	156.4
Retained profits at beginning of financial period	1,027.8	960.8
Profit for the financial period	155.5	168.7
Dividends recognised during the financial period	(119.6)	(101.7)
Retained profits at end of the financial period	1,063.7	1,027.8

Notes to the financial statements

Section 7: Other (continued)

7.5 Deed of Cross Guarantee (continued)

Consolidated Balance Sheet

\$ million	2017	2016
Current assets		
Cash and cash equivalents	4.4	6.3
Trade and other receivables	365.5	363.4
Inventories	298.3	287.8
Derivatives	1.3	0.7
Other current assets	28.6	22.7
Current tax receivable	1.0	-
Total current assets	699.1	680.9
Non-current assets		
Investments in controlled entities	213.9	211.8
Property, plant and equipment	1,383.6	1,350.5
Goodwill and intangible assets	92.5	88.4
Derivatives	0.2	0.1
Other non-current assets	39.2	46.3
Total non-current assets	1,729.4	1,697.1
Total assets	2,428.5	2,378.0
Current liabilities		
Trade and other payables	421.1	358.5
Interest-bearing liabilities	53.4	58.6
Derivatives	7.8	10.8
Provisions	109.2	92.2
Total current liabilities	591.5	520.1
Non-current liabilities		
Other payables	7.2	-
Interest-bearing liabilities	199.4	268.8
Derivatives	5.8	13.3
Deferred tax liabilities	20.1	3.4
Provisions	17.2	23.0
Total non-current liabilities	249.7	308.5
Total liabilities	841.2	828.6
NET ASSETS	1,587.3	1,549.4
Equity		
Contributed equity	508.7	513.1
Treasury shares	(36.4)	(31.3)
Reserves	51.3	39.8
Retained earnings	1,063.7	1,027.8
TOTAL EQUITY	1,587.3	1,549.4

7.6 Related party transactions

The related parties identified by the Directors include investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

Details of investment in subsidiaries are disclosed in note 6.1 and details of the Orora Employee Share Trust are provided in note 6.3. The Group does not hold any interests in associates or joint ventures.

7.6.1 Parent entity

The ultimate parent entity within the Orora Group is Orora Limited, which is domiciled and incorporated in Australia. Transactions with entities in the wholly-owned Orora Group are made on normal commercial terms and conditions and during the year included:

- purchases and sales of goods and services;
- advancement and repayment of loans;
- interest expense paid by Orora Limited for money borrowed;
- transfer of tax related balances for tax consolidation purposes;
- provision of transactional banking facilities on behalf of subsidiaries;
- provision of payroll, superannuation, share-based remuneration and managerial assistance.

7.6.2 Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 1.5.

7.7 Key Management Personnel

Key Management Personnel (KMP) consists of Orora Limited Executive and Non-Executive Directors, the Chief Financial Officer and the Group General Manager, Strategy. Key management personnel compensation is as follows:

\$ thousand	2017	2016
Short-term employee benefits	4,693	4,788
Long-term employee benefits	60	80
Post employment benefits	203	201
Share-based payment expense	2,688	3,208
	7,644	8,277

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report. Apart from the information disclosed in this note, no Director has entered into a material contract with the Group this financial year and there were no material contracts involving Directors' interests existing at year end (2016: nil).

At 30 June 2017 no individual KMP or related party holds a loan with the Group (2016: nil).

7.8 Subsequent events

In July 2017, Orora announced the closure of the Fibre Smithfield, NSW facility. The operation is to be consolidated into the nearby Revesby facility by the end of FY18 and the site will be marketed for sale.

Notes to the financial statements

Section 7: Other (continued)

7.9 New and amended accounting standards and interpretations

7.9.1 Adopted from 1 July 2016

All new and amended Australian Accounting Standards mandatory as at 1 July 2016 to the Group have been adopted, including:

- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation (AASB 116 and AASB 138)
- AASB 2015 – 1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]

The adoption of the amending standards has not resulted in a change to the financial performance or position of the Group. However, it has resulted in some changes to the Group's presentation of, or disclosure in, this financial report.

7.9.2 Issued but not yet effective

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this financial report.

AASB 16 Leases

AASB 16 replaces the current dual operating/finance lease accounting model for lessees under AASB 117 *Leases* and the guidance contained in Interpretation 4 *Determining whether an Arrangement contains a Lease*. The new standard introduces a single, on-balance sheet accounting model, similar to the current finance lease accounting. Under the new standard Orora will be required to recognise a 'right-of-use' asset and a lease liability for all identified leased assets. The current operating lease expense will be replaced with a depreciation and finance charge.

The standard is applicable from 1 January 2019 with early adoption permitted with some targeted relief from the application of the lease accounting model where a lease is for a term of 12 months or less and for low value items.

The new standard will primarily impact the Group's accounting for operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of \$471.8 million as disclosed in note 7.3. The detailed assessment of the impact of AASB 16 is ongoing and therefore management has yet to determine the extent to which the lease commitments will result in the recognition of a 'right-of-use' asset and liability for future payments and how this will affect the affect the Group's profit and classification of cash flows.

The adoption is likely to have material impact on the financial position of the Group as new assets and liabilities will be recognised for the Group's operating leases of warehouse and manufacturing facilities.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets*

from Customers and Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The framework is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control under AASB 15 replaces the existing notion of risks and rewards under the current accounting standards. AASB 15 will require the Group to identify distinct promises in contracts with customers that qualify as 'performance obligations'. The price receivable from customers must then be allocated between the performance obligations identified.

The initial assessment has identified a number of areas where further detail analysis is required to assess the potential impact, if any, upon the Group's revenue recognition practices, these include:

- trading terms with customers that include bill and hold arrangements;
- pricing adjustment structures including volume rebates and discounts and payment of upfront contract incentives; and
- consignment arrangements with customers and provisioning of other services.

The detailed assessment of the impact of AASB 15 upon the Group's material revenue streams has yet to be completed and therefore at this stage management is unable to estimate the financial impact on adopting the standard. It is not anticipated that the Groups revenue recognition policy or the Group's the financial results will be significantly impact upon adoption of the standard.

The standard is applicable from 1 January 2018 with early adoption permitted. When adopted, AASB 15 can be applied either on a fully retrospective basis, requiring restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of the standard applied as an adjustment to equity on the date of adoption.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-5 amends the accounting for cash-settled share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes.

The amendment clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards with any modification to a cash-settled award reflected immediately in the measurement of fair value. Any incremental value added to an equity-settled award is to be recognised over the remaining vesting period, any reduction in value is ignored.

In respect of net settlement features relating to withholdings taxes the amendments require the entity to disclose an estimate of the amount that it expects to pay to the tax authority in respect of the withholding tax obligations.

The amendments are applicable from 1 January 2018, with early adoption permitted. At the date of this report the assessment of the amendments made to AASB 2 by AASB 2016-5 indicate that there will be no impact upon the financial performance or position of Orora. The Group has not granted any cash-settlement arrangements nor are there any net settlement features relating to tax obligations. All current awards are accounted for as equity settled share based payments.

Notes to the financial statements

Section 7: Other (continued)

7.9.2 Issued but not yet effective (continued)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: amendments to AASB 107

AASB 2016-2 introduces a new disclosure requirement in respect of explaining changes in liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, interest accruals and unrealised exchange differences.

The amendment is applicable from 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirement, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financial activities.

7.9.3 Adopted in the comparative period

AASB 9 Financial Instruments (Dec 2014)

The Group early adopted and applied all of the requirements of AASB 9 (2014) including consequential amendments to other standards, from 1 July 2015.

The adoption of AASB 9 (Dec 2014) impacts the Group as follows:

Classification and Measurement

The Group classified its financial assets and financial liabilities as subsequently measured at amortised cost or fair value in accordance with AASB 9 (2014). The principal impact on Orora's financial assets at 1 July 2015 is the reclassification of cash and cash equivalents and trade and other receivables from 'loans and receivables' under AASB 139 to 'financial assets at amortised cost' under AASB 9 (Dec 2014).

There were no material changes in the measurement of the Group's financial assets and financial liabilities as a result of the change in classification.

Hedging

AASB 9 (2014) introduced a new hedge accounting model to simplify hedge accounting outcomes and more closely align hedge accounting with risk management objectives. This has resulted in the following key changes to Orora's hedge accounting:

- the intrinsic value of an option can now be designated as the hedging instrument, with the change in time value recognised in other comprehensive income rather than in profit and loss. The amount recognised in other comprehensive income is then recycled to profit or loss either over the period of the hedge, if the hedge is time-related, or when the hedged transaction affects profit or loss, if the hedge is transaction related;
- effectiveness measurement testing will only be performed on a prospective basis with no defined numerical range of effectiveness applied in the testing.

Upon adoption of AASB 9 (Dec 2014), on 1 July 2015, there was a continuation of the existing hedge relationships. As a result, there was no material impact on the income statement, the statement of comprehensive income, balance sheet or statement of changes in equity.

The accounting policies for cash and cash equivalents (note 2.3), trade and other receivables (note 3.1) and derivative financial instruments (hedging instruments) (note 5.4) have been updated and are applicable from 1 July 2015. The terminology in these policies has been updated in accordance with the requirements of AASB 9 (Dec 2014). There has been no material change in the measurement and recognition of these items.