ORORA NZ HOLDINGS LIMITED

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2017

Contents

Orora NZ Holdings Limited

Directors' Report

The Board of Directors are pleased to present the Annual Financial Report of Orora NZ Holdings Limited (the Company), incorporating the financial statements of the Company and the entities it controlled (collectively referred to as the Group) at the end of, or during the period, for the year ended 30 June 2017.

With the unanimous agreement of all shareholders, the Group has elected to apply all disclosure concessions available to it under Section 211(3) of the *Companies Act 1993*.

Orora NZ Holdings Limited is a company limited by shares, incorporated and domiciled in New Zealand. The Company is registered under the New Zealand Companies Act 1993. Its registered office and principle place of business is:

239 Cavendish Drive
Manukau
Auckland
New Zealand

The Annual Financial Report and the financial statements were authorised for issue by the directors on 27 October 2017 and are signed in accordance with the resolution of the directors. The directors have the power to amend and reissue the financial statements.

Richard Hosking
Director
27 October 2017

Peter Fotiadis
Director
27 October 2017

Orora NZ Holdings Limited

Statement of Comprehensive Income
For the financial year ended 30 June 2017

$'000	Note	2017	2016
Sales revenue	1.1	**362,511**	374,111
Cost of sales		**(293,461)**	(310,581)
Gross profit		**69,050**	63,530
Other income	1.1	**489**	914
Sales and marketing expenses		**(8,146)**	(8,333)
General and administration expenses		**(17,430)**	(15,588)
Profit from operations		**43,963**	40,523
Finance income	1.1	**87**	72
Finance expenses	1.2	**(11,296)**	(12,796)
Net finance costs		**(11,209)**	(12,724)
Profit before related income tax expense		**32,754**	27,799
Income tax expense	2.1	**(9,879)**	(8,648)
Profit for the financial period		**22,875**	19,151
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange fluctuation reserve			
Exchange differences on translation of foreign operations		**7**	168
Total comprehensive income for the period		**22,882**	19,319
Total comprehensive income for the period attributable to:			
Owners of Orora NZ Holdings Limited		**22,882**	19,319
		22,882	19,319

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

Orora NZ Holdings Limited

Statement of Financial Position

As at 30 June 2017

$'000	Note	2017	2016
Current assets			
Cash and cash equivalents	4.2	**23,934**	29,980
Trade and other receivables	3.1	**61,218**	68,595
Inventories	3.2	**55,729**	48,006
Other current assets	3.4	**3,510**	3,191
Total current assets		**144,391**	149,772
Non-current assets			
Property, plant and equipment	3.5	**112,861**	103,583
Goodwill and intangible assets	3.6	**24,504**	24,872
Other non-current assets	3.4	**18,007**	20,580
Total non-current assets		**155,372**	149,035
Total assets		**299,763**	298,807
Current liabilities			
Trade and other payables	3.3	**65,289**	68,654
Current tax liabilities		**4,426**	1,957
Provisions	3.7	**6,875**	8,436
Total current liabilities		**76,590**	79,047
Non-current liabilities			
Other payables	3.3	**7,000**	10,000
Interest-bearing liabilities	4.2	**146,710**	144,105
Deferred tax liabilities	2.2	**5,148**	4,363
Provisions	3.7	**4,156**	4,015
Total non-current liabilities		**163,014**	162,483
Total liabilities		**239,604**	241,530
NET ASSETS		**60,159**	57,277
Equity			
Contributed equity	4.1.1	**42,537**	42,537
Reserves	4.1.2	**180,947**	180,940
Retained earnings	4.1.3	**(163,325)**	(166,200)
TOTAL EQUITY		**60,159**	57,277

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

Orora NZ Holdings Limited

Statement of Changes in Equity

For the financial year ended 30 June 2017

$'000	Note	Contributed equity	Business combinationreserve	Exchange fluctuation reserve	Retained earnings	Total equity
		Attributable to owners of Orora NZ Holdings Limited				
Balance at 1 July 2015		42,537	180,789	(17)	(165,351)	57,958
Net profit for the financial period	4.1.3	-	-	-	19,151	19,151
Other comprehensive income:						
Exchange differences on translation of foreign operations		-	-	168	-	168
Total other comprehensive income		-	-	168	-	168
Transactions with owners in their capacity as owners:						
Dividends paid	4.1.3	-	-	-	(20,000)	(20,000)
Balance at 30 June 2016		**42,537**	**180,789**	**151**	**(166,200)**	**57,277**
Net profit for the financial period	4.1.3	**-**	**-**	**-**	**22,875**	**22,875**
Other comprehensive income:						
Exchange differences on translation of foreign operations		**-**	**-**	**7**	**-**	**7**
Total other comprehensive income		**-**	**-**	**7**	**-**	**7**
Transactions with owners in their capacity as owners:						
Dividends paid	4.1.3	**-**	**-**	**-**	**(20,000)**	**(20,000)**
Balance at 30 June 2017		**42,537**	**180,789**	**158**	**(163,325)**	**60,159**

Orora NZ Holdings Limited

Cash Flow Statement

For the financial year ended 30 June 2017

$'000	Note	2017	2016
Cash flows from/(used in) operating activities			
Profit for the financial period		**22,875**	19,151
Depreciation	1.2	**10,002**	10,124
Amortisation of intangible assets	1.2	**40**	40
Net impairment losses on property, plant and equipment, intangibles, receivables and inventory		**668**	1,199
Net finance costs		**11,209**	12,724
Net (gain)/ loss on disposal of non-current assets	1.1 & 1.2	**(171)**	82
Dividends from other entities	1.1	**-**	(73)
Other sundry items		**2,873**	3,593
Income tax expense	2.1	**9,879**	8,648
Operating cash inflow before changes in working capital and provisions		**57,375**	55,488
- (Increase)/Decrease in prepayments and other operating assets		**(776)**	(667)
- (Decrease)/Increase in provisions		**(1,099)**	496
- Decrease/(Increase) in trade and other receivables		**1,720**	(3,140)
- (Increase)/Decrease in inventories		**(8,168)**	5,093
- (Decrease)/Increase in trade and other payables		**(6,532)**	(3,957)
		42,520	53,313
Dividends received		**-**	73
Interest received		**87**	72
Interest and borrowing costs paid		**(8,610)**	(9,896)
Income tax paid		**(6,622)**	(2,812)
Net cash from continuing operating activities		**27,375**	40,750
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment and intangible assets		**(19,149)**	(14,785)
Proceeds on disposal of non-current assets		**545**	126
Net cash flows used in investing activities		**(18,604)**	(14,659)
Cash flows from/(used in) financing activities			
Proceeds from borrowings		**117,172**	132,866
Repayment of borrowings		**(111,989)**	(112,011)
Dividends paid	4.1.3	**(20,000)**	(20,000)
Net cash flows from/(used in) financing activities		**(14,817)**	855
Net (decrease)/increase in cash held		**(6,046)**	26,946
Cash and cash equivalents at the beginning of the financial period		**29,980**	3,034
Cash and cash equivalents at the end of the financial period[1]		**23,934**	29,980

[1] Refer to note 4.2 for details of the financing arrangements of the Group.

Notes to the financial statements

About this report

Orora NZ Holdings Limited (the Company) is a for-profit entity for the purposes of preparing this financial report and is incorporated and domiciled in New Zealand. 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 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 27 October 2017. The Directors have the power to amend and reissue the financial report.

This financial report is a general purpose financial report which:

– has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR;

– 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 New Zealand dollars with values rounded to the nearest $1,000 unless otherwise stated;

– presents reclassified comparative information where required for consistency with the current period presentation;

– adopts all new and amended Accounting Standards and Interpretations issued by the New Zealand Accounting Standards Board 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 NZ IFRS 9 *Financial Instruments* (September 2014), including consequential amendments to other standards, which was adopted on 1 July 2015. Refer to note 5.4 for further details; and

– has applied the Group accounting policies consistently to all periods presented.

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:

Page		
7	Note 1.1	Revenue
9	Note 2	Income tax
11	Note 3.5	Property, plant and equipment
12	Note 3.6	Intangible assets
14	Note 3.7	Provisions

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 5.1.

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'). The functional currency of the Company is Australian dollars, whilst the functional currency of the subsidiary is New Zealand dollars. These financial statements are presented in New Zealand dollars, reflecting the currency of the country in which the Group is domiciled and principally operates.

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.

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 New Zealand 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.

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.

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

Section 1: Results for the year

In this section This section provides additional information in respect of material income and expenditure items that impact the Group's financial result for the period.

1.1 Income

$'000	2017	2016
Revenue from sale of goods		
- External customers	361,014	372,799
- Related parties	1,497	1,312
Sales revenue	362,511	374,111
Net gain on disposal of property, plant and equipment	171	-
Dividends received/receivable	-	73
Net foreign exchange gains	-	671
Rental income	122	135
Other	196	35
Total other income	489	914
External interest income	87	72
Total finance income	87	72

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.

1.2 Operating costs

Profit before income tax includes the following specific expenses:

Depreciation and amortisation

Depreciation in the year was $10,002,000 (2016: $10,124,000) whilst the amortisation charge was $40,000 (2016: $40,000). Refer to notes 3.5 and 3.6 for the Group's accounting policy and details on depreciation and amortisation.

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 $7,335,000 (2016: $7,392,000). There were no contingent rental payments (2016: nil). Refer to note 5.2 for future operating lease commitments.

Other expense items

$'000	2017	2016
Net foreign exchange losses	3,491	-
Net loss on disposal of property, plant and equipment	-	82
Restructuring expenditure	-	1,341
Net (reversal)/impairment of trade receivables	(79)	173
Net write-down of inventories	444	1,063
Total impairment expense	365	1,236

Finance expenses

$'000	2017	2016
Interest paid/payable:		
- External interest expense	168	149
- Unwinding of discount	94	92
- Related party interest expense	11,034	12,555
Total finance expenses	11,296	12,796

Notes to the financial statements

Section 2: 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.

2.1 Income tax expense

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

$'000	2017	2016
Current tax expense		
Current period	(9,141)	(4,751)
Adjustments relating to prior periods	47	(43)
Total current tax expense	**(9,094)**	(4,794)
Deferred tax expense		
Origination and reversal of temporary differences	(785)	(3,854)
Total income tax expense	**(9,879)**	(8,648)
Deferred income tax expense included in income tax expense comprises:		
(Decrease)/Increase in deferred tax assets	133	(2,056)
(Increase)/Decrease in deferred tax liabilities	(918)	(1,798)
Deferred income tax expense included in total income tax expense	**(785)**	(3,854)

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

$'000	2017	2016
Profit before related income tax (expense)/ benefit	**32,754**	27,799
Tax at the New Zealand tax rate of 28% (2016: 28%)	(9,171)	(7,784)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Net non-deductible/non-assessable for tax	(755)	(821)
	(9,926)	(8,605)
Over/(under) provision in prior period	47	(43)
Total income tax expense	**(9,879)**	(8,648)

2.2 Deferred tax balances

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

$'000	2017	2016
Deferred tax assets		
Trade receivable loss allowance provision	53	88
Valuation of inventories	1,383	1,189
Employee benefits	2,079	1,989
Provisions	1,010	1,327
Accruals and other items	331	147
	4,856	4,740
Tax set off	(4,856)	(4,740)
Deferred tax asset	**-**	-
Deferred tax liabilities		
Property, plant and equipment	7,288	6,470
Other items	2,716	2,633
Deferred tax liabilities	10,004	9,103
Tax set off	(4,856)	(4,740)
Deferred tax liability	**5,148**	4,363

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

$'000	2017	2016
Property, plant and equipment	818	1,363
Trade receivable loss allowance provision	35	(38)
Valuation of inventories	(194)	(25)
Employee benefits	(90)	(96)
Provisions	317	160
Tax losses carried forward	-	1,716
Accruals and other items	(102)	774
Deferred tax expense	**784**	3,854

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 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.

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.

Notes to the financial statements

Section 2: Income Tax (continued)

Accounting policies (continued)

Deferred Tax (continued)

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.

Judgements and estimates

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.

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.

Assets and liabilities relating to the Group's financing activities are set out in Section 4, whilst information pertaining to deferred tax assets and liabilities is provided in Section 2.

3.1 Trade and other receivables

$'000	2017	2016
Trade receivables	**60,871**	63,687
Less loss allowance provision	**(188)**	(314)
	60,683	63,373
Receivables from related parties	**-**	5,006
Other receivables	**535**	216
Total current trade and other receivables	**61,218**	68,595

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 a loss allowance 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.

3.2 Inventories

$'000	2017	2016
Raw materials and stores	**32,554**	27,747
Work in progress	**2,616**	2,578
Finished goods	**20,559**	17,681
Total inventories	**55,729**	48,006

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.

3.3 Trade and other payables

$'000	2017	2016
Trade creditors	**49,020**	46,818
Payables to related parties	**3,937**	2,408
Other creditors and accruals	**12,332**	19,428
Total current trade and other payables	**65,289**	68,654
Non-current		
Other creditors and accruals	**7,000**	10,000
Total non-current other payables	**7,000**	10,000

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

$'000	2017	2016
Current		
Contract incentive payments(1)	**2,544**	2,970
Prepayments	**966**	221
Total other current assets	**3,510**	3,191
Non-Current		
Contract incentive payments(1)	**17,979**	20,523
Other non-current assets	**28**	57
Total other non-current assets	**18,007**	20,580

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

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.

$'000	Land	Land improvements	Buildings	Plant and equipment	Total
Cost					
At 1 July 2015	3,202	1,028	24,761	294,430	323,421
Additions for the period	-	-	105	14,941	15,046
Disposals during the period	-	-	(2,796)	(1,369)	(4,165)
Other transfers	-	-	324	(324)	-
At 30 June 2016	**3,202**	**1,028**	**22,394**	**307,678**	**334,302**
Additions for the period	**-**	**-**	**522**	**19,132**	**19,654**
Disposals during the period	**-**	**-**	**(1,088)**	**(18,191)**	**(19,279)**
Other transfers	**-**	**62**	**1,756**	**(1,818)**	**-**
At 30 June 2017	**3,202**	**1,090**	**23,584**	**306,801**	**334,677**
Accumulated depreciation and impairment					
At 1 July 2015	(2)	(455)	(18,909)	(205,187)	(224,553)
Depreciation charge	-	(31)	(324)	(9,769)	(10,124)
Disposals during the period	-	-	2,750	1,208	3,958
At 30 June 2016	**(2)**	**(486)**	**(16,483)**	**(213,748)**	**(230,719)**
Depreciation charge	**-**	**(32)**	**(449)**	**(9,521)**	**(10,002)**
Disposals during the period	**-**	**-**	**1,088**	**17,817**	**18,905**
At 30 June 2017	**(2)**	**(518)**	**(15,844)**	**(205,452)**	**(221,816)**
Net book value					
At 30 June 2016	3,200	542	5,911	93,930	103,583
At 30 June 2017	**3,200**	**572**	**7,740**	**101,349**	**112,861**

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.

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 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.

$'000	Goodwill	Computer software	Total
Cost			
At 1 July 2015	24,716	584	25,300
Disposals during the period	-	(118)	(118)
At 30 June 2016	**24,716**	**466**	**25,182**
Additions for the period	**-**	**23**	**23**
Disposals during the period	**-**	**(30)**	**(30)**
At 30 June 2017	**24,716**	**459**	**25,175**
Accumulated amortisation and impairment			
At 1 July 2015	-	(389)	(389)
Amortisation charge	-	(40)	(40)
Disposals during the period	-	119	119
At 30 June 2016	**-**	**(310)**	**(310)**
Amortisation charge	**-**	**(40)**	**(40)**
Disposals during the period	**-**	**29**	**29**
Impairment loss	**(350)**	**-**	**(350)**
At 30 June 2017	**(350)**	**(321)**	**(671)**
Net book value			
At 30 June 2016	24,716	156	24,872
At 30 June 2017	**24,366**	**138**	**24,504**

Accounting policies

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.

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.

Other intangible assets

Other intangible assets include computer software 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.

Computer software and licences are amortised over a period of between three to ten years. The amortisation period and method is reviewed each financial year. The Group does not hold any indefinite life other intangible assets.

Judgements and estimates

At each reporting date amortisation methods and useful lives of intangible assets, excluding goodwill, are reassessed and adjusted if necessary. In addition, these assets are also 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. The Group tests goodwill for impairment at least annually.

In testing goodwill for impairment, the recoverable amount is estimated for the cash generating unit (CGU) to which the goodwill belongs. The recoverable amount is determined based on a value-in-use calculation which requires the use of a number of assumptions. The calculation uses cash flow projections based on financial budgeted approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using growth estimates.

Notes to the financial statements

Section 3: Assets and liabilities (continued)

3.7 Provisions

$'000	Employee entitlements	Customer claims	Asset restoration	Restructuring	Total
2017					
Opening balance	**7,104**	**50**	**3,303**	**1,994**	**12,451**
Provisions made during the period	**5,394**	**495**	**522**	**-**	**6,411**
Payments made during the period	**(5,029)**	**-**	**-**	**(1,994)**	**(7,023)**
Released during the period	**(45)**	**(129)**	**(728)**	**-**	**(902)**
Unwinding of discount	**-**	**-**	**94**	**-**	**94**
Closing balance	**7,424**	**416**	**3,191**	**-**	**11,031**
Current	**5,844**	**416**	**615**	**-**	**6,875**
Non-current	**1,580**	**-**	**2,576**	**-**	**4,156**
2016					
Opening balance	6,762	76	3,420	1,814	12,072
Provisions made during the period	5,198	(26)	105	1,341	6,618
Payments made during the period	(4,856)	-	-	(1,161)	(6,017)
Released during the period	-	-	(314)	-	(314)
Unwinding of discount	-	-	92	-	92
Closing balance	7,104	50	3,303	1,994	12,451
Current	5,638	50	754	1,994	8,436
Non-current	1,466	-	2,549	-	4,015

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.

Employee entitlements

The provision for employee entitlements represents the obligation for annual leave and long service leave entitlements.

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.

Asset restoration

The Group is required to restore leased premises to their original condition at the end of the respective lease term. The restoration requirements typically relate to excessive wear and tear or alterations that have been made to the lease property to accommodate the operations of the business.

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.

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.

Notes to the financial statements
Section 3: Assets and liabilities (continued)

3.7 Provisions (continued)

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

Asset restoration

Asset restoration provisions require assessments to be made of lease make-good conditions and decommissioning and environmental risks. The provisions also 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 and 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: Capital structure and financing

In this section — This section provides disclosures in respect of the Group capital structure and financing.

4.1 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.

4.1.1 Contributed equity

As at 30 June 2017, the Group's contributed equity of $42,537,000 (2016: $42,537,000) consisted of 42,537,000 (2016: 42,537,000) fully paid ordinary shares.

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.

None of the shares are held by the Company or its subsidiaries.

4.1.2 Reserves

$'000	2017	2016
Business combination reserve	180,789	180,789
Exchange fluctuation reserve	158	151
Total reserves	**180,947**	180,940

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

Accounting policies

Business combination reserve

The business combination reserve represents the difference between the consideration paid by the Company to acquire Orora Packaging New Zealand Limited, 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

This represents the exchange differences arising on the translation of the Company's operations from its functional currency of Australian dollars to New Zealand dollars, the presentational currency of this Annual Report.

4.1.3 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.

$'000	2017	2016
Retained earnings at the beginning of the period	(166,200)	(165,351)
Net profit attributable to the owners of Orora NZ Holdings Ltd	22,875	19,151
	(143,325)	(146,200)
Dividends paid	(20,000)	(20,000)
Retained earnings at the end of the period	**(163,325)**	(166,200)

4.2 Net debt

$'000	2017	2016
Cash on hand and at bank	23,934	29,980
Total cash and cash equivalents	**23,934**	29,980
Amounts owing to related parties(1)	146,710	144,105
Total debt	**146,710**	144,105
Net debt	**122,776**	114,125

(1) The amounts owing to related parties includes a loan of $140,000,000 which is unsecured and bears interest at the three month New Zealand dollar Bank Bill (NZD BKBM) bid rate plus 3.15% per annum. The total amount payable matures in December 2027.

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.

Amounts owning to related parties

All loans 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.

Notes to the financial statements

Section 5: Other notes

In this section — This section includes additional financial information that is required by the accounting standards.

5.1 Group Structure

Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary whose principal activity is the manufacture and supply of packaging products and services to grocery, fast moving consumer goods and industrial markets.

Controlled entities	Country of incorporation	Ownership interest 2017	Ownership interest 2016
Orora Packaging New Zealand Ltd	New Zealand	100%	100%

5.2 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 $4,679,000 (2016: $5,375,000).

Other expenditure commitments

At 30 June 2017 the Group had other expenditure commitments of $8,096,000 million (2016: $8,000,000) 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:

$'000	2017	2016
Within one year	**8,512**	8,588
Between one and five years	**28,643**	27,365
More than five years	**13,977**	17,822
	51,132	53,775

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.

The Group had no contingent liabilities at 30 June 2017 (2016: nil).

5.3 Related parties

The related parties identified by the Directors include all entities that form part of the Orora Limited Group (the ultimate parent entity of the Company), 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, related party relationships are disclosed when control exists, irrespective of whether there have been transactions between the related parties.

Details of investment in subsidiaries are disclosed in note 5.1.

Parent entities of the Group

The Group is controlled by the following entities:

	Country of incorporation	Ownership interest in the Group 2017	Ownership interest in the Group 2016
Immediate parent entity			
Orora Packaging Australasia Pty Ltd	Australia	100%	100%
Ultimate parent entity and controlling party			
Orora Limited	Australia	100%	100%

The Group has a related party relationship with all entities that form part of the Orora Limited Group. Transactions with related parties 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, including payment of interest expense;
- provision of transactional banking facilities provided by Orora Limited;
- receipt/payment of dividends;
- provision of payroll, superannuation, share-based remuneration and managerial assistance.

Material balances with related parties are disclosed in the relevant notes within these financial statements.

5.4 New and amended accounting standards and interpretations

5.4.1 Adopted from 1 July 2016

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

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to NZ IAS 16 and NZ IAS 38)
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards
- Disclosure Initiative (Amendments to NZ IAS 1)

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.

5.4.2 Issued but not yet effective

The following new or amended accounting standards issued by the New Zealand Accounting Standards Board 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.

Notes to the financial statements

Section 5: Other notes (continued)

5.4.2 Issued but not yet effective (continued)

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 replaces existing revenue recognition guidance, including NZ IAS 18 *Revenue,* NZ IAS 11 *Construction Contracts*, NZ IFRIC 13 *Customer Loyalty Programmes*, NZ IFRIC 15 *Agreements for the Construction of Real Estate,* NZ IFRIC 18 *Transfers of Assets from Customers* and NZ SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* The new standard establishes a comprehensive framework for determining whether, when and how much 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 NZ IFRS 15 replaces the existing notion of risks and rewards under the current accounting standards. NZ IFRS 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 NZ IFRS 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 impacted upon adoption of the standard.

The standard is applicable from 1 January 2018 with early adoption permitted. When adopted, NZ IFRS 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.

NZ IFRS 16 Leases

NZ IFRS 16 replaces the current dual operating/finance lease accounting model for lessees under NZ IAS 17 *Leases* and the guidance contained in NZ IFRIC 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 $51,132,000 as disclosed in note 5.2. The detailed assessment of the impact of NZ IFRS 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 of NZ IFRS 16 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.

Independent Auditors' Report

to the shareholders of Orora NZ Holdings Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Orora NZ Holdings Limited ("the Company) on pages 2 to 17, which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the consolidated financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2017 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the nature of tax advisory services. The provision of these other services has not impaired our independence as auditors of the Company and Group.

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Independent Auditors' Report

Orora NZ Holdings Limited

Opinion

In our opinion, the consolidated financial statements on pages 2 to 17 present fairly, in all material respects, the financial position of the Group as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants Melbourne
30 October 2017

I, Lisa Harker, am currently a member of the Institute of Chartered Accountants in Australia and New Zealand and my membership number is 82519.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Orora NZ Holdings Limited for the year ended 30 June 2017. I was responsible for the execution of the audit and delivery of our firm's audit report. The audit work was completed on 30 October 2017 and an unqualified opinion was issued.

Lisa Harker

Lisa Harker
Partner