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ORORA



ANNUAL REPORT 2018

The promise of what's inside

Products & services

Glass bottles

Aluminium cans

Closures & caps

Boxes & cartons

Point of purchase displays

Packaging equipment

Recycled paper

Rigid packaging

Bags & sacks

Sustainable packaging

General packaging materials & supplies

Printing & signage

Research & technology

Product sourcing

Automation & engineering

Innovation & design

Kitting & fulfilment

Logistics services

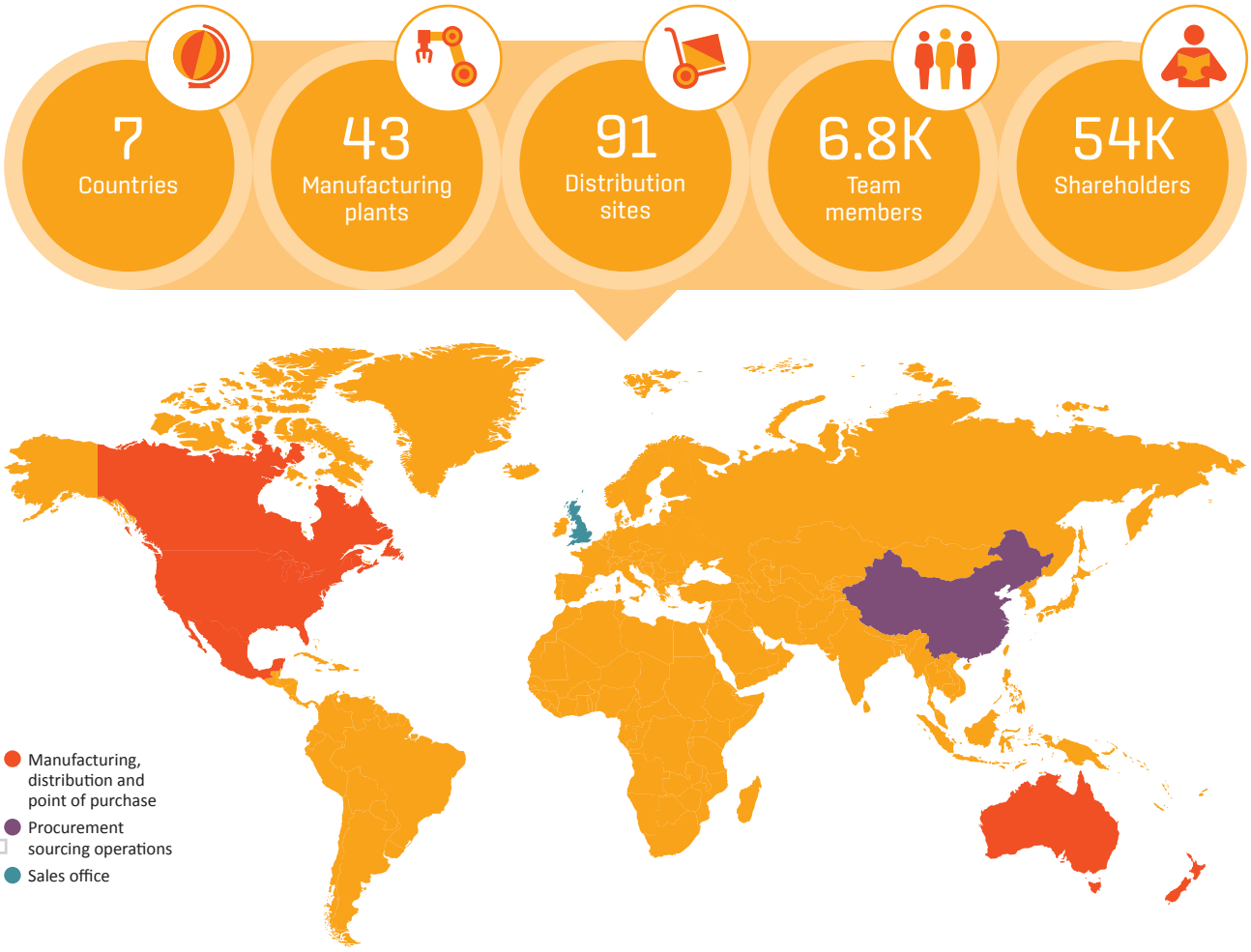
Digital technology

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Who we are and what we do

Orora works closely with its customers to provide an extensive range of tailored packaging and visual communications solutions. These include the design and manufacture of packaging products such as glass bottles, beverage cans, corrugated boxes, recycled paper, multi-walled paper bags and point of purchase displays. The Company also offers broad end-to-end packaging solutions and complementary services, including global product sourcing, distribution, design, printing and warehouse optimisation. Every day, millions of consumers buy and use goods in packaging proudly designed, developed, produced or supplied by Orora.



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2018 highlights

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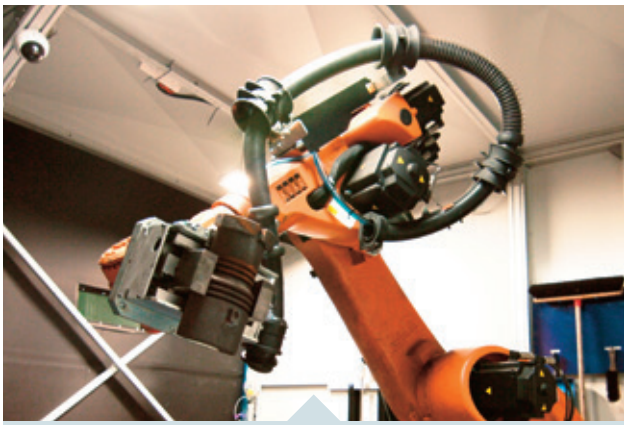
Game-changing EFI digital printers

Orora is investing in sophisticated digital printing technology to help customers respond in a market where speed is critical. As part of this commitment, Orora purchased two state-of-the-art EFI Nozomi C18000 single-pass LED inkjet corrugated packaging printers – one installed at Orora Packaging Solutions in Fullerton, California and the other at Orora Specialty Packaging in Melbourne, Australia. The printers are game-changers for corrugated packaging customers, with the Nozomi offering exceptional print quality at very high speed. The Nozomi delivers photographic quality imagery directly onto corrugated board. Unlike more traditional printers, the digital interface reduces the set-up time, while print runs can be customised and are far shorter. Orora is the first company to install the Nozomi in Australia and one of the first to introduce the technology in North America.

Helping customers stand out in the market

Orora Visual developed a stunning three-tier billboard in Times Square, New York to promote a major new movie. The top board alone spanned a massive 178 feet (more than 54 metres). From printing and packaging to indoor displays and outdoor signage, Orora Visual is providing clients with an extensive range of customised visual communications solutions to help build brand prominence.





Investing in productivity gains at Gawler

Orora continues to invest in process improvements at its glass facility in Gawler, South Australia. In the past 12 months, Orora installed a world-first automated swabbing robot and a state-of-the-art automated laser mould cleaning machine. Both solutions have been purposefully designed to increase operational efficiency and productivity.

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Tapping into US craft beer

Orora Packaging Solutions ("OPS") has leveraged the knowledge and expertise of Orora Beverage in Australasia to build a new customer offer that capitalises on the surging popularity of craft beer. OPS now provides a range of bottles, labels, a full kitting service plus warehousing and logistical capabilities to support the segment's growth in the US market.

Industry 4.0 Cadets

The digital evolution is well under way in Australian manufacturing, and to make the most of 'Industry 4.0', Orora has partnered with Swinburne University in Victoria to recruit and train industry cadets. As part of the program, cadets share their time between Orora and the university, completing a tertiary qualification, while also working in the business. Orora will be one of the first industry foundation partners to benefit from the cadets' digital skills.



Partner of the Year

Orora's ongoing focus on customer service has been recognised by Coca-Cola Amatil ("CCA"), with Orora winning CCA's 2017 Partner of the Year Award. The Award is a powerful endorsement of Orora's ongoing commitment to delivering innovation and market-leading products and services.

In-line printer investments

Customers are benefitting from a range of exclusive in-line printers that Orora has launched in Australia. The machines seamlessly integrate into a customer's existing on-site packing process, are quick to set up and print in four colours on both sides of an erected carton. Customers only need to order plain cartons, which are printed on-demand, thereby reducing inventory and minimising waste.

Glass is more than half full

Orora is proud of its status as one of Australia's leading recyclers. Orora recycles around 80% of all glass collected through South Australia's container deposit scheme at its glass manufacturing facility in Gawler.



Stronger produce trays



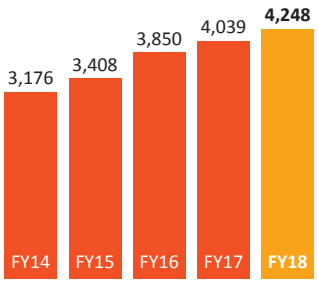
Exclusive to Orora in Australasia, the Ghelfi 'No Crush' packaging solution maximises the strength of trays used to transport and display fresh produce. The tray erector makes trays with solid cardboard corner posts that offer superior stacking protection, while the unique tray design provides added ventilation and superior branding opportunities on the market floor.

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Operating and financial highlights

- Orora continues to deliver top line growth above GDP levels
- Underlying earnings per share up 11.5%
- Solid earnings growth delivered in Australasia and North America
- Earnings growth has been successfully converted into operating cash flow
- Strong balance sheet maintained and provides future growth optionality
- Return on average funds employed [RoAFE] increased 40bps to 14.0%
- Declared dividends up 13.6%, above the indicated payout range

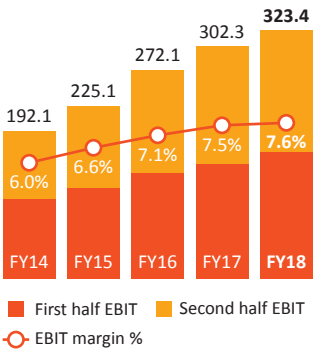
SALES REVENUE (AUD million) [1]



$4,248.0m

5.2% increase

EBIT (AUD million) [1] [2]



$323.4m

7.0% increase

RoAFE [2]

14.0%

40bps increase

UNDERLYING NET PROFIT AFTER TAX [2]

$208.6m

12.0% increase

UNDERLYING OPERATING CASH FLOW

$325.3m

1.9% decrease

DIVIDEND (per share)

12.5¢

13.6% increase

(1) FY14 represents pro forma Sales and EBIT.

(2) FY16, FY17 and FY18 represent underlying earnings excluding the impact of significant items. FY16 excludes significant item income representing the gain on sale of the former Petrie Mill site in Queensland. Refer to the 2016 Annual Report for further information. FY17 excludes a significant item expense relating to additional decommissioning costs of the former Petrie Mill site. Refer to the 2017 Annual Report for further information. FY18 excludes a net significant item expense after tax of $1.9 million and a net one-off tax benefit of $5.5 million. The FY18 significant item comprises: significant item income of $32.4 million (after tax $22.7 million) representing the gain recognised in respect of the sale of the Smithfield New South Wales site and a significant item expense of $35.1 million (after tax $24.6 million) recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and additional expected costs associated with the decommissioning of the former Petrie Mill site. The net one-off benefit from the US tax reform measures mainly reflects the revaluation of the Group's net deferred tax liability to the reduced US tax rate.

NOTE REGARDING NON-IFRS FINANCIAL INFORMATION

Throughout this report, Orora has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Orora uses these measures to assess the performance of the business and believes that the information is useful to investors. The following non-IFRS measures have not been audited but have been extracted from Orora's audited Financial Statements: earnings before interest and tax before significant items (EBIT); earnings before interest, tax, depreciation and amortisation before significant items (EBITDA); average funds employed.

Performance measures such as Earnings per Share, Return on Average Funds Employed and EBIT Margins have been calculated using the non-IFRS measures listed above. All other non-IFRS measures, unless otherwise stated, have not been extracted from Orora's audited Financial Statements. References to earnings throughout this report are references to EBIT before significant items.

NOTE REGARDING PRO FORMA INFORMATION

On 31 December 2013, the demerger of Orora Limited ('Orora' or the 'Company') and its controlled entities (collectively referred to as the 'Group' or the 'Orora Group') from Amcor Ltd was implemented. Prior to the demerger, as at 31 October 2013, the Company and Amcor Ltd were required to undertake an internal corporate restructure. Certain financial information contained within this Annual Report in respect of the financial year ended 30 June 2014 has been presented on a pro forma basis as if the internal corporate restructure and demerger had occurred at the beginning of period presented. Financial information presented on a pro forma basis has been identified as such. Refer to the 2014 Annual Report for further information.

All currency referred to in this Annual Report is in Australian dollars, unless otherwise stated.

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A message to Orora shareholders



Orora is pleased to present its 2018 Annual Report. The Company delivered another strong performance during the financial year ended 30 June 2018, executing against its strategy, meeting its financial objectives, and delivering increased value for shareholders.

Orora has continued its year-on-year track record of delivering earnings growth, strong cash generation and disciplined capital management, achieving double-digit profit growth despite flat trading conditions in its key Australasian and North American markets.

Orora grew sales revenue by 5.2% to $4,248.0 million, while earnings before interest and tax, excluding significant items ("EBIT") increased by 7.0% to $323.4 million. Underlying net profit after tax ("NPAT") was up 12.0% on the prior year to $208.6 million, while underlying earnings per share ("EPS") was up 11.5% to 17.4 cents per share.

Statutory NPAT for the financial year was $212.2 million. This included an after tax significant item expense of $1.9 million, which related to the net profit from the sale of Fibre Packaging's Smithfield site, offset by costs associated with the restructure of Fibre Packaging in New South Wales, including the closure of the Smithfield site and potential additional decommissioning costs associated with the former Petrie Mill site in Queensland.

There was also an additional net one-off benefit from US tax reform measures of $5.5 million, reflecting the revaluation of the Group's deferred tax liabilities to the reduced US tax rate.

A commitment to financial discipline and a strong balance sheet have resulted in operating cash flow for the period of $325.3 million, which is broadly in line with the previous year. Cash conversion was at 67%, down from 74% in the prior corresponding period, but in line with management's expectations as a result of the increased capital expenditure across the business to upgrade assets and enhance productivity. Leverage was at 1.5 times, down from 1.6 times in the previous year. Net debt also reduced during the period, down to $667.5 million from $674.0 million at 30 June 2017.

The Board has declared a final ordinary dividend of 6.5 cents per share, franked to 30%. This takes the total dividend for the financial year ended 30 June 2018 to 12.5 cents per share, which is an increase of 13.6% over the prior period. This represents a payout ratio of approximately 70.6%, which is slightly above Orora's indicated payout range and reflects the Board's continued confidence in the business and its strategy.

A message to Orora shareholders

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Business review

A detailed review of the Orora Group's activity in Australasia and North America is presented in the Operational and Financial Review section of this report.

At a Group level, Orora's strong performance reflected its sustained focus on driving organic growth and improving margins in its core businesses, combined with the benefits flowing from capital investments and earnings from the Orora Visual acquisitions.

In Orora Australasia, which comprises the Fibre and Beverage business groups, EBIT increased by 8.7% to $232.3 million, with sales revenue increasing by 5.2% to $2,104.8 million.

Earnings were higher in Fibre, driven by improved production performance at the Botany Recycled Paper Mill ("B9") in New South Wales, sales growth in targeted market segments and benefits from recent capital investments to enhance the customer value proposition and improve productivity. The continued emphasis on efficiency and cost improvement across the business also contributed to higher earnings and improved margins.

A focus in the past year has been the ongoing deployment of the Australasian Fibre Packaging asset refresh program, which is designed to upgrade or replace ageing assets to enhance quality and increase capacity to meet customer demand. A $30.0 million commitment was made to the program during the year, bringing the overall program investment to over $120.0 million.

At B9, the mill produced above its 400,000 tonne design capacity for the first time, outstripping the 373,000 tonnes of recycled paper produced in the previous year, with both mill reliability and productivity improving. In the Beverage business, earnings growth was driven by higher Can volumes and increased Glass volumes from continued growth in bottled wine exports.

During the year, the Beverage business announced the purchase of two warehouses adjacent to Orora's glass manufacturing facility in Gawler, South Australia, to ensure the business has continual access to inventory during peak bottling periods. In addition, a commitment of approximately $35.0 million was made to build a new warehouse at Gawler to reduce off-site pallet storage and transportation costs, delivering further efficiencies in the business.

At Orora Beverage's Can facility in Wiri, New Zealand, more than $7.0 million was invested in new small format capability to meet changing consumer preferences. The investment not only enables the Beverage business to meet regional demand, but also complements the existing capability in Australia.

Orora North America, which comprises Orora Packaging Solutions ("OPS") and visual communications business Orora Visual, delivered EBIT growth of 3.0% to $121.0 million and sales revenue growth of 5.2% to $2,143.2 million. In local currency terms, EBIT increased 5.9% to USD93.8 million, while sales revenue grew 8.1% to USD1,661.2 million.

In OPS, the business delivered increased sales growth and maintained margins by continuing to target growth market segments, as well as focusing on higher value, customised offerings and driving efficiencies in procurement and the supply chain.

Significant progress was made on the ERP system rollout, with a further 29 sites going live during the year without any adverse impact to customers or service levels. The ERP rollout has now been completed at more than 90% of sites, with the project on track for completion in the first quarter of the financial year ending 30 June 2019.

A new facility was established in Detroit, Michigan to enable OPS to grow its presence in the fresh produce segment. The Detroit facility is strategically important as it optimises the supply chain for the OPS produce facility in Ontario, Canada, while also servicing customers in the local region. This move follows entry into the fresh produce segment in 2015 and complements the previously established OPS facility in central Mexico.

The performance of Orora Visual continued to improve following senior management changes and the addition of resources to assist integration of the acquired businesses. The benefits of these changes have started to materialise, with improved collaboration between sites driving operating efficiencies and delivering additional value to customers.

Growth and innovation

Growth and innovation continues to be an important focus for the Orora Group. In 2015, the Orora Global Innovation Initiative was established, with $45.0 million earmarked for investment in innovation over three years. With the initial investment fully committed, a further $30.0 million was made available this year, bringing the total potential investment to $75.0 million. The increased level of funding, which will be progressively committed over the coming two to three years, enables Orora to continue developing customer-led product solutions, while also improving manufacturing capability in the plants.

As a demonstration of Orora's commitment to innovation, the inaugural Orora Innovation Expo18 was staged at Orora Packaging Solutions' facility in Oakleigh, Victoria. Under the theme 'delivering tomorrow's packaging innovation today', the five-day event was specifically designed for Orora customers and showcased the latest packaging innovations and machinery from across Orora's global business. Featuring presentations from Orora executives, interactive displays and live machinery demonstrations, the expo offered an unparalleled opportunity to showcase the investments Orora has made to help customers stay ahead of their competitors.

A highlight of the expo was Orora's state of the art EFI Nozomi C18000 digital printer. The EFI Nozomi is the first machine of its kind in Australia and delivers magazine quality graphics directly onto corrugated board at ultra-high speed. To service the North American market, Orora invested in a second EFI Nozomi printer that is located at OPS in Fullerton, California. The digital printers offer multiple benefits not usually available with traditional print formats, such as economic shorter runs, higher quality graphics and the option of variable data, so that each board can be printed individually. Importantly, the EFI Nozomi printers considerably strengthen Orora's customer value proposition and enable the Company to meet the evolving needs of the corrugated market.

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Sustainability

Orora's Sustainability program, which centres on People, Planet and Prosperity, reflects Orora's commitment to running a sustainable and socially responsible business including minimising Orora's contribution to climate change. Less greenhouse gas intensive sources of energy, energy price certainty and surety of supply, remain critically important for Orora, and specifically for its Australian business. During the financial year ended 30 June 2018, Orora took the proactive step of entering into long-term power purchase agreements ("PPAs") with Australian renewable energy providers. Under these innovative arrangements, wind generated electricity is supplied to Orora's operations in South Australia, Victoria and New South Wales, where the Company runs its largest and most energy intensive plants.

The first agreement is with Pacific Hydro and the Clements Gap wind farm in South Australia, while the second agreement is with Macquarie Capital and their Lal Lal wind farm in Victoria. Together, the agreements provide renewable energy for volumes equivalent to 80% of Orora's total electricity demand in Australia. In addition, the PPAs include innovative risk sharing arrangements to further protect Orora's exposure to variable market prices. As a result, Orora now has access to a competitively priced, renewable and sustainable energy source that safeguards supply for its Australian operations.

In early calendar 2018, Orora completed construction of the $23.0 million secondary waste water treatment plant at its B9 paper mill in Botany, New South Wales. The plant is designed to not only lessen the impact on the environment by reducing regulated waste water discharges, but also generates bio-gas, which is converted into electricity for consumption on-site, generating cost savings for the business.

The waste water treatment plant, together with the PPAs and the Company's status as one of Australia's leading recyclers of glass and cardboard, provide a stable and sustainable foundation for the Australian business over the long term.

The Orora Way – driving outperformance

The Orora Group continues to align its operations with The Orora Way – the operational framework that sets out the Group's belief statement, strategic focus areas, values and outperformance deliverables that are designed to drive business success and deliver shareholder value.

During the year The Orora Way again played a critical role in establishing and maintaining the Group's outperformance culture, which Orora regards as a source of competitive advantage. Team members who role modelled a commitment to The Orora Way and contributed to the business under the four outperformance measures (Teamwork, Passion, Integrity, Respect) were recognised in the annual Group-wide reward and recognition program, Orora Heroes. In 2017, two members from Orora Beverage shared the overall 2017 Orora Hero Award for their part in leading the $42.0 million expansion of Orora's glass manufacturing plant in Gawler, which was successfully completed on time and on budget.

More broadly, increasing the diversity of the Orora workforce remains a key priority, as it ensures the Group has an ongoing supply of new skills and leadership talent. In 2017, the second Women in Leadership at Orora program commenced. Known internally as WILO, the program is designed to empower women to achieve their full leadership potential at Orora. Building on the program's successful pilot during the financial year ended 30 June 2017, a cohort of 20 participants graduated from the most recent WILO program, and plans are in place to introduce the program in North America over the next 12 months.

As a customer-led business focused on its outperformance objectives, Orora was proud to receive the 2017 Coca-Cola Amatil ("CCA") Partner of the Year Award. The top honour for a CCA supplier, the award recognised excellence in all aspects of the supplier partnership from the fundamentals of a supply relationship, through to best practice engagement and a commitment to shared improvement and innovation.

Outlook

Orora is well positioned for the future and the outlook remains positive. The Orora Group will continue to execute against its proven strategy, invest in its core business and drive innovation to deliver sustained growth for shareholders. The Orora Board would like to thank the Company's shareholders, customers, team members and suppliers for their continued support during the last year.



CHRIS ROBERTS
Chairman



NIGEL GARRARD
Managing Director and
Chief Executive Officer

The Orora Way

The Orora Way is designed to unite team members and embed a shared understanding of the Company's purpose, strategy and guiding vision.



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The Orora Way framework provides a practical set of guidelines on how to deliver for Orora customers in every market in which the Company operates around the world.

Orora believes that harnessing and focusing the talents and passion of team members is critical to future success. A common set of beliefs and a shared understanding forms a high-performance culture and generates a sustainable competitive advantage.

This is especially important as Orora continues to grow. The Orora Way provides an effective means to quickly assimilate new team members into the business, no matter where they are located.

At the forefront of The Orora Way is the Company's belief statement – *at Orora we believe packaging touches lives. Together we deliver on the promise of what's inside* – which is an aspiration that is well-known amongst team members. In support, four key values – Teamwork, Passion, Respect and Integrity – direct the way Orora people work together and define the decisions that are made on a daily basis.

At the heart of The Orora Way is the Company vision – *to be the industry-leading packaging solutions company delivering on our promise every day.*

In support of this vision, Orora aligns its business activities against three strategic focus areas:

- Innovating to lead in Orora's chosen markets
- Enhancing Orora's core operations
- Investing to grow the business.

These pillars link directly with the Company strategy and provide the blueprint for every aspect of the business, enabling Orora to capitalise on growth opportunities and deliver long-term value.

Additional operational rigour is achieved through the Company's focus on Outperformance, which is achieved through Customer Focus, Safety, Financial Discipline and Our People. Team members who role model a commitment to Outperformance are formally recognised through the Orora Hero Awards, a global recognition program that celebrates outstanding performance.

Looking ahead, The Orora Way will continue to be integrated across the Company to foster a common understanding about what Orora stands for and how the business will perform as a global entity to create ongoing shareholder value.

CASE STUDY

Recognising Orora Heroes



Two team members from Orora Beverage shared the overall 2017 Orora Hero Award. As the Company's flagship reward and recognition program, the Orora Hero Awards are designed to celebrate exceptional performance. The 2017 Award winners, Andrew Barreau and Darren Woodley, were recognised for leading the $42.0 million expansion of Orora's glass manufacturing plant in Gawler, South Australia. Due to their thorough planning and meticulous execution, this major project was delivered on budget, ahead of schedule, with zero recordable injuries. As a result, the plant can now produce an additional 60 million glass bottles each year. This impressive outcome exemplifies Orora's 'financial discipline' outperformance measure.

ORORA HERO Awards

The Orora business strategy

Orora is continuing to execute against its proven business strategy. The Company is well-positioned for sustained underlying growth through ongoing enhancements in the core business, increasing the innovation focus, as well as strategic growth investment to generate additional value for customers and shareholders.

Consistent delivery

Led by an experienced Board and executive team, Orora has maintained a disciplined focus on delivering against its defined business strategy. The Orora Way has provided an effective framework for Orora's team members and business units to align their focus and deliver strong shareholder returns.

Every day, Orora delivers packaging and visual communications solutions that exceed customers' expectations. Orora delivers on the promise of what's inside by innovating to lead, enhancing the core and investing to grow.

Orora will continue to target end-market segments with appealing growth and financial return characteristics. By focusing on delivering superior customer service, Orora remains firmly committed to strengthening its position in selected Australasian packaging formats, as well as increasing the market share and breadth of offering in its North American Packaging Solutions and Point of Purchase businesses.

Orora's business strategy is expected to continue to generate strong cash flows from the core business operations. Deployment of this cash flow will be through dividends to shareholders, capital investments in the core businesses, including organic growth investments, and bolt-on and adjacent acquisitions.

Orora has invested approximately $500.0 million in growth initiatives since listing. Orora continues to drive innovation through its Global Innovation Initiative which was established to deliver customer-led product and service solutions and enhanced operational productivity. Since launching this initiative in 2015, approximately $52.0 million has been committed. A further $30.0 million capital allocation was announced in February 2018 taking the total to $75.0 million.

Future strategic focus

Orora will maintain its vision to be the industry-leading packaging solutions company, leveraging the Group's core capabilities and delivering against the Shareholder Value Creation Blueprint. Orora's Shareholder Value Creation Blueprint summarises the key pillars through which the Group aims to build the business over the long term. Importantly, the Blueprint provides a structure against which activity and progress can be assessed by Orora and its shareholders.

In the future, Orora will continue to invest in its core businesses and deliver in line with its stated strategy. This level of investment is supplemented by an ongoing focus on improving the operational efficiency of the businesses and increased innovation to drive growth for shareholders.

CASE STUDY

Showing leadership in renewable energy



Orora is reducing its environmental impact, and meeting the challenge of rising energy prices in Australia by introducing renewable energy solutions and energy efficiency activities across its business. In the last three years alone, Orora has invested more than $10.0 million in energy efficiency projects across its Australian and New Zealand operations. Orora has also announced two separate long-term power purchase agreements ("PPAs") with renewable energy providers to supply wind generated electricity to Orora's operations in South Australia, Victoria and New South Wales, where Orora operates its largest and most energy intensive plants. Under the PPAs, Orora has secured long-term supply of renewable energy for volumes equivalent to 80% of the Company's total electricity demand in Australia. This shift towards renewable energy has a positive environmental impact, but also gives Orora certainty by reducing the Company's exposure to fluctuating wholesale energy prices.

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Shareholder Value Creation Blueprint

ORGANIC GROWTH		RETURNS FOCUSED GROWTH CAPITAL ALLOCATION						SUSTAINABLE DIVIDEND
Orora Australasia GDP Sales Growth	Orora North America GDP+ Sales Growth	Organic Growth Capital	Bolt-on M&A (North America Focused)			Adjacent M&A		60–70% Pay Out Ratio
GDP based growth, enhanced by innovation	GDP based growth supple-mented by market share gains & increased share of wallet	Customer backed growth investments	20% RoAFE by Year 3	ONA footprint expansion/ ↑ product capability	Most deals < $100M in OV < $50M in OPS	Targeted 20% RoAFE by Year 3	Parallel packaging substrates/ markets	Targeted 20% RoAFE by minimum Year 5	~30% Franked

CASE STUDY

Delivering tomorrow's packaging innovation today



The future of Australasian packaging was on display at the inaugural Orora Innovation Expo18. Held over five days at Orora's Specialty Packaging facility in Melbourne, the Expo showcased the latest packaging innovations and high-tech machinery from across Orora's global business. Under the theme 'delivering tomorrow's packaging innovation today', the Expo featured presentations on packaging trends, interactive displays and a tour of cutting-edge machines, some of which were unveiled for the first time in Australia. Orora's most notable investment, the EFI Nozomi C18000 digital printer, drew the greatest attention, as visitors viewed a collection of striking large-format images in the art gallery that were produced by the game-changing printer. Also on display was a unique box maker, a range of in-line digital printers and a one-of-a-kind laser cutter. Customers could then visit booths representing a cross-section of Orora's business where they could speak with team members. The Expo was extremely well received by customers and strengthened Orora's credentials as the leading provider of innovative packaging solutions in Australasia.

Board of Directors

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Chris Roberts

(BCom)

Independent Non-Executive Director and Chairman

Chris Roberts has significant knowledge of fast-moving consumer products, where the packaging component is critical. He has gained this expertise through executive roles internationally and in Australia as CEO of Reckitt & Colman, Orlando Wyndham Wines and Arnotts Limited.

Previous directorships include Amcor Limited, Telstra Limited, MLC Life, Email Limited, Petaluma Wines Limited and Australian Agricultural Company Limited.

Director and Chairman of Orora Limited since December 2013.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Director, Control Risks Group – UK (September 2006 to April 2015)
- Deputy Chairman, The Centre for Independent Studies (since August 2004)

Board committee membership

- Chair, Executive Committee and Nomination Committee
- Member, Human Resources Committee and Audit & Compliance Committee



Nigel Garrard

(BEc, CA, MAICD)

Managing Director and Chief Executive Officer

Nigel Garrard is a qualified chartered accountant with an extensive career in the consumer goods industry.

In 2009, Nigel joined Amcor as President of the Australasia and Packaging Distribution business group. Prior to Amcor, Nigel was Managing Director of Coca-Cola Amatil's Food and Services Division (2007–2009), Managing Director of the publicly listed SPC Ardmona (2000–2009) and held a range of positions in Australia and New Zealand with US-based Chiquita Brands International, including as Managing Director of Chiquita Brands South Pacific Limited.

A former Chairman of National Food Industry Strategy Limited and former Director of Australian Food & Grocery Council and Victorian Relief Foodbank Limited, Nigel has been involved with a wide range of industry associations.

Director since May 2009. Appointed Managing Director and CEO of Orora Limited in December 2013.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Director, Hudson Institute of Medical Research (since February 2016)

Board committee membership

- Member, Executive Committee



Abi Cleland

(BA, BCom, MBA, GAICD)

Independent Non-Executive Director

Abi Cleland has extensive global experience in strategy, M&A, digital and business growth. This has been gained from executive roles in the industrial, retail, agriculture and financial services sectors, including with ANZ, Amcor, Incitec Pivot and Caltex after starting her career at BHP.

For the last five years (until December 2017), Abi set up and ran an advisory and management business, Absolute Partners, focusing on strategy, M&A and building businesses leveraging disruptive changes.

Director of Orora Limited since February 2014.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Director, Sydney Airport Limited (since April 2018)
- Director, Computershare Limited (since February 2018)
- Director, Swimming Australia (Audit Chair) (since July 2015)
- Chair, Planwise Australia (since June 2016) and Director (since January 2016)
- Director, BWX Limited (August 2017 to December 2017)

Board committee membership

- Member, Audit & Compliance Committee, Human Resources Committee and Nomination Committee

BOARD COMMITTEES

Executive Committee

Chris Roberts, Chair
Nigel Garrard
Samantha Lewis
John Pizzey
Secretary: Ann Stubbings

Nomination Committee

Chris Roberts, Chair
Abi Cleland
Jeremy Sutcliffe
Secretary: Ann Stubbings

Audit & Compliance Committee

Samantha Lewis, Chair
Abi Cleland
Chris Roberts
Jeremy Sutcliffe
Secretary: Ann Stubbings

Human Resources Committee

John Pizzey, Chair
Abi Cleland
Chris Roberts
Jeremy Sutcliffe
Secretary: Ann Stubbings

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Sam Lewis

(BA (Hons), CA, ACA, GAICD)

Independent Non-Executive Director

Sam (Samantha) Lewis is a chartered accountant and has extensive financial experience, including as lead auditor to a number of major ASX-listed entities. She has 24 years' experience with Deloitte, where she was a Partner for 14 years. In addition to external audits, Sam provided accounting and transactional advisory services to major organisations in Australia, and has significant experience working with manufacturing and consumer business organisations.

Sam holds a Bachelor of Arts, Economics from the University of Liverpool in the UK, and is a member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales.

Director of Orora Limited since March 2014.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Director, Nine Entertainment Co Holdings Limited (since March 2017)
- Director, Aurizon Holdings Limited (since February 2015)
- Chair, APRA Audit Committee and Member, APRA Risk Committee (since June 2016)

Board committee membership

- Chair, Audit & Compliance Committee
- Member, Executive Committee



John Pizzey

(BE. (Chem), Dip.Mgt., FTSE)

Independent Non-Executive Director

John Pizzey has extensive knowledge of the international resources industry and global environmental management.

John was formerly Executive Vice President and Group President Primary Products for Alcoa Inc., Chairman of London Metal Exchange, Chairman of Iluka Resources Limited and a Director of Amcor Limited.

Director of Orora Limited since December 2013.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Chair, Kidman Resources Ltd (since January 2018)
- Chair, Alumina Limited (November 2011 to April 2018) and Director (June 2007 to April 2018)
- Director, Air Liquide Australia Limited (April 2008 to April 2017)
- Member of the MonashHeart Strategic Advisory Board (2014 to March 2017)

Board committee membership

- Chair, Human Resources Committee
- Member, Executive Committee



Jeremy Sutcliffe

(LLB (Hons))

Independent Non-Executive Director

Jeremy Sutcliffe has broad international corporate experience as CEO of two ASX Top 100 companies and has extensive experience with businesses operating in North America and Europe with diverse trading relationships in Asia. A qualified lawyer in Australia and the UK, Jeremy previously held positions with Baker McKenzie, London and Sydney, Sims Metal Management Limited and associated companies (including Group CEO), and Interim Managing Director & CEO of CSR Limited.

Director of Orora Limited since December 2013.

Directorships of listed entities within the past three years, other directorships and offices (current and recent):

- Director, Amcor Limited (since October 2009)
- Chairman, CSR Limited (July 2011 to May 2018) and Director (December 2008 to May 2018)
- Member, Advisory Board of Veolia Environmental Services Australia (since June 2010)
- Member, Australian Rugby League Commission Limited (February 2012 to March 2017)

Board committee membership

- Member, Human Resources Committee, Audit & Compliance Committee and Nomination Committee

Executive leadership team

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Nigel Garrard
(BEc, CA, MAICD)

Managing Director and Chief Executive Officer

Please see page 12.



Simon Bromell
(BSc, GDip Agribus, GAICD)

Group General Manager, Beverage

Simon Bromell joined Orora in 2014 bringing 25 years' experience in leadership roles across the national food supply chain in consumer goods and agribusiness. Prior to Orora, Simon was General Manager of Gold Coin Asia, and also spent four years as Managing Director of Fonterra's Australian Ingredients business. Before this, he held senior management roles across a range of businesses and functions at Mars from 1996 to 2009.



Stuart Hutton
(BBus, CA)

Chief Financial Officer

Stuart Hutton joined Orora in December 2013, having previously served as Chief Financial Officer (CFO) of Amcor's Australasia and Packaging Distribution business. Stuart brings more than 20 years' experience in senior finance roles, including five years with Orica as CFO of the Minova, Chemical Services and Mining Services (North America) Divisions, as well as the Investor Relations Manager. Stuart spent nine years during the early part of his career with Deloitte in audit and corporate finance.



Craig Jackson
(BCom, MBA, CPA, GAICD)

Chief Transformation Officer

Craig Jackson was previously Group General Manager, Procurement and Supply at Orora, a role he held since Orora's listing on the ASX in 2013. Prior to this, Craig held the position of General Manager Supply Chain and Operations at Fonterra Australia from 2009. Craig's 20-year career in finance, procurement and supply chain roles includes four years as Commercial Vice President at Mars Australia and New Zealand, and three years as Commercial Director, Mars Food.



Brian Lowe
(MBA)

Group General Manager, Fibre

Prior to taking on his current role in late 2014, Brian Lowe was the Group General Manager of Orora's Beverage business. This followed two years in the same role with Amcor's Australasia and Packaging Distribution business. Before joining Amcor in 2011, Brian spent eight years as Managing Director of Delphi Automotive Systems, including four years as Managing Director for their Asia Pacific Powertrain business based in Shanghai. This followed a 10-year career at General Electric (GE), where he held roles in sales and marketing, supply chain and Six Sigma. His last role was Managing Director of GE Plastics, Australia from 2001 to 2003.

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Louise Marshall
(BBus)

Group General Manager, Human Resources

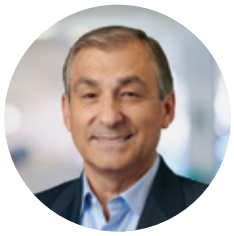
Louise Marshall joined Orora in the role of Group General Manager, Human Resources in July 2015. Louise brings more than 20 years' Human Resources experience, including five years at ASX-listed Tabcorp Holdings Limited, where she was Executive General Manager – Human Resources. Prior to her time at Tabcorp, Louise spent more than eight years at PricewaterhouseCoopers, where she was Executive Director Human Capital for its Australian business.



Chris Rosser
(BSc (Hons), FCA)

Group General Manager, Paper and Recycling

Chris Rosser joined Orora in 2017, bringing 20 years' experience in leadership roles in the European paper and packaging industries. Immediately prior to Orora, Chris was the Senior Operations Director for the Flint Group across Europe and previously had a 20-year career with DS Smith Plc. Initially, this was in financial and operational roles prior to becoming Managing Director (MD) for their UK Paper business and then MD of the Paper Supply Company across Europe. Before this, he qualified as a chartered accountant with Ernst and Young.



Bernie Salvatore
(Dip Ind Mngt (Eng), MBA)

President, Orora Packaging Solutions

Prior to taking on his current role, Bernie Salvatore was President of Amcor Packaging Distribution, having joined the company in 2002. Bernie brings more than 30 years' experience in the North American packaging industry, working for several publicly listed companies. Prior to Amcor, Bernie spent 20 years with Sealed Air and Cryovac, primarily in sales and marketing roles. His last role at Sealed Air was as Vice President Sales, North America from 2000 to 2002.



Ann Stubbings
(BA/LLB, MAICD)

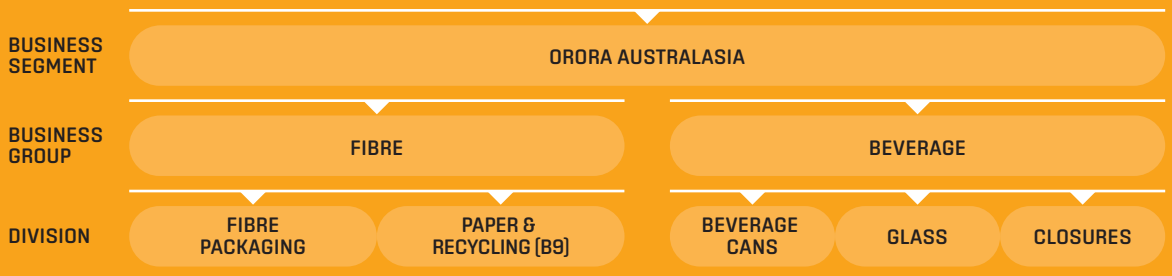
Company Secretary and Group General Counsel

Ann Stubbings was appointed Company Secretary and Group General Counsel and a member of the Executive leadership team upon Orora's listing on the ASX in December 2013. Ann leads the Legal, Company Secretariat, and Sustainability teams. Prior to joining Orora, Ann was Senior Group Legal Counsel at Amcor Limited (2008 to December 2013), and Alternate Company Secretary (2009 to December 2013). Ann has over 25 years' experience in the legal profession, commencing her career in private practice at Hall and Wilcox, and subsequently in senior in-house roles practising in corporate and commercial law, insurance, dispute resolution, governance and company secretariat across manufacturing and financial services.

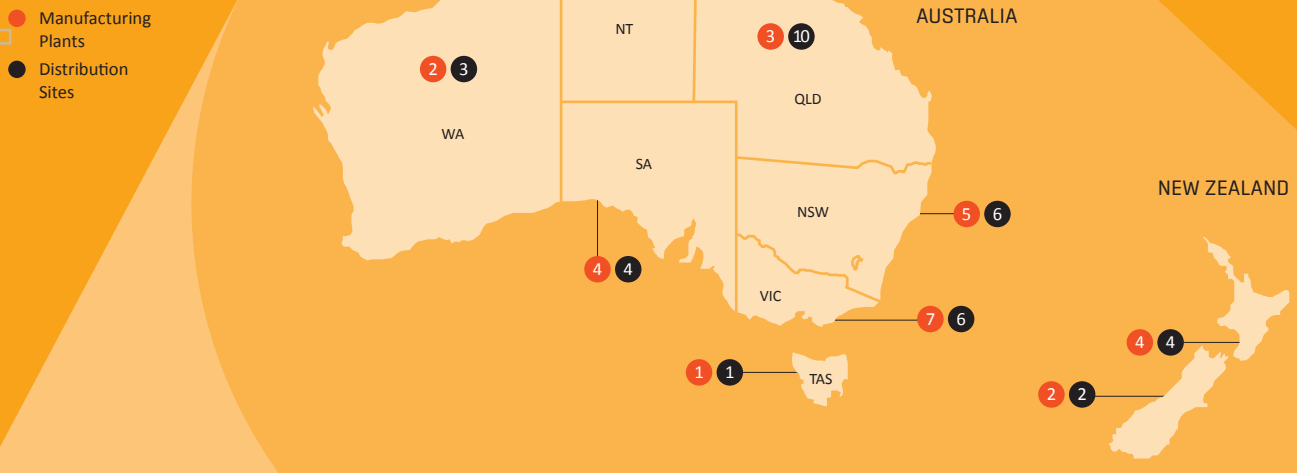
Operational review
Orora Australasia

Orora Australasia produced another strong operating result, increasing sales and earnings while continuing to invest in the business to drive productivity and efficiency gains.

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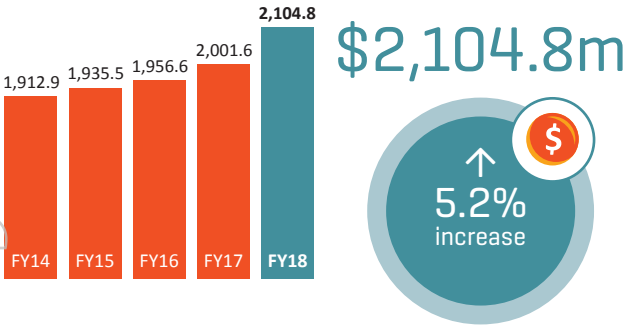




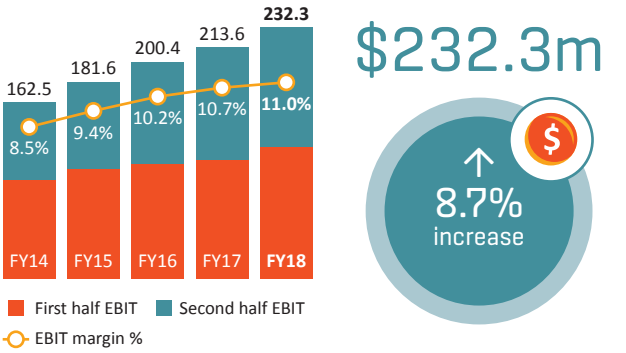


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SALES REVENUE (AUD million) [1]



EBIT (AUD million) [1]



(1) FY14 represents pro forma Sales and EBIT.

Key points

- Overall, Australasia increased EBIT by $18.7 million to $232.3 million, which is 8.7% higher than the previous year.
- The EBIT growth reflected ongoing delivery of self-help efficiency programs and the benefits of organic capital investments, which more than offset input cost headwinds. Return on sales increased by 30 bps from 10.7% to 11.0%.
- Underlying sales in Australasia increased approximately 4.2% after taking into account the pass through of higher aluminium prices.
- The legacy electricity supply contract for New South Wales expired in December 2017, with Orora operations exposed to wholesale spot prices from January to April 2018. A new fixed price renewable energy contract commenced on 1 May 2018. The impact of higher electricity prices in New South Wales during the financial year ended 30 June 2018 was approximately $4.5 million.
- Return on Average Funds Employed ("RoAFE") improved by a further 100 bps to 13.4%, up from 12.4% in the prior year.
- Economic conditions in Australia remain flat with volume growth broadly in line with GDP.

EARNINGS[1]

AUD million	2018	2017	Change %
Sales revenue	**2,104.8**	2,001.6	5.2%
EBIT[2]	**232.3**	213.6	8.7%
EBIT margin %	**11.0%**	10.7%	
RoAFE[3]	**13.4%**	12.4%	

SEGMENT CASH FLOW

AUD million	2018	2017	Change %
EBITDA[4]	**324.3**	301.9	7.4%
Non-cash items	**26.3**	26.3	
Movement in total working capital	**(48.9)**	1.9	
Gross capex	**(111.3)**	(99.9)	
Sale proceeds	**45.6**	0.7	
Underlying operating cash flow	**236.0**	230.9	2.2%
Cash significant items	**(14.4)**	(1.2)	
Underlying free cash flow[1]	**221.6**	229.7	
Growth capex	**(28.2)**	(32.5)	
Cash conversion	**67%**	70%	

(1) As reported in the Segment Note contained within the Financial Statements, refer note 1.
(2) Earnings before interest, related income tax expense and significant items.
(3) Return on Average Funds Employed ("RoAFE") is calculated as EBIT divided by average funds employed.
(4) Earnings before depreciation, amortisation, interest and related income tax expense and significant items.

Operational review
Orora Australasia

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Fibre Business Group

Fibre earnings were higher than the prior year driven by successful revenue growth in targeted market segments, additional sales and production volume at the B9 recycled paper mill, as well as manufacturing and operating efficiencies.

Fibre Packaging

Sales and earnings were higher than the prior comparative period, resulting from the continued focus on operational efficiency and cost improvement programs across the Fibre Packaging business.

The focus on specific market segments continued to deliver revenue growth, and a number of key customer contracts were successfully renewed during the period. Higher volumes in certain fruit and produce segments were achieved, with growth also recorded in the SME industrial sector.

In New Zealand, Fibre Packaging sales were also higher, with kiwifruit and apple volumes increasing due to favourable growing conditions. Meanwhile, sales in the Australasian Cartons division were in line with the prior financial year.

Botany Recycled Paper Mill ("B9")

B9 produced above the 400,000-tonne design capacity for the first time during the financial year ended 30 June 2018 (373,000 tonnes in the prior comparative period). B9 reliability and production performance improved throughout the year. The drive for further productivity improvement continues with the focus remaining on optimising production efficiency and the number of paper grades produced. B9 exported 89,000 tonnes of recycled paper to Orora Packaging Solutions and other third party customers during the financial year ended 30 June 2018.

A number of initiatives were implemented to further offset rising energy costs. This included completing the $23.0 million investment in a waste water treatment plant that not only lessens the impact on the environment by reducing regulated waste water discharges, but also generates bio-gas, which is converted into electricity for use at B9, providing additional cost savings for the facility. The commissioning of this plant is progressing well.

Old Corrugated Cardboard ("OCC") is the primary feedstock for B9 and approximately 90% of requirements were sourced from vendors with a mix of terms and contract tenure. Orora collected the remaining 10% of requirements directly. Some supply contracts were linked to OCC commodity prices, which remained volatile during the year. In net terms, there was minimal impact on profit, with higher OCC prices offset by higher paper export prices.

Beverage Business Group

Beverage sales and earnings were ahead of the prior period, driven by higher sales volumes in Cans, improved product mix (make vs. import) on stable volumes in Glass, as well as improved cost control and efficiency across the business group.

Beverage Cans

Volumes were higher than the prior period. This result was driven by increased export sales and stable volumes across all other market segments.

Glass

In Glass, volumes were in line with the prior corresponding period, led by continued growth in wine that was mainly export related, but offset by lower mainstream beer volumes. Earnings were higher than the previous year, resulting from the additional production following the completion of the capacity expansion project at Gawler. In addition, there was no repeat of the downtime associated with the capacity expansion build or the South Australian electricity blackout that occurred in the prior year.

CASE STUDY

Supporting local communities



Orora takes great pride in being a socially responsible company that plays an active role in the areas of sustainability, community and charity support. As part of this commitment, Orora supports a number of organisations in the local communities in which it operates. One such example is Foodbank, a not-for-profit organisation in Australia that combats hunger by redistributing surplus food. The Orora Fibre Packaging team in Knoxfield, Victoria was proud to partner with Foodbank to produce thousands of branded cardboard boxes so that food hampers could be packed and delivered to those community members most in need.

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Innovation and growth update

Orora continued to invest in its Australasian business to drive innovation and improve productivity across its plants and facilities.

To meet changing customer preferences, Beverage Cans New Zealand invested more than $7.0 million in small format can capability. The upgrade was completed in June 2018 and is designed to complement the existing small format can capability in Australia.

In December 2017, Orora purchased two warehouses that were previously leased adjacent to the Company's glass manufacturing facility in Gawler, South Australia. The warehouses increase on-site inventory capacity and flow. The Glass business requires significant inventory at any time to ensure customer requirements are met during peak bottling periods and to best optimise the production mix and to balance job for colour changes.

Orora's Glass business also committed approximately $35.0 million to build an additional warehouse at Gawler to repatriate inventory on-site and further reduce off-site pallet storage and transportation costs. The investment includes the purchase of automated guidance vehicles to further reduce operational costs and is expected to be completed by the end of the 2019 calendar year.

As part of the Fibre Packaging New South Wales restructure, $25.0 million was committed to upgrade the plant and machinery at the Revesby plant, with the project nearing completion. The upgrade is designed to improve quality and reliability, in addition to providing sufficient capacity and capability to meet foreseeable future demand.

Based on the success of the Fibre Packaging asset refresh program to date, a number of additional projects were approved during the past 12 months to replace ageing assets, upgrade corrugators and remove production bottlenecks. The cumulative commitment made to the asset refresh program for Fibre Packaging now exceeds $120.0 million. While these investments are expected to generate gross returns of approximately 15.0% by the third full year of operation, given the competitiveness of the fibre industry, it is likely that some of the resulting benefits will be shared with the market.

Consistent with Fibre's SME customer strategy, which focuses on value-added customised packaging, the business completed two small bolt-on acquisitions during the past year. The acquisitions included a specialist corrugated box converter and a distributor of consumable packaging. Both acquisitions were successfully integrated into the broader Fibre Packaging business.

The Australasian Fibre business continues to utilise the Orora Global Innovation Initiative to enhance innovation, modernisation and productivity. Approximately $31.1 million of projects have been approved since inception. Investments include a new high speed, large format digital printer that is now operational at Fibre Packaging's Oakleigh, Victoria site. The state-of-the-art printer meets the increasing demand for high quality, short run campaigns and promotions and provides a competitive point of differentiation for Orora with customers.

Orora helped commemorate the Richmond Football Club's historic 2017 AFL Grand Final win by producing a themed beer can for major sponsor CUB.



Operational review
Orora North America

Orora North America delivered sales and EBIT growth, reflecting the building momentum in the Orora Packaging Solutions ("OPS") and Orora Visual businesses and the progression of key projects.

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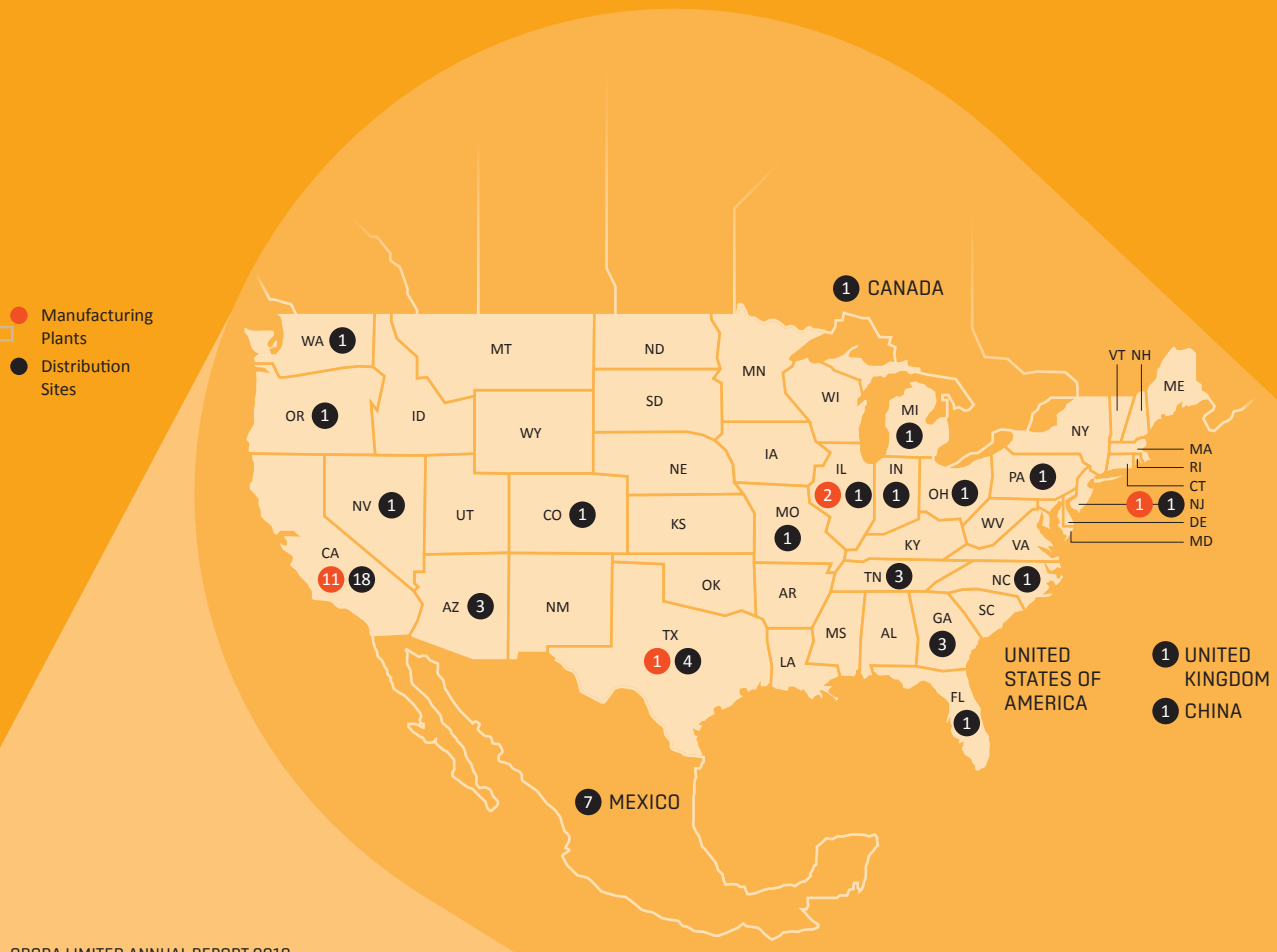
BUSINESS SEGMENT	ORORA NORTH AMERICA	
BUSINESS GROUP	ORORA PACKAGING SOLUTIONS	ORORA VISUAL
DIVISION	LANDSBERG PACKAGING SOLUTIONS / MANUFACTURING	

5 Countries

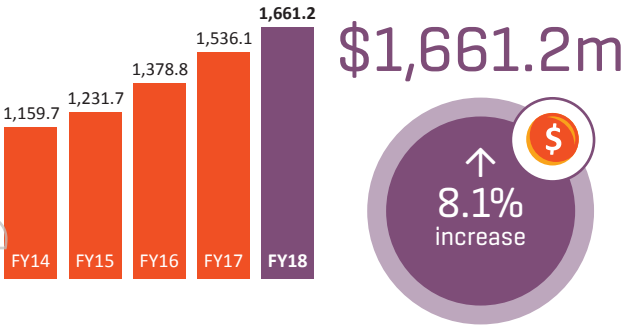
15 Manufacturing Plants

54 Distribution Sites

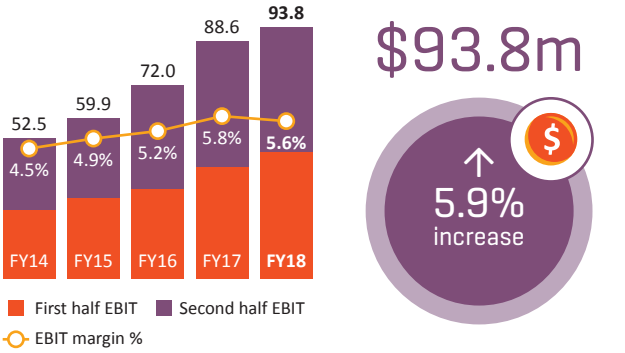
3.1K Team Members



SALES REVENUE (USD million) [1]



EBIT (USD million) [1]



(1) FY14 represents pro forma Sales and EBIT.

Key points

- Orora North America reported EBIT growth of 3.0% to $121.0 million, which is after a $3.4 million adverse translation impact.
- In local currency terms, EBIT increased 5.9% to USD93.8 million and sales grew 8.1% to USD1,661.2 million. EBIT includes the earnings contributions from the Orora Visual acquisitions completed during the financial year ended 30 June 2017, but were impacted by a doubtful debt provision of USD2.2 million.
- EBIT margin declined to 5.6% from 5.8% in the prior financial year, reflecting the impact of a doubtful debt provision in Orora Visual and transitional costs associated with the ERP system rollout in OPS.
- Cash flow increased 2.9% to $113.3 million, while cash conversion of 74% was down from 80% in the prior period.
- An increase in working capital was due to higher sales activity for corporate accounts in OPS which typically have longer payment terms.
- RoAFE declined by 470 bps to 19.0% resulting from the impact of the Orora Visual acquisitions and capital investments in OPS and Orora Visual.

EARNINGS[1]

AUD million	2018	2017	Change %
Sales revenue	**2,143.2**	2,037.5	5.2%
EBIT[2]	**121.0**	117.5	3.0%
EBIT margin %	**5.6%**	5.8%	
RoAFE[3]	**19.0%**	23.7%	

USD million	2018	2017	Change %
Sales revenue	**1,661.2**	1,536.1	8.1%
EBIT[2]	**93.8**	88.6	5.9%

SEGMENT CASH FLOW

AUD million	2018	2017	Change %
EBITDA[4]	**146.1**	139.8	4.5%
Non-cash items	**6.7**	(2.7)	
Movement in total working capital	**(6.3)**	(9.0)	
Gross capex	**(33.9)**	(22.5)	
Sale proceeds	**0.7**	4.5	
Underlying free cash flow[1]	**113.3**	110.1	2.9%
Growth Capex	**(5.6)**	–	
Cash Conversion	**74%**	80%	

(1) As reported in the Segment Note contained within the Financial Statements, refer note 1.
(2) Earnings before interest, related income tax expense and significant items.
(3) Return on Average Funds Employed ("RoAFE") is calculated as EBIT divided by average funds employed.
(4) Earnings before depreciation, amortisation, interest and related income tax expense and significant items.

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Operational review
Orora North America

Orora Packaging Solutions

OPS continued to deliver organic sales growth with revenues increasing approximately 3.2% in USD terms despite economic and market conditions remaining flat.

The Landsberg Division benefitted from its continued focus on higher growth segments of food, IT, auto and pharmaceutical/ health, as well as the pass through of higher raw material costs, which led to higher sales (5.4% in USD terms) in the period. This was offset, as expected, by lower Manufacturing division revenues, as some short term opportunistic business was exited. As a result, the Manufacturing division now has capacity to service the ongoing growth in Landsberg, as well as its own direct channel.

EBIT margins were stable at 5.4% consistent with the prior financial year. This was in line with expectations and reflected the impact of higher sales prices after passing through input costs to customers without any PBIT benefit. The business has continued to place an emphasis on higher value, customised offerings and has retained its focus on procurement and supply chain efficiencies.

OPS continues to benefit from imported paper produced by B9, which enabled the business to market an integrated fibre offering. Previous paper price increases were fully passed through to customers, while an additional increase of USD50/ tonne from 1 May 2018, is expected to be fully recovered in the market over coming months.

The ERP system rollout remained on track and is set for completion in the first quarter of the financial year ending 30 June 2019. The project progressed in line with expectations with a further 29 sites going live during the year, taking the total live sites to above 90%. Additional transitional costs were incurred to minimise the adverse impact on customer experience and service levels. Transitional costs are expected to continue for the remainder of calendar year 2018 as the project is completed.

Orora Visual

Orora Visual financial results are continuing to improve. Since the changes to senior management and adding of resources, better progress is being made on the integration, delivery of synergies and growing the business. The business is expected to continue to drive towards the targeted returns.

The business is starting to see the benefits of these changes, through improving collaboration between sites, which is driving operating efficiencies and delivering value to existing and new customers. As an example, four new digital printers which provide Orora Visual with uniform print and colour capability across the footprint, were progressively commissioned during the year, as well as an additional investment in fabric printing on both the east and west coasts of the US.

Orora Visual's financial results were adversely impacted by a doubtful debt provision of USD2.2 million related to a major customer that went into liquidation. There was also the adverse impact from the loss of the customer's business which will annualise into the financial year ending 30 June 2019.

CASE STUDY

Award wins at GlobalShop



North American Point of Purchase ("POP") business, Orora Visual, marked its one-year anniversary by winning two awards at the internationally renowned conference and trade show, GlobalShop. Orora Visual won the silver and bronze Outstanding Merchandising Awards for the Lego Ninjango movie and Smirnoff Lit Sign displays. Orora Visual has now won awards at consecutive GlobalShop events, having used the trade show to formally launch its new national brand in 2017. Since then, the business has forged a reputation for developing market-leading visual communications solutions that can be quickly deployed across its national footprint.

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Innovation and growth update

Growth remains a key focus area for Orora North America, with a number of initiatives and enhancements introduced across the business over the past 12 months. To date, approximately $20.2 million has been committed from the Orora Global Innovation Initiative to projects focused on enhancing Orora North America's customer value offering.

Landsberg remains focused on executing its organic growth strategy by leveraging its national footprint, extensive product breadth, continually expanding the service offering and customising the value proposition to secure new larger multi-site corporate accounts, as well as increase sales with existing customers. A new high speed large format digital printer, mirroring the printer installed in Fibre Packaging, was commissioned in California. The printer will enhance the customer value proposition, emphasising higher print quality and increased speed to market.

Following the entry into the fresh produce segment in 2015, a new OPS facility was established in Detroit, Michigan during the financial year ended 30 June 2018. The facility will enable OPS to continue to grow in the fresh produce segment and optimise the supply chain for the OPS site in Ontario, Canada. The facility will also be used to service current Landsberg customers in the region.

Orora Visual continues to build out its POP, visual communications and fulfilment business to serve national corporate customers with a consistent offering across multiple locations. Orora Visual has now established two creative design centres in Los Angeles on the west coast and New Jersey on the east coast. This combines well with the expected "uniformity of offering" benefits from the new digital and fabric printers.

With the ERP implementation into OPS nearing conclusion, M&A opportunities will progressively be assessed subject to these opportunities meeting hurdle rates and being strategically compelling. For now, the focus within Orora Visual is appropriately on the continued integration of acquisitions.

Orora Packaging Solutions is working with a world leader in electric automotive technology, creating universal packaging flexible enough to accommodate multiple components in varying shapes and sizes, greatly improving the customer's supply chain efficiency.



Financial review summary

INCOME STATEMENT [1]

$ million	2018	2017
Sales revenue	**4,248.0**	4,039.1
Earnings before depreciation, amortisation, interest, related income tax expense and significant items	**445.3**	418.4
Depreciation and amortisation	**(121.9)**	(116.1)
Earnings before interest, related income tax expense and significant items	**323.4**	302.3
Significant items	**(2.7)**	(21.6)
Earnings before interest and related income tax expense	**320.7**	280.7
Net financing costs	**(34.5)**	(37.6)
Income tax expense	**(74.0)**	(72.0)
Profit for the financial period	**212.2**	171.1

BALANCE SHEET [2]

$ million	2018	2017
Cash	**87.6**	58.5
Other current assets	**1,230.5**	1,111.6
Property, plant and equipment	**1,693.7**	1,648.6
Intangible assets	**494.7**	446.5
Investments and other assets	**110.6**	98.0
Total assets	**3,617.1**	3,363.2
Interest-bearing liabilities	**755.1**	732.5
Payables and provisions	**1,231.5**	1,083.9
Total equity	**1,630.5**	1,546.8
Total liabilities and equity	**3,617.1**	3,363.2

CASH FLOW FOR THE YEAR ENDED 30 JUNE

$ million	2018	2017
Earnings before depreciation, amortisation, interest, related income tax expense and significant items	**445.3**	418.4
Non-cash items	**38.9**	32.4
Movement in total working capital	**(51.9)**	(14.8)
Net capital expenditure	**(107.0)**	(104.6)
Underlying operating cash flow	**325.3**	331.4
Cash significant items	**(30.0)**	(1.2)
Operating free cash flow [3]	**295.3**	330.2

(1) As reported in the Segment Note contained within the Financial Statements (refer note 1) with the exception of net financing costs and income tax expense which is not included in the Segment Note.

(2) IFRS compliant information extracted from the audited Financial Statements.

(3) As reported per the Segment Note in the Financial Statements (refer note 1).

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Revenue

Sales revenue of $4,248.0 million was up 5.2% on the prior financial year.

The Australasian segment increased underlying sales by 4.2% with continued focus on target market segments within the Fibre business and higher volumes in Cans driven by increased export sales demand.

The Fibre Packaging businesses focus on specific market segments continued to deliver revenue growth and a number of key customer contracts were successfully renewed during the period. Higher volumes in fruit and produce segments were experienced during the period, with kiwifruit and apple volumes higher as a result of favourable growing conditions. The Beverage business revenues were ahead of prior year driven by higher sales volumes in Cans and favourable product mix.

North America grew local currency revenue through organic sales growth in OPS and the inclusion of incremental revenues from the Orora Visual acquisitions that occurred in the second half of the financial year ended 30 June 2017.

OPS revenue increased by 3.2% despite economic and market conditions remaining flat. The business continued to focus on the higher growth segments of food, IT, auto and pharmaceutical/health as well as pass through of higher raw material costs.

Revenue gains were partially offset by an adverse foreign exchange impact on US Dollar denominated North American sales ($60.3 million decrease on the prior financial year). Local currency sales in North America increased by 8.1% over the prior financial year.

Earnings before interest and tax

During the period, underlying EBIT increased by 7.0% to $323.4 million, excluding the net significant item represented by the gain on sale of the Smithfield site offset by expenditure relating to the restructure of the Fibre Packaging New South Wales business, including the closure of Smithfield, and additional expected costs associated with the decommissioning of the former Petrie Mill site.

The Australasian segment increased earnings with the Fibre business benefitting from revenue and margin gains in targeted market segments whilst additional volumes at B9 improved operating efficiencies. The Beverage business also experienced higher earnings with increased can volumes and favourable product mix on stable glass volumes and improved operating efficiencies.

The North American business segment delivered sales growth and margin improvement by continuing to leverage its national footprint, expand product breadth and driving value add solutions. The business continues to successfully pass through input costs increases to customers.

Balance sheet

The increase in other current assets is primarily in Australasia, driven by increases in inventory to rebalance paper stocks and ensure steady supply through the asset refresh program in Fibre and receivables balances as a result of higher sales. Within North America, OPS has experienced increases in receivable balances to support higher corporate account sales, which typically have extended payment terms, with other current assets also increasing as a result of the impact of foreign exchange translation.

Net property, plant and equipment was higher reflecting new capex projects. Capex for the financial year ended 30 June 2018 included spend on the following major items: plant and equipment relating to the Glass warehouse purchase, corrugated printing and converting equipment upgrades in Fibre, new small format can line in New Zealand, secondary waste water treatment plant at Botany New South Wales and projects approved under the Orora Global Innovation Initiative. Depreciation and amortisation for the financial year ended 30 June 2018 was $121.9 million.

Net debt decreased by $6.5 million during the period with investments in new capital and dividends, offsetting increased operating cash flows. The impact from foreign exchange translation on net debt was an increase of $19.7 million.

The increase in payables was driven by continued improvement in vendor trading terms across the business and foreign exchange translation effect of North American payables.

Financial review summary

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Cash flow

Increased earnings were converted into cash with operating cash flow of $325.3 million.

Cash conversion was 67%, slightly lower than the prior financial year, but in excess of management's expected cash conversion target of 60–65% for the financial year ended 30 June 2018, and after investing more than 155% of depreciation in capex during the financial year ended 30 June 2018.

A summary of the main cash flow movements included:

- An increase in EBITDA of $26.9 million, before significant items.
- Working capital was impacted by additional inventory held in the Fibre business to rebalance paper inventories and to ensure supply to customers was not impacted by the ongoing asset refresh program, while receivables were also higher during the period from a larger and later kiwifruit season in New Zealand. North America experienced higher receivables and inventory balances as a result of the continued growth in the corporate account sales segment, which typically have extended payments terms, and higher input prices (paper and resin).
- Reflective of the ongoing organic investment in the business, gross capex spend was $188.9 million, which included $19.1 million and $33.9 million on innovation and growth projects respectively.
- Net capex includes proceeds from the sale of the Smithfield site, with activities now consolidated on the Revesby site in New South Wales.
- Growth capex includes residual spend on Glass capacity expansion and the purchase of land/warehouse facilities adjacent to the glass plant in Gawler, South Australia and the two digital printers in OPS and Fibre.

Working capital

During the financial year ended 30 June 2018, average total working capital to sales was 9.1%, compared to 8.4% in the prior financial year.

Higher inventories in Fibre have been held to ensure that customers are not impacted through the Fibre refresh program – this is likely to continue through the financial year ending 30 June 2019.

The management target for average total working capital to sales is less than 10% in the medium term and remains an area of focus across the business. Management is working to mitigate the impact upon working capital of a general tightening of global aluminium markets and some transitional trading terms from when Orora switched to a full import model on aluminium reaching maturity and the shortening of payment terms.

Corporate

Corporate costs of $29.9 million during the financial year ended 30 June 2018 were slightly ahead of underlying costs in the prior financial year of $28.8 million, which was mainly due to costs incurred in the first half associated with assessing the feasibility of growth options in North America.

The US Government enacted significant tax reforms in December 2017 with a broad range of provision impacting businesses. These reforms included a change in the US federal corporate tax rate from 35% to 21% effective 1 January 2018 (a blended rate of 28% applied to Orora in the financial year ended 30 June 2018 excluding state taxes), immediate deductibility for certain capital investments, and other amendments to various business income and deduction items. The one-off tax benefit to income tax expense in the financial year ended 30 June 2018 from these reforms was approximately $5.5 million.

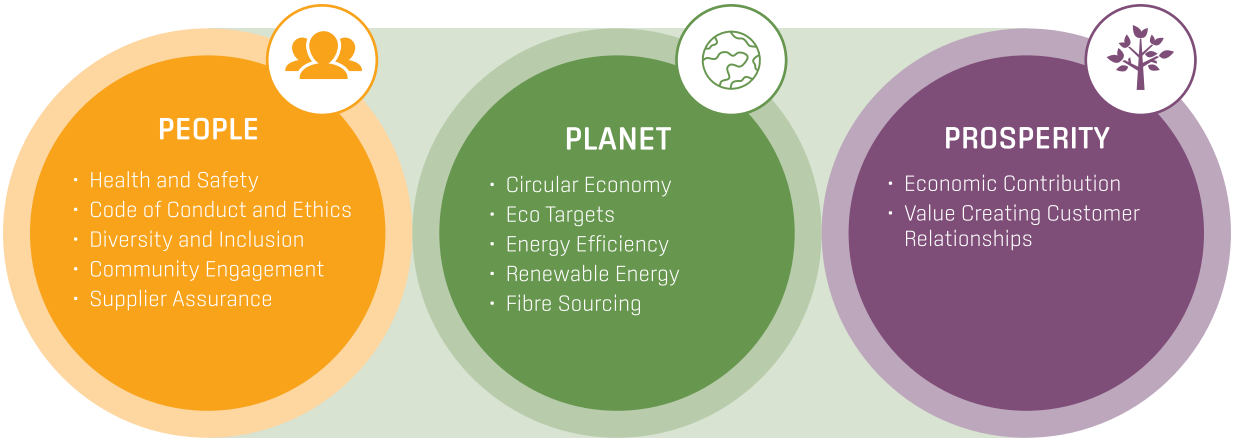


Orora's highly specialised Research and Technology Centre tests packaging designs, concepts and materials under controlled laboratory conditions to maximise packaging performance for customers.

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Orora's approach to sustainability

Orora's approach to sustainability is founded on the Orora Way and its values of Teamwork, Passion, Respect and Integrity. Based on these values, sustainability is managed through three focus areas: People, Planet and Prosperity. Through these focus areas Orora works closely with customers and vendors to improve the sustainability outcomes of the products and services it provides. Orora does this by focusing on the ways in which packaging can be manufactured for the customer, collected for recycling and manufactured back into new packaging that is then returned to the customer. This is an evolving journey for Orora, but one that is based on the main packaging types produced by the Company; namely, fibre, glass and aluminium, all being inherently recyclable.



Guided by The Orora Way and Orora's commitments as a signatory to the United Nations Global Compact's ("UNGC") Ten Principles covering human rights, labour, environment and anti-corruption, Orora's Sustainability Strategy is focused on achieving shared benefits for the communities in which Orora operates, the environment, vendors, customers and Orora's operations through the 'People', 'Planet' and 'Prosperity' sustainability focus areas. More detail on each of these areas is provided in the following sections.

To enhance this focus, in early 2018, Orora engaged external advisors to re-examine the broader sustainability landscape and identify emerging sustainability risks and opportunities. This work built on the original sustainability risks and opportunities work undertaken by external advisors in 2015. The assessment engaged a broad range of internal and external stakeholders, compared Orora's approach to its peers and examined regulatory, political, environmental and social trends, in order to determine how Orora should best approach sustainability risks and opportunities of greatest relevance to the Company.

This work reflects Orora's ongoing commitment to investing time and effort into assessing Orora's exposure to material risks in accordance with the ASX Corporate Governance Council's Corporate Governance Recommendation 7.4.[1] The review determined that, other than as set out in the Principal Risks section of this Report, Orora does not at this time, have a material exposure to environmental or social sustainability risks. Information on the Company's assessment of material risks, including economic risks, is set out separately in the Principal Risks section of this Report.

Orora's sustainability activity is overseen by both the Board of Directors and the Executive Leadership Team, with regular updates provided to both groups as part of the Legal, Governance and Sustainability Report prepared by the Company Secretary and Group General Counsel.

Reporting Orora's approach

In addition to communicating on sustainability activity in the Orora Annual Report, progress is also communicated via Orora's annual Communications on Progress report to the UNGC covering the actions Orora has undertaken against its action plan. Orora is a member of the CDP (formerly the Carbon Disclosure Project), where Orora voluntarily discloses information on its activities in regard to climate, water and forest risk. Over the last reporting period, Orora was ranked as operating at the CDP industry average for same sector companies. Orora is also a signatory to the Australian Packaging Covenant, and provides an annual report on its activities in regard to packaging sustainability.

(1) Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. Source: *Corporate Governance Principles and Recommendations*, Australian Securities Exchange Corporate Governance Council (3rd edition), 2014.

Orora's approach to sustainability

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Planet

Circular economy

A large part of Orora's business is based on working towards the principles of a circular economy. This means ensuring the main packaging types produced by Orora are recyclable and contain recyclable content. The main packaging types produced by Orora; namely, fibre, glass and aluminium, are all inherently recyclable.

Orora's Paper and Recycling business implements a circular economy approach. This commences with the recycled paper mill in Botany, New South Wales ("B9"), which uses over 450,000 tonnes of old corrugated cardboard ("OCC") board each year to produce over 400,000 tonnes of 100% recycled paper, which is then utilised in Orora's corrugated box businesses in Australia, New Zealand and North America to produce cartonboard packaging for many of its customers. The recycling of this material from commercial and industrial sources is an important contributor to reducing OCC going to landfill and makes Orora one of the largest cardboard recyclers in Australia. B9 is also FSC® Certified [(2)].

The Glass business also operates on the principles of a circular economy at its Gawler Glass Manufacturing plant in South Australia, which is a significant user of recycled glass, called cullet, in Australia. The plant currently consumes approximately 80% of cullet derived from the South Australian container deposit scheme, equating to approximately 98 million wine bottles being removed from the waste stream each year. This makes a large contribution to avoiding cullet going to landfill and reduces the need for virgin glass material used in the production process. Orora is also actively engaged in examining ways to increase its use of cullet from across the rest of Australia, including being part of the Australian Packaging Covenant Organisation Working Group on Glass, which is developing new solutions to increase glass recycling rates in Australia.

Eco Targets

Alongside its efforts to grow a circular economy, Orora also works towards reducing the environmental impact of its operations via its Eco Targets. These targets for reducing greenhouse gas emissions, waste to landfill and water use were announced on World Environment Day 2014 and are to be achieved by 2019.

The Group targets are cascaded to site level to ensure that each site has a stake in delivering on Orora's Eco Targets. Information on Orora's performance against the Eco Targets can be found on page 29.

In accordance with Principle 7 of the UNGC, which requires businesses to support a precautionary approach to environmental challenges, Orora's Eco Target on CO_2 emissions reduction is an explicit commitment by Orora to minimise its contribution to climate change. Based on the sustainability refresh approach undertaken in 2018, Orora will enhance and broaden its work on better understanding its contribution to, and the impacts of, climate change on its business through 2019. This will be based on commencing implementation of the requirements of the Task Force on Climate-related Financial Disclosure ("TCFD"). As a first step in this direction, Orora will be addressing applicable TCFD requirements as part of its CDP response for the most recent reporting period, which is the financial year ended 30 June 2017.

CASE STUDY

Smarter produce labels



Accu-Label is a world leader in eco-friendly fruit labelling technology and is exclusive to Orora in Australia. Unveiled for the first time at the Orora Innovation Expo18, the Accu-Label ORB-it® G-2 Print & Apply solution integrates an in-line printer with a label applicator. It is specifically designed to print and apply labels at high speed on wet and furry fruit and vegetables, such as apples and kiwifruit. Labels are made from eco-friendly, high-strength paper, rather than traditional plastic, which is an increasingly important consideration for environmentally conscious customers. Aside from branding, the ORB-it® G-2 Print & Apply can print variable data on the labels including barcodes, which improves product traceability for the grower and distributor.

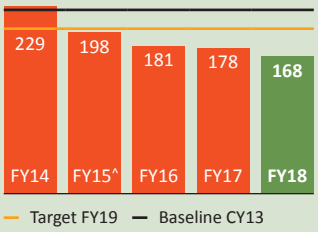
(2) FSC-C 113466

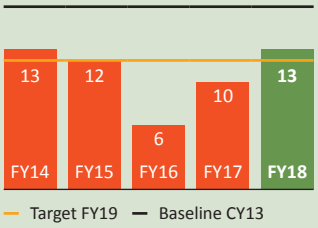
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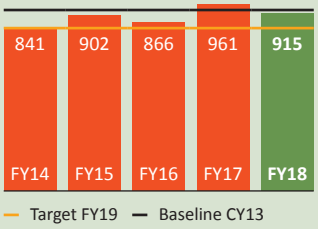
ECO TARGETS

Orora's CO_2 Emissions and Water Use Intensity continued to improve over the year as a result of a number of programs directed at these initiatives. CO_2 Emissions Intensity remains below target, but Water Use and Waste to Landfill are both tracking above target. In regard to Water Use Intensity, Orora successfully reduced its use of municipal water by 40% compared with the previous year, although storm and bore water use increased by 15% as a result of increased production at key water usage sites. Waste to Landfill Intensity performance declined due to challenges associated with finding alternative uses for coarse rejects waste from the Paper & Recycling division. Programs to improve Water Use and Waste to Landfill Intensities have been launched with the aim of achieving the 2019 Eco Targets for these areas.

ECO TARGETS*	PROGRESS
CO_2 EMISSIONS ↓ 10% decrease by 30 June 2019	Orora Group Greenhouse Gas Reduction (tonnes CO_2e/Net Revenue AUD million)
WASTE TO LANDFILL ↓ 25% decrease by 30 June 2019	Orora Group Waste To Landfill Reduction (tonnes/Net Revenue AUD million)
WATER USE ↓ 10% decrease by 30 June 2019	Orora Group Water Use Reduction (kilolitres/Net Revenue AUD million)







* Resource efficiency targets from a baseline of calendar year 2013.

^ G1 rebuild during FY15 resulted in reduced energy usage during the period.

Orora's approach to sustainability

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Energy efficiency

Orora's Eco Target on CO_2 Emissions reduction has been supported by a longstanding energy efficiency program.

As part of the program, sites are engaged to identify opportunities for improvement in driving energy efficiency and learnings are actively shared across the broader Orora operations. To drive this program further, Orora also instituted its first Energy Forum for the Australasian business during the year, which resulted in an increased commitment to energy monitoring and measurement to drive increased energy efficiency. Following the forum, Orora's Managing Director and CEO, Nigel Garrard, approved funding from Orora's Global Innovation Initiative specifically directed at enhancing monitoring and measurement capabilities.

Renewable energy

Orora has further driven its commitment to CO_2 emissions reduction and minimising its impact on climate change via two long-term power purchase agreements to, respectively, supply wind-generated electricity from Clements Gap Wind Farm to Orora's South Australian operations and to Orora's Victorian and New South Wales operations via the Lal Lal wind farm project in Victoria. These agreements have secured the long-term supply of renewable energy for volumes equivalent to approximately 80% of the Group's total electricity demand in Australia.

Orora has also recently invested $23.0 million in a new secondary waste water treatment plant at B9. This will reduce waste water contaminants by up to 95%, which means cleaner water is being released into the Sydney Water sewer systems. The methane released from treating the water is also captured to power a bio-gas engine producing 12,000 MWh of renewable electricity per year, with waste heat from the engine captured to preheat water fed to the mill. This reduces greenhouse gas emissions at B9 by 5%.

Fibre sourcing

Orora recognises the significant and detrimental impact of illegal logging and deforestation on the global economy, society and the environment.

In response, Orora has implemented the Responsible Fibre Sourcing Policy, where fibre from traceable and socially and environmentally responsible sources is used in the manufacture of Orora's paper and cartonboard products in Australia, New Zealand and North America. Orora is also deploying a forestry certification chain of custody program for its fibre-based businesses in Australia and New Zealand. A chain of custody program allows for traceability of wood and fibre products from the forest lot to the end customer.

As part of the program, all Orora Cartons sites are now certified to the Forest Stewardship Council® Chain of Custody standard [3]. In North America, Orora has achieved Sustainable Forestry Initiative® fibre sourcing certification for several sites across its manufacturing operations[4].

People

Code of Conduct and Ethics

The Orora Code of Conduct and Ethics ("the Code") helps guide team member behaviour through a strong culture of integrity and ethical conduct. It is designed to assist all employees and business partners to make responsible business decisions.

The Code covers expectations across all dimensions of behaviour including: the appointment of employees based purely on ability; environmental and fibre management issues; health and safety management requirements; human rights conventions support; community engagement; non-participation in party politics and political donations; information use and security; timely and accurate disclosure of information to the market; fraud, bribery and corruption; the support of free and open markets and the avoidance of conflicts of interest. The Code is supported by a number of policies and processes, including a Whistle Blower Policy which facilitates the anonymous reporting of any non-compliance with the Code. The Code has recently been refreshed and will shortly be relaunched across Orora, as well as a new, separate Anti-Bribery and Corruption policy.

CASE STUDY

Turning waste into energy



Orora completed construction of a $23.0 million secondary waste water treatment plant at its recycled paper mill in Botany, New South Wales. The plant not only lessens the impact on the environment by reducing regulated waste water discharges, but also generates bio-gas which is converted into electricity for consumption on-site. The creation of renewable energy involves taking the liquid waste from B9 and cleaning it, before it is discharged to the sewer.

As the process is largely anaerobic, bio-gas (methane) is produced, which can be combusted in a gas engine to generate electricity. The electricity helps power the mill, reducing the site's energy costs. The heat from the gas engine is used to pre-heat water to the steam boilers, also achieving energy savings. This innovative cogeneration solution is a great outcome for Orora's business, as well as the environment.

(3) FSC-C127957

(4) SFI-01204, SFI-01099

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Health and safety

A commitment to keeping people safe is a core value for Orora team members. As reported in previous years, Orora's long-term safety objectives detailed in the Group's five-year health and safety strategy are focused on the following key areas:

- Leadership – building on the existing commitment of leaders throughout the business to deliver a continuously improving safety culture
- Risk management – focusing teams on the identification of hazards and the development of mitigation actions that are appropriate to the risk exposure experienced
- Safety standards – continuing the evolution of Orora's existing system to effectively manage safety risk, with a focus on serious injury or fatality ("SIF") prevention
- Plant and equipment design – ensuring that new plant and equipment is suitably designed and safeguarded to enable safe operation
- Capability – embedding the skills of team members so they can work safely and are equipped to deal with new challenges that may arise.

The implementation of this strategy is managed by safety action plans that are in place in all business groups. Good progress against these plans has been made over the course of the year.

The implementation of a new safety technology platform this year, which will be live for the full 2019 financial year, will improve the availability and transparency of safety data. This will provide assistance in a number of areas, including an in-depth analysis of Orora's performance, a more detailed understanding of the underlying causes of incidents and the identification of trends that can be used to further refine the Group's safety strategy.

Orora's primary focus remains the identification and mitigation of potential SIF risks. The Orora risk profiling process continues to facilitate improvement in this area as it is progressively applied to sites globally. This process combines the knowledge and experience of Orora's safety and operations professionals to develop robust, prioritised site management plans for leaders, to complement the Orora safety leadership program. This will facilitate resource allocation to, and management focus on, the activities of greatest safety improvement. Progress against these plans can now be quantified consistently across Orora's facilities globally.

Work on further enhancing Orora's health, safety and environment management system continued this year. The principal focus during the period was on enhancing systems and processes that manage the hazards associated with powered mobile plant use, improving Orora's risk management capability and strengthening the Company's incident investigation rigour. A program of internal and external audits continues to be used to provide valuable gap analysis insight, as well as assurance that Orora's systems are operating effectively.

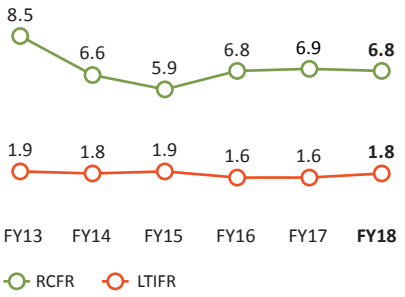
Orora's safety performance is measured using two key metrics – Lost Time Injury Frequency Rate ("LTIFR") and Recordable Case Frequency Rate ("RCFR").

LTIFR is measured by calculating the number of injuries resulting in at least one full work day lost per million hours worked. In the financial year ended 30 June 2018, the LTIFR was 1.8. This compares with the previous year's performance of 1.6.

RCFR is measured by calculating the number of medical treatment cases and lost time injuries per million hours worked. This year, the RCFR was 6.8. This compares with the previous year's performance of 6.9.

Keeping team members safe is a commitment that is consistent across all levels and locations in the Group. The continued focus on Orora's five-year health and safety strategy, which is informed by data and feedback from all the Company's sites, will once again be used to drive improvement in this key area in the financial year ending 30 June 2019.

Orora Group Safety Performance



This year a site within the Orora Visual business was awarded certification from the Sustainable Green Printing Partnership, a US program that acknowledges a printing facility's sustainability efforts.



Orora's approach to sustainability

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Diversity and inclusion

Orora is strongly committed to developing an inclusive and respectful work environment, to optimise diversity of thought and background. Bringing together people with different backgrounds and ways of thinking is a powerful source of competitive advantage in driving better decision-making, innovation and growth.

One area that Orora has a particular focus on is gender equality, and clear targets have been set to build a gender-balanced workforce. In 2014, as its initial priority, Orora announced a gender diversity target of 30% of new team member hires being female by 30 June 2017. During the financial year ended 30 June 2018, Orora continued to consolidate its performance against these targets. As at 30 June 2018, Orora pleasingly achieved these targets at a Group level (32%) and also within leadership levels (36%). Going forward, Orora intends to continue working towards sustaining these results.

Champions of Change

Orora's diversity progress has been enhanced through the Champions of Change network, an influential group of General Managers who are empowered and accountable for driving a diverse talented workforce across 43 manufacturing and 91 distribution sites.

During the financial year ended 30 June 2018, the Champions of Change have made impressive progress towards attracting a more diverse workforce into non-traditional roles, by widening the pool from which Orora can find the best and brightest talent. This has included employing different recruitment strategies, such as broadening advertising channels and changing the conversation with external recruitment providers. The Champions have agreed diversity targets for labour hire providers, in collaboration with Orora site management. This approach has delivered improvements in the representation of females within operational roles, graduate, apprentice, intern and cadetship programs. Reports are that these women have changed the dynamic of the workforce, leading to enhanced problem solving, attention to detail, safe ways of working and improved productivity. The Champions have continued to sponsor and co-deliver a range of awareness and education sessions for people leaders, to challenge how they think about diversity.

Women in Leadership

Orora commenced a second Women in Leadership at Orora ("WILO") program during the financial year ended 30 June 2018, for 20 women across its Australian and New Zealand operations, following a successful pilot program in Victoria in the financial year ended 30 June 2017. This tailored development and mentoring program aims to support Orora's ability to cultivate a diverse leadership talent pipeline. The program will be run in North America over the next year.

Gender pay equity reviews

Over the year, Orora has continued to address gender pay equality issues through an annual gender pay review process. As a result of this review, a number of key strategies are being implemented across the Group.

Community engagement

Orora positively and actively contributes to the communities in which the Company operates. This is done through a wide range of community activity at Group level, within business groups and at local sites and offices around the world. In the financial year ended 30 June 2018, Orora supported many charity groups across Australia, New Zealand and North America.

In the coming financial year, Orora will increasingly focus its corporate contributions in areas where the Company has expertise to have a meaningful impact, including advancing skills, jobs and people in industry, supporting the challenge of affordable, sustainable energy, and recycling for a sustainable future.

Supplier Assurance Framework

Orora has developed a Supplier Assurance Framework ("SAF") to identify and mitigate potential human rights and environmental issues within its supplier base across both its Australasian and North American businesses.

All of Orora's existing suppliers are being progressively assessed through an initial risk assessment tool, with suppliers identified as high risk being further assessed though the Supplier Ethical Data Exchange. Following this risk assessment process, all suppliers identified as high risk will need to mitigate the risks via an agreed plan. If the supplier is unable to successfully mitigate, they will no longer be a supplier to Orora. The SAF program has been designed to meet Orora's obligations as a UNGC signatory and to comply with the introduction of proposed anti-modern slavery legislation in Australia in 2018.

Prosperity

Economic contribution

As an Australian headquartered and listed manufacturing business, Orora makes a significant economic contribution to the communities in which it operates. As discussed on pages 1 and 4 of the Annual Report, Orora generates over $4,248.0 million in sales revenue, employs approximately 6,800 team members and operates 134 sites across seven countries. Orora's economic contribution also extends to ensuring that it complies with all relevant tax laws in the jurisdictions where the Group operates.

Orora strives to generate this Prosperity in a manner that is balanced with the Planet and People initiatives it undertakes, attempting to incrementally improve outcomes year-on-year along its sustainability journey.

Value creating customer relationships

As part of its prosperity generating activity, Orora always endeavours to work "in partnership with customers" as part of The Orora Way's "Invest to Grow" element of its strategic focus. In demonstration of this, Orora held its first Australasian Innovation Expo during the year, which focused on the products and services Orora can provide customers along with a specific emphasis on Orora's sustainability approach. The Orora Innovation Expo generated over 50 customer sustainability leads, with most interest shown on recyclable packaging substrates and how Orora can work effectively to help customers improve the sustainability of their packaging.

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Principal risks*

Orora actively manages a range of principal risks and uncertainties with the potential to have a material impact on the Orora Group and its ability to achieve its stated objectives. While every effort is made to identify and manage material risks, additional risks not currently known or detailed below may also adversely affect future performance. Orora's principal risks are outlined below in no particular order.

Area of Materiality	Risk	Mitigation and Monitoring Strategies
Economic Conditions	Orora is susceptible to major changes in macro-economic conditions in a single country, region or market. Sudden and/or prolonged deterioration in the economy may impact the value chain or industries on which Orora is dependent and could have a material negative impact on financial performance.	Orora seeks to mitigate the severity of impact that deterioration in macro-economic conditions in a single country, region or market may have by: • operating businesses that have a broad spread of geographic locations, raw material inputs and customers servicing a number of end markets • deploying an operating model that focuses on continually improving the value proposition to customers • creating and maintaining a high-performance culture • remaining disciplined in cash and cost management • continuing to invest in manufacturing capabilities and innovation to improve cost positions.
Customers and Consumer Preferences	Orora has strong relationships with key customers for the supply of packaging and Point of Purchase products and related services. These relationships are critical to Orora's success. The loss of a key customer may have a negative impact on financial performance. Changes in consumer preferences may result in some of Orora's existing product range reducing in demand or becoming obsolete or new products not meeting sales and margin expectations.	The key to mitigating customer risk is Orora's commitment to being the industry-leading customer focused packaging solutions company. This is embedded in The Orora Way, which is the blueprint for delivery of Orora's promise to its customers. In addition, no single customer within an operating segment generates revenue greater than 10% of total revenue for the Orora Group. Orora's commitment to innovation, and its strong relationships with its customers, seeks to address evolving consumer preferences. Orora also continuously reviews operating and capital expenditure plans to mitigate customer risk or changing consumer preferences.
Competition	Orora operates in highly competitive markets with varying barriers to entry, industry structures and competitor motivational patterns. The actions of established or potential competitors may have a negative impact on financial performance.	Orora is ideally placed to leverage both its regional experience and insight, and its international footprint and scale, to deliver new ideas and value propositions to customers to gain competitive advantage. Orora also focuses on innovation as a source of competitive advantage.
Supply Chain	Disruption to Orora's supply chain caused by an interruption to the availability of key components, raw materials, energy supply, or by technology failure may adversely impact sales and/or customer relations, resulting in unexpected costs. Orora's businesses are sensitive to input price risks, specifically energy and other commodities, in various forms and with varying degrees of impact. Although Orora seeks to mitigate these risks through various input pricing strategies and pass-through mechanisms, there is no guarantee that Orora will be able to manage all future energy and commodity price movements. Failure to do so may adversely affect Orora's operations and financial performance.	Orora's approach to supply chain risk management is multi-faceted and includes: • implementing a multi-sourcing strategy for the supply of raw materials • customer contracts that provide for regular and timely pass-through of movements in raw materials input costs • input pricing strategies including active monitoring of input prices • supplier due diligence and risk management including a supplier assurance framework • a focus on innovation in sustainable energy sourcing and pricing including entering long-term renewable energy power purchase agreements • business continuity and disaster recovery plans including with technology service providers.
Financial and Treasury	Orora faces a variety of risks arising from the unpredictability of financial markets, including the cost and availability of funds to meet its business needs and movements in interest rates, foreign exchange rates and commodity prices.	Orora's treasury function adopts financial risk management policies approved by the Board. Appropriate commercial terms are negotiated and derivative financial instruments are used, such as foreign exchange contracts and interest rate swaps, to hedge these risk exposures. In addition, where possible, Orora plans to proportionally draw down debt in currencies that align with the proportion of assets in those same currencies, thereby creating a natural hedge.

* Environmental and social sustainability risks that are not currently considered material are referred to in the 'Sustainability' section of this Annual Report.

Principal risks

Area of Materiality	Risk	Mitigation and Monitoring Strategies
Mergers and Acquisitions (M&A)	Orora's growth opportunities are dependent, in part, on disciplined selection of suitable targets in the right geographies with the right participation strategy. Failure to be disciplined in selection, effective at integration or focused on capturing value could impact operations and have adverse consequences for the achievement of expected financial benefits.	The Orora Way articulates the Group's purpose, strategy and guiding vision, against three strategic areas of focus: innovate to lead, enhance the core and invest to grow. These three pillars provide the blueprint for every aspect of the business including growth through acquisition, and are reflected in Orora's M&A framework, which is approved by the Board. This framework imposes rigour in target selection, approval, due diligence, integration planning and post-acquisition value capture.
Talent	Orora's operating and financial performance is largely dependent on its ability to attract and retain talent and, in particular, key personnel. Any loss of key personnel could adversely affect operating and financial performance.	Orora's strategic Human Resources priorities aim to create an inclusive culture that optimises diversity of thought, by attracting and retaining the best talent in the market. A high-performance culture is encouraged by setting challenging objectives and rewarding high performers, while succession planning is undertaken to develop leadership talent. Orora believes this strategic approach to talent management provides a tangible source of competitive advantage. Remuneration is competitive in the relevant employment markets to attract, motivate and retain talent, and is aligned with business outcomes that deliver value to shareholders.
Business Interruption and Disruption (including cyber risk)	Orora operates numerous sites across a number of countries. Circumstances such as natural disaster, cyber breaches, supply chain failure, operational failure or industrial disruption may occur, which may preclude key sites from operating. In these circumstances, financial performance may be negatively impacted.	Orora undertakes business continuity and disaster preparedness planning for high value or strategically important sites and functions. This includes continuously monitoring and, as appropriate, enhancing information security capabilities to keep pace with the evolving nature and sophistication of cyber threats. Orora also engages in continuous identification, review and mitigation of property risks, as well as independent loss prevention audits and has a suitable insurance program in place. Insurances are reviewed annually.
Workplace Health and Safety	Workplace health and safety events may have the potential to adversely affect Orora's team members and operations.	Orora's commitment to keeping people safe is paramount and is a core value for Orora. Orora's senior leadership team and Board regularly review safety performance and improvement strategies and activities across the business. Further information regarding Orora's commitment to health and safety is set out in the Sustainability section of this Report.
Country and Regulatory Risk	Orora predominantly operates in Australia, New Zealand and the United States. Orora also operates in other jurisdictions across a broad range of legal, accounting, tax, regulatory and political systems, some of which are subject to rapid change. The profitability of Orora's operations may be adversely impacted by changes in fiscal or regulatory regimes including tax policies, difficulties in interpreting or complying with the local laws of the countries in which Orora operates and reversal of current political, judicial or administrative policies. Orora's customers, many of which operate across a broad range of countries, are subject to regulatory risk in various jurisdictions, which may have an impact on their operations and consequently Orora's operations.	Orora continually monitors changes or proposed changes in regulatory regimes that may have an impact on Orora and, where appropriate, engages consultants and advisors to address specific issues. Where possible, Orora appoints local management teams that bring a strong understanding of the local operating environment and strong customer relationships. Orora also has a global compliance training program across the Orora Group and its business leaders regularly review country risk. Orora's tax affairs are governed by a tax risk framework that is approved, reviewed and reported against, by the Audit and Compliance Committee of the Board. Tax risks are actively monitored and managed.
Litigation	As is the case with all businesses, Orora is exposed to potential legal and other claims or disputes in the ordinary course of business, including contractual disputes and other claims.	Orora takes legal advice in respect of such claims and, where relevant, makes provisions and disclosure regarding such claims in its financial statements. There are no current claims or disputes of a material nature.
Climate Change	Climate change may present risks arising from extreme weather events affecting business operations and certain customer segments along with the introduction of new laws and government policies designed to mitigate climate change. These could impact the future profitability and prospects of Orora.	Orora is mitigating its contribution to climate change through: its CO_2 emissions reduction Eco Target focusing on energy efficiency and its participation in renewable electricity markets and, where appropriate, co-generation investments. Further information is available in the 'Sustainability' section of this Annual Report. In addition, as set out above, Orora continuously renews operating and capital expenditure plans to mitigate its customer risk, and operating businesses that have a broad geographic spread and customers serving a number of end markets.

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Directors' report

The Directors of Orora Limited ("Orora" or "the Company") present their report, together with the Financial Statements of the Company and its controlled entities (collectively referred to as "the consolidated entity" or the "Orora Group"), for the financial year ended 30 June 2018.

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Statutory matters

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Board of Directors

The Directors of the Company in office as at the date of this report are:

C I (Chris) Roberts

N D (Nigel) Garrard

A P (Abi) Cleland

S L (Samantha) Lewis

G J (John) Pizzey

J L (Jeremy) Sutcliffe

All Directors served on the Board for the period from 1 July 2017 to 30 June 2018.

The qualifications, experience and special responsibilities of the current Directors, and other directorships held by them during the previous three years, are set out on pages 12 to 13 of this Annual Report.

Company Secretary

A L (Ann) Stubbings is the Company Secretary of Orora, having commenced the position on 25 September 2013. Ms Stubbings' qualifications and experience are set out on page 15 of this Annual Report.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Board Committees) held during the period from 1 July 2017 to 30 June 2018, and the number of meetings attended by each Director.

	Board		Audit & Compliance Committee		Executive Committee		Human Resources Committee		Nomination Committee**	
Scheduled Meetings	13		6		2		5		–	
Unscheduled Meetings	2		–		–		–		–	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A P Cleland	12	15	5	6	1*	–	4	5	–	–
N D Garrard	14	15	6*	–	2	2	5*	–	–	–
S L Lewis	15	15	6	6	2	2	5*	–	–	–
G J Pizzey	15	15	6*	–	1	2	5	5	–	–
C I Roberts	15	15	6	6	2	2	5	5	–	–
J L Sutcliffe	15	15	6	6	–	–	5	5	–	–

* Indicates that although the Director is not a member of a specific committee, the Director attended the meeting. Due to the size of the Orora Board, it is the practice of all of the Directors to attend the meetings of the Audit & Compliance and Human Resources Committee.

** All Nomination Committee matters were dealt with by the full Board during the financial year.

A Number of meetings attended.

B Number of meetings held during the time the Director held office (in the case of Board meetings) or as a member of the committee during the year (in the case of committee meetings).

Operating and financial review

An operating and financial review of the consolidated entity during the financial year and the results of these operations begins at page 8 of this Annual Report.

State of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2018 other than as disclosed in this Annual Report.

Principal activities

The principal activities of the consolidated entity are set out in the "Who We Are and What We Do" section on page 1 of this Annual Report. There were no significant changes in the nature of the principal activities of the consolidated entity during the financial year ended 30 June 2018.

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Events subsequent to the end of the financial year

There have been no matters or circumstances which have arisen between 30 June 2018 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

The Operating and Financial Review section from pages 8 to 34 of this Annual Report contains information on the consolidated entity's business strategies and prospects for future financial years, and refers to likely developments in the consolidated entity's operations and the expected results of these operations in future financial years. Information on likely developments in the consolidated entity's business strategies, prospects and operations for future financial years and the expected results of those operations has not been included in this report where the Directors believe it would likely result in unreasonable prejudice to the consolidated entity. Details that could give rise to material detriment to the consolidated entity; for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, have also not been included.

Dividends

Dividends paid or declared by the Company to members during the financial year ended 30 June 2018 are set out in note 2.2 to the Financial Statements.

On 14 February and 9 August 2018, the Board authorised management to issue a request to the Trustee of the Orora Employee Share Trust to waive the entitlement of Treasury Shares held in the Trust to be paid the 2018 interim and final dividends. Refer to note 6.3 of the Financial Statements.

Environmental performance and reporting

The Orora Group is committed to continuous improvement of its environmental performance by finding better ways to manufacture and distribute its products. This is guided by the Orora Group's Environmental Policy, a copy of which is available on Orora's website.

(a) Carbon emissions

The *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* ("Rule") made under the *National Greenhouse and Energy Reporting Act 2007* (Cth) ("NGER Act") applies to facilities with direct CO_2 emissions (scope 1) of greater than 100,000 tonnes per year. These facilities are required to maintain their direct emissions below their historical peak level. Facilities that exceed their historical peak CO_2 emissions will be required to purchase CO_2 credits to offset their increase in emissions.

The only Orora Group facility that exceeds the 100,000 tonnes per year CO_2 threshold is the glass facility in Gawler, South Australia. This facility complies with its obligations under the Rule.

Due to the recent capacity expansion at this facility, Orora made an application to the Clean Energy Regulator for a new calculated CO_2 Baseline under section 22 of the Rule. This application was approved, effective July 2017.

(b) Greenhouse gas requirements

In Australia, the Orora Group is subject to reporting obligations under the NGER Act.

The NGER Act requires the Company to report on its annual Australian greenhouse gas emissions and energy use. The Orora Group has data gathering and management systems in place that comply with the NGER Act and the Clean Energy Regulator's audit processes. To comply with this obligation, Orora provides a report to the Clean Energy Regulator each year.

(c) Manufacturing

All of the Orora Group's manufacturing sites are subject to significant environmental regulation, including, where applicable, specific environmental licences. These licences require discharges to air, land and water to be below specified levels of contamination.

Compliance with these regulations and the Orora Group's overall environmental performance is monitored by Orora's internal Sustainability Team, which liaises directly with divisional and site-based health, safety and environment professionals. The Orora Group's environmental performance and material regulatory compliance is also discussed regularly at Executive Leadership Team meetings.

The Directors are not aware of any material breaches of environmental regulations or site-specific licences during or since the financial year ended 30 June 2018.

Statutory matters

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Directors' interests

The relevant interests of each Director in the share capital of the Company as at the date of this report are as follows:

Name	No. of shares
Directors of Orora Limited	
A P Cleland	151,288
N D Garrard	3,879,891[1]
S L Lewis	104,867
G J Pizzey	133,363
C I Roberts	579,269
J L Sutcliffe	152,262

(1) Details of rights and options over shares in the Company held by N D Garrard are set out in Table 10 of the Remuneration Report.

Unissued shares under option

Unissued ordinary shares or interests of the Company under option as at the date of this report are as follows:

Options granted	Expiry date	Issue price	Number under option
19 Feb 2014	30 Sep 2021	1.22	199,561
19 Feb 2014	30 Sep 2023	1.22	2,840,185
21 Oct 2014	30 Sep 2023	1.22	1,750,000
30 Oct 2015	30 Sep 2024	2.08	4,049,562
20 Oct 2016	29 Aug 2025	2.69	4,349,500
20 Oct 2017	30 Aug 2026	2.86	3,946,000

These options do not allow the holder to participate in any share or rights issue of the Company.

Shares issued on exercise of options

There were no ordinary shares of the Company issued during or since the financial year ended 30 June 2018 on the exercise of options granted over unissued shares or interests.

On-market share purchases to satisfy employee share plans

During the financial year ended 30 June 2018, 2,350,000 ordinary shares of the Company were purchased on-market and held on trust to satisfy obligations under the Company's employee incentive plans. The average price per security at which these shares were purchased was $3.26.

Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company has entered into agreements with each person who is, or has been, an officer of the Company. This includes the Directors in office at the date of this report, all former Directors and other executive officers of the Company, indemnifying them against any liability to any person other than the Company, or a related body corporate that may arise from their acting as officers of the Company, notwithstanding that they may have ceased to hold office. There is an exception where the liability arises out of conduct involving a lack of good faith, or is otherwise prohibited by law.

During and since the end of the financial year ended 30 June 2018, the Company has paid or agreed to pay the premiums for an insurance policy to insure current and previous Directors and other executive officers of the Company against certain liabilities incurred in that capacity.

Due to the confidentiality obligations and undertakings set out in these agreements, no further details in respect of the premiums paid, or the terms of the agreements, can be disclosed.

No indemnity payment has been made under any of the documents referred to above during or since the financial year ended 30 June 2018.

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Indemnification of auditors

The Company's auditor is PricewaterhouseCoopers ("PwC"). During and since the financial year ended 30 June 2018:

- no premium has been paid by the Company in respect of any insurance for PwC
- no indemnity has been paid by the Company in respect of PwC's appointment as auditor
- no officers of the Company were partners or directors of PwC, while PwC undertook an audit of the Company.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court, nor has any application for leave been made in respect of the Company, under section 237 of the *Corporations Act 2001*.

Non-audit services

During the year, PwC, the Company's auditor, performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the financial year ended 30 June 2018 by the auditor and, in accordance with written advice provided by resolution of the Audit & Compliance Committee, is satisfied that the provision of those non-audit services during the financial year by the auditors is compatible with the general standard of independence for auditors, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor. In particular, all non-audit services are approved in accordance with the non-audit services delegations and approvals framework and reported to the Audit & Compliance Committee at each meeting.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards. A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* can be found at the end of Remuneration Report within the Directors' Report.
- Details of the amounts paid to PwC and its related practices for audit and non-audit services provided during the financial year are set out in note 7.2 to the Financial Statements. In each case, the engagement of PwC was made on its merits (based on service level, expertise, cost, as well as geographical spread).

Rounding off

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and except where otherwise stated, amounts in the Financial Statements and Directors' Report have been rounded off to the nearest $100,000 or to zero where the amount is $50,000 or less.

Corporate Governance Statement

The key features of the Company's corporate governance framework are set out in the Corporate Governance Statement, which is available at: https://www.ororagroup.com/investors/corporate-governance-statement.

Remuneration report

Orora's track record of consistent and solid performance can be directly attributed to the focus on culture, leadership and commitment to innovation the Company has. The Orora Way is the shared vision driving this outperformance.



JOHN PIZZEY
Chair, Human Resources Committee

Dear Fellow Shareholder,

On behalf of the Board, I am pleased to present Orora's Remuneration Report for the financial year ended 30 June 2018.

Company performance

Since listing on the Australian Securities Exchange ("ASX") in 2013, Orora has established a track record of delivering year on year earnings growth, strong cash generation and disciplined capital management.

The Company's results for 2018 once again report strong profit growth. For the financial year ended 30 June 2018, Orora has delivered a 7.0% increase in earnings before significant items, interest and tax ("EBIT") to $323.4 million.

This Company performance is reflected in the short-term incentive ("STI") payments for the executive key management personnel ("Executive KMP"), which were paid out between 35.7%–61.9% of their maximum STI opportunity. Although this reflects a number of financial and non-financial metrics (at a Group and individual level), this STI result was primarily driven by the achievement of earnings per share ("EPS") before significant items at 17.8 cents (up 14.1% from the financial year ended 30 June 2017).

Orora's track record of consistent and solid performance can be directly attributed to the focus on culture, leadership and commitment to innovation. The Orora Way is the shared vision driving this outperformance and guides the Group's purpose, strategy and vision. With this shared belief in what Orora does, values that guide its people and a culture of outperformance, Orora is united in its determination to be the industry-leading packaging solutions and displays company delivering on the promise of what's inside every day.

Improving value for shareholders

One of the key objectives of Orora's remuneration strategy is to drive long-term value for shareholders. Orora's incentive plans achieve this by aligning challenging and relevant performance metrics with competitive and appropriate executive reward.

The Orora management team has delivered on its promise to shareholders, and consistently delivered this value with a cumulative total shareholder return ("TSR") of 256.5% since listing in December 2013. For the financial year ended 30 June 2018 TSR was 29.0%.

Orora's Executive KMP were rewarded for achieving these significant returns to shareholders. During the financial year ended 30 June 2018, the long-term incentive ("LTI") – Tranche 2 grants awarded in the financial year ended 30 June 2014, which had a performance period of 1 January 2014 to 30 June 2017, fully vested. Following the end of the reporting period, the LTI – Tranche 3 grants awarded in the financial year ended 30 June 2014, which had a performance period of 1 January 2014 to 30 June 2018, were tested. The outcomes of this testing will result in the full vesting of this grant, which will occur during the financial year ending 30 June 2019.

Remuneration changes during the financial year

During the financial year ended 30 June 2018, collectively the Executive KMP, received a moderate increase to their fixed remuneration. Individual increases were aligned to both individual performance and positioning against the market.

As was disclosed in the 2017 Remuneration Report and detailed in the 2017 Annual General Meeting Notice of Meeting, the Board made some minor revisions to both the LTI and STI structures for the Executive KMP, which took effect from the start of the financial year ended 30 June 2018. The changes made relate to the performance criteria for each plan, and have been detailed in Section 4 of this report. The Board believes these minor, but important, enhancements to both the LTI and STI performance criteria better reflect Orora's current business strategy and market positioning.

No other changes were made to Orora's approach to remuneration during the financial year ended 30 June 2018.

Mr David Lewis resigned from his position of Group General Manager, Strategy, with effect from 30 April 2018. Therefore, it should be noted that all amounts paid to Mr Lewis are in recognition of his employment during the period of 1 July 2017 through to 30 April 2018.

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Remuneration changes for the financial year ending 30 June 2019

Orora regularly reviews its approach to executive remuneration to ensure it remains relevant, competitive and appropriate in the context of changing business and economic environments.

The Board believes the current remuneration structure for the Executive KMP reflects Orora's current business strategy and market positioning, and therefore has not proposed any further changes for the financial year ending 30 June 2019.

Role of the Human Resources Committee

As Chair of the Human Resources Committee, it is my role, together with my fellow Committee members, to ensure that Orora's Senior Executives are motivated and incentivised to develop and lead their teams to successfully execute against a long-term strategy that grows the business and generates shareholder returns.

Successful execution of this strategy relies heavily on the capabilities and engagement of all Orora team members. As such, the Human Resources Committee is also accountable for ensuring that all aspects of Orora's talent management program appeal to, attract and retain the best possible talent and develop that talent as a key differentiator for the Company.

Orora's management team has continued to embed its fit for purpose talent, development and diversity strategy during the period, and the Committee is pleased with the progress made in each of the key focus areas. This has included the targeted development of key talent through senior levels in each of Orora's businesses and regions, and a strong focus on the development and advancement of women at Orora.

It has been my pleasure to serve on the Board of Orora Limited and Chair the Human Resources Committee during the financial year ended 30 June 2018.



JOHN PIZZEY
Chair, Human Resources Committee

Remuneration report

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Introduction

The Directors of Orora Limited ("Orora" or the "Company") present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) for the Company and its controlled entities (collectively, the "Group" or "Orora Group") for the financial year ended 30 June 2018.

Structure of this report

Orora's 2018 Remuneration Report is divided into the following sections:

Section	Page No.
Message from John Pizzey, Chair Human Resources Committee	40
1 Key management personnel	42
2 Remuneration governance	43
3 Remuneration strategy and structure	44
4 FY18 Executive KMP remuneration	47
5 FY18 Non-Executive Director remuneration	57

1. Key management personnel

For the purposes of this Remuneration Report, key management personnel ("KMP") includes each of the Directors, both executive and non-executive, and nominated Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Orora Group, either directly or indirectly.

In this Remuneration Report, "Executive KMP" refers to the KMP other than the Non-Executive Directors (and includes the Managing Director and Chief Executive Officer). The use of the term "Senior Executives" in this remuneration report is a reference to the Managing Director and Chief Executive Officer and all of his direct reports (including the Other Executive KMP), not all of whom meet the definition of a KMP. References to "Other Executive KMP" means the Executive KMP, excluding the Managing Director and Chief Executive Officer.

Non-Executive Directors have oversight of the strategic direction of the Orora Group but no direct involvement in the day-to-day management of the business.

Particulars of KMP and Senior Executives' qualifications, experience and special responsibilities are detailed on pages 12 to 15. The KMP covered in this report are listed in **Table 1** and were designated as KMP in the current year and comparative period unless otherwise stated.

Table 1

Name	Title
Non-Executive Directors	
C I (Chris) Roberts	Independent Non-Executive Director and Chairman
G J (John) Pizzey	Independent Non-Executive Director
J L (Jeremy) Sutcliffe	Independent Non-Executive Director
A P (Abigail) Cleland	Independent Non-Executive Director
S L (Samantha) Lewis	Independent Non-Executive Director
Executive KMP	
N D (Nigel) Garrard	Managing Director and Chief Executive Officer
S G (Stuart) Hutton	Chief Financial Officer
D J (David) Lewis (until 30 April 2018)	Group General Manager, Strategy

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1.1. Executive KMP service agreements

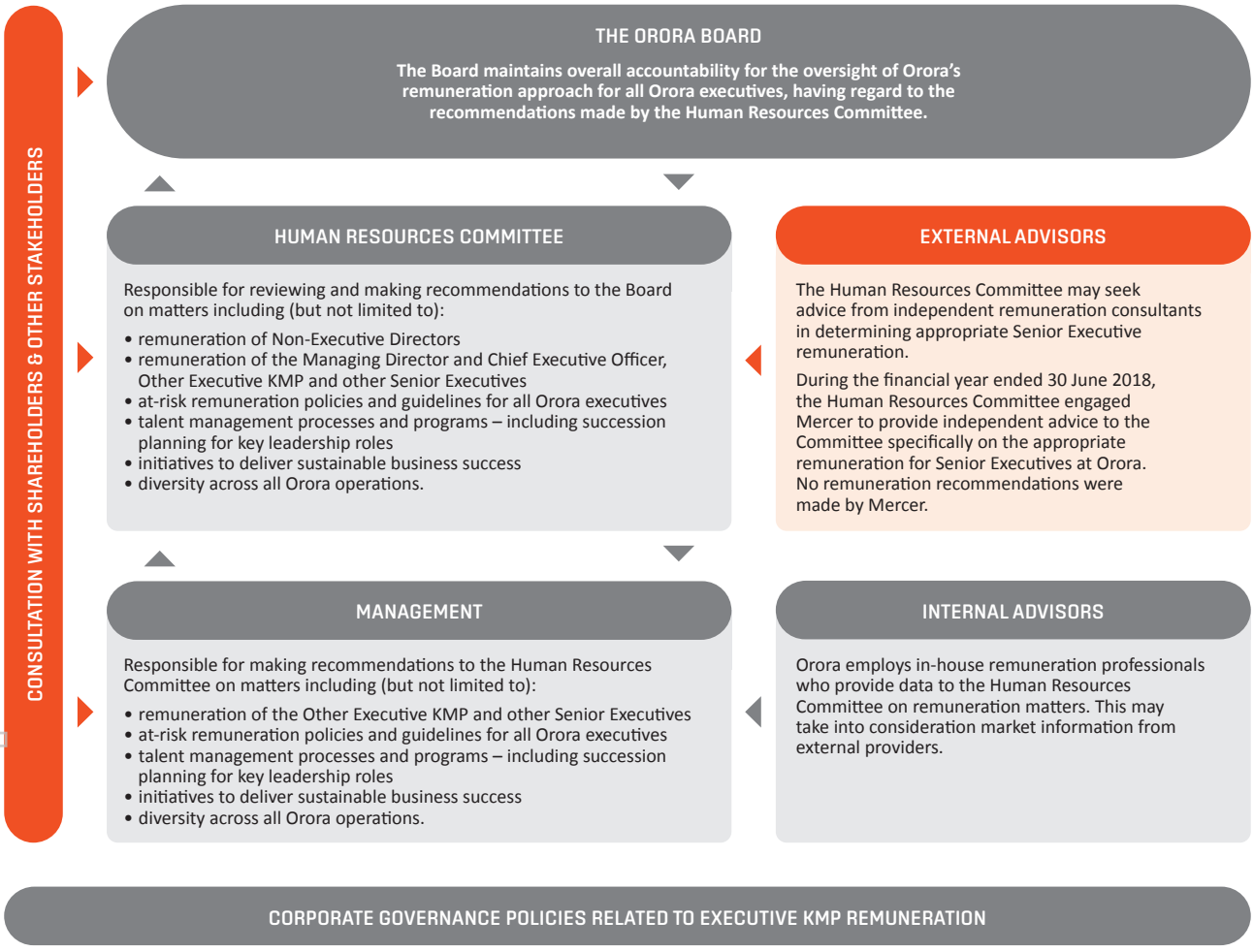
Orora formalises remuneration and other terms of employment for the Executive KMP in service agreements. Specific information relating to the terms of the Executive KMP's service agreements is set out in **Table 2**.

Table 2

Name	Term	Notice period	Redundancy/termination payment
Managing Director and Chief Executive Officer	Open	12 months	Greater of amount payable required by law and payment in lieu of notice (total termination payment must not exceed 12 months' Total Fixed Remuneration).
Other Executive KMP	Open	6 months	Greater of amount payable required by law and payment in lieu of notice (total termination payment must not exceed 12 months' Total Fixed Remuneration).

2. Remuneration governance

2.1. Governance framework



Remuneration report

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2.2. Corporate governance policies related to Executive KMP remuneration

2.2.1. Minimum shareholding policy

To strengthen alignment of the interests of the Executive KMP and other Senior Executives with value creation for shareholders, they must build and maintain a minimum shareholding of shares in the Company. The Managing Director and Chief Executive Officer is required to build and maintain a shareholding equivalent to 100% of total fixed remuneration within six years of his/her appointment and Other Executive KMP and other Senior Executives are required to build and maintain a shareholding equivalent to 50% of total fixed remuneration within six years of their appointment.

Once the relevant minimum shareholding has been reached, the Executive KMP and other Senior Executives must not dispose of Orora shares obtained from awards under Orora's equity-based incentive schemes granted on or after 1 January 2014, where to do so would result in them holding less than the relevant minimum shareholding. Further details can be found within the Corporate Governance Policies and Standards section of the Orora website at: https://www.ororagroup.com/investors/policies-and-standards.

2.2.2. Share trading policy

The Board has implemented blackout periods during which all Orora team members (including Executive KMP and other Senior Executives) and Non-Executive Directors are unable to trade in Orora shares. Further detail can be found within the Corporate Governance Policies and Standards section of the Orora website at: https://www.ororagroup.com/investors/policies-and-standards.

Hedging of securities

Executive KMP and other Senior Executives are prohibited under the Share Trading Policy from engaging in hedging arrangements over unvested securities issued under team member share plans. This prohibition extends to vested securities held by Executive KMP and other Senior Executives to which the Minimum Shareholding Policy applies. Non-Executive Directors do not participate in Orora's team member share plans.

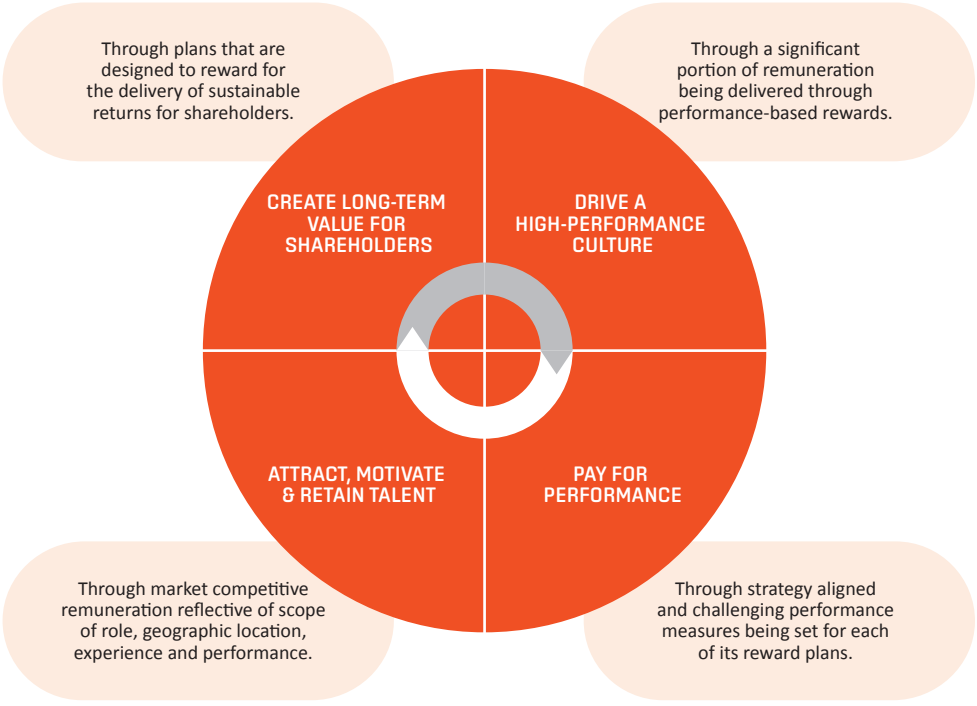
2.2.3. Senior executive reward and evaluation policy

The Board has a policy which outlines its commitment to ensure the structure of Orora Group remuneration is aligned to business outcomes that deliver value to shareholders. Further detail can be found within the Corporate Governance Policies and Standards section of the Orora website at: https://www.ororagroup.com/investors/policies-and-standards.

3. Remuneration strategy and structure

3.1. Remuneration strategy

Orora's executive remuneration strategy is designed to drive a high-performance culture, pay for performance, attract, motivate and retain talent and, ultimately, create long-term value for shareholders.



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3.2. Remuneration framework for Executive KMP

The remuneration of Orora's Executive KMP is delivered using both fixed and variable (at-risk) components as outlined in **Table 3**. Specific outcomes and performance measures for the financial year ended 30 June 2018 are included in Section 4.

Table 3

Component	Payment vehicle	Performance measure/s	Link to strategy
Fixed remuneration Fixed remuneration for the Executive KMP is set by referencing the market median remuneration for similar roles in listed companies of similar size to Orora, competing in comparable geographic locations.	Fixed remuneration consists of **cash salary and retirement benefits**(1).	Individual fixed remuneration is reflective of scope of role, geographic location, skills, responsibilities, experience and performance.	Market competitive fixed remuneration is paid to attract, motivate and retain Executive KMP with the appropriate experience and talent to drive Orora's strategy.
+			
Short-term incentive (STI) (at-risk) Orora's STI is designed to reward Executive KMP for the achievement of the key short-term performance measures in each financial year.	Any award achieved will be delivered, following the release of the end of year results, as **2/3 cash payment** and **1/3 deferred equity (Performance Rights)** – deferred for two years.	A scorecard of performance measures is used to determine any STI award payable. This is measured at Orora Group level. This scorecard represents the key priority areas for the current year and typically includes strategic initiatives and has a strong weighting towards financial growth and returns. A safety and performance overlay also applies.	The STI provides a reward linked to the delivery of short-term objectives, and the equity deferral both aligns overall reward outcomes to longer-term value creation for shareholders, and acts as a retention tool.
+			
Long-term incentive (LTI) (at-risk) Orora's LTI is designed to reward Executive KMP for the achievement of long-term sustainable business outcomes and value creation for shareholders.	Executive KMP are allocated both **Performance Rights (75%)** and **Options (25%)**, with vesting based on the delivery of set performance measures over a four-year performance period. Grants are made using market value (Performance Rights) and fair value (Options) but may be adjusted nominally at the Board's discretion.	1. CAGR in EPS with a RoAFE gateway. 2. Relative Total Shareholder Return with an Absolute Total Shareholder Return gateway. 3. Strategic Objective (applies to the MD & CEO only). An exercise price also applies to Options.	The LTI builds Executive KMP equity ownership. It also aligns the interests of the Executive KMP with shareholders by having an exercise price for Options, as no Options are earned unless earnings and returns increase and this is reflected in an is reflected in an increased share price.
=			
Total remuneration The sum of all fixed and variable (at-risk) elements of remuneration			
Optional component (used only on a limited basis)			
Retention Share/Payment Plan (CEO Grant) Time-restricted (up to five years) shares or cash, subject to forfeiture in the event of voluntary termination or termination for cause.		Used on a limited basis at recruitment to replace existing entitlements from previous employers or as retention awards to existing executives.	

(1) Retirement benefits are delivered under defined contribution funds for all Executive KMP. Retirement benefits are set by reference to regulatory requirements in the relevant employing jurisdictions.

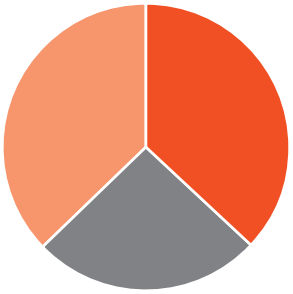
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3.3. Remuneration mix

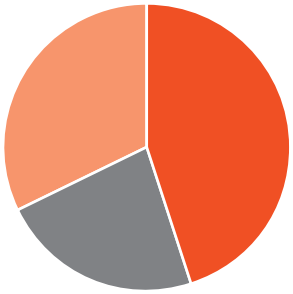
The current mix of remuneration components for Orora's Executive KMP (excluding D J Lewis) is shown below and clearly demonstrates the emphasis placed on variable (at-risk) plans, designed to directly incentivise performance.

MD & CEO



Fixed	37%
STI	26%
LTI	37%

Other Executive KMP

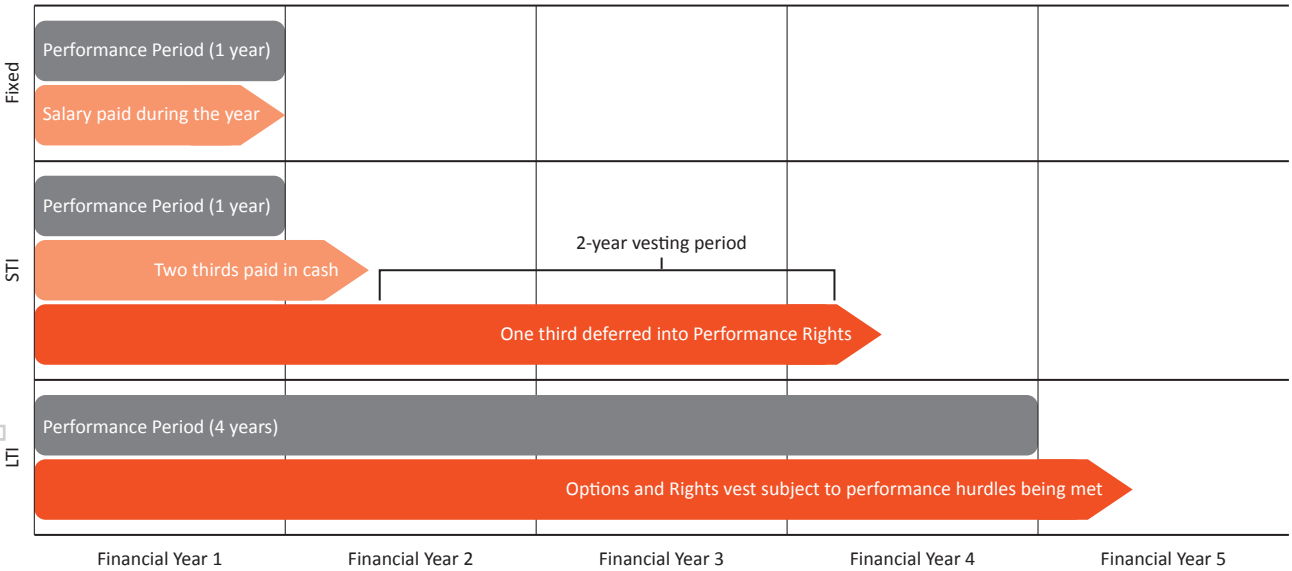


Fixed	45%
STI	23%
LTI	32%

3.4. Reward delivery

Each remuneration component for Orora's Executive KMP is delivered over a one to four-year horizon. **Chart 1** demonstrates the delivery of each remuneration component from the commencement of the performance period for each component in Financial Year 1.

Chart 1



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4. FY18 Executive KMP remuneration

Orora has a strong performance-based culture. The Board seeks to foster this through rewarding Senior Executives for the achievement of the Group's short-term and long-term strategy and business objectives, with a view to generating above-average, sustainable returns for shareholders.

4.1. Shareholder return information

Table 4 summarises key indicators of the performance of the Orora Group and relevant shareholder returns over the financial year ended 30 June 2018.

Table 4

Financial summary for year ended 30 June	2018[1]	2017[2]	2016[3]	2015	2014[4]
EBIT ($m)	**323.4**	302.3	272.1	225.1	192.1
Dividends per ordinary share (cents)	**12.5**	11.0	9.5	7.5	6.0
Closing share price (as at 30 June)	**$3.57**	$2.86	$2.76	$2.09	$1.43
EPS growth (%)	**14.1%**	14.6%	24.8%	25.9%	–
NPAT ($m)	**214.1**	186.2	162.7	131.4	104.4
TSR (%)[5]	**29.0%**	5.9%	36.1%	51.2%	–
Operating free cash flow[6] ($m)	**325.3**	331.4	313.8	260.8	218.9
RoAFE[7] (%)	**14.0%**	13.6%	12.7%	10.6%	9.3%
AWC as a % of Sales (%)	**9.1%**	8.4%	9.6%	10.3%	10.6%

(1) EBIT, NPAT, EPS growth and RoAFE exclude the net significant item expense after tax of $1.9 million and a net one-off tax benefit of $5.5 million. The significant item comprises: significant item income of $32.4 million (after tax $22.7 million) representing the gain recognised in respect of the sale of the Smithfield New South Wales site and a significant item expense of $35.1 million (after tax $24.6 million) recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and additional expected costs associated with the decommissioning of the former Petrie Mill site. The net one-off benefit from the US tax reform measures mainly reflects the revaluation of the Group's net deferred tax liability to the reduced US tax rate.

(2) EBIT, NPAT, EPS growth and RoAFE exclude the impact of the Petrie decommissioning significant item. Refer to the 2017 Annual Report for further information.

(3) EBIT, NPAT, EPS growth and RoAFE exclude the one-off profit on the sale of the Petrie land. Refer to the 2016 Annual Report for further information.

(4) Effective 17 December 2013, the Orora Group demerged from Amcor Ltd. The demerger was implemented on 31 December 2013. As a result of the corporate restructure to effect the demerger, the Orora Group's statutory financial information as at 30 June 2014 did not represent the performance of the Orora Group as it is currently structured. Accordingly, the pro forma financial results of the Orora Group (which form the base for future performance assessment) have been disclosed above in respect of the financial year ended 30 June 2014 and are presented on a pre-significant items basis. Refer to the 2014 Annual Report for further information.

(5) Total shareholder return ("TSR") is calculated as the change in share price for the financial year, plus dividends paid during the financial year, divided by the opening share price for the financial year.

(6) Operating free cash flow excludes cash significant items that are considered to be outside the ordinary course of operations and non-recurring in nature but includes net capital expenditure.

(7) Return on average funds employed ("RoAFE") is calculated as EBIT divided by average funds employed.

4.2. Pay for performance

The Board has set challenging financial and non-financial performance targets for Senior Executives and has directly aligned Senior Executive incentives to the achievement of those targets for the financial year ended 30 June 2018.

The "Pay for Performance" link is clear:

Target performance achieved = target rewards paid.

Above-target performance achieved = above-target rewards paid.

Where the Orora Group's performance does not meet the Board's performance targets, either reduced or no benefits are earned from a Senior Executives' at-risk short-term or long-term incentive components.

An outline of the Orora Executive KMP remuneration framework is set out in section 3.2.

A summary of the outcomes for each reward component in the financial year ended 30 June 2018 is provided in sections 4.3, 4.4 and 4.5 in respect of the Executive KMP.

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4.3. Fixed remuneration

Fixed remuneration is reviewed for each of the Executive KMP by referencing the market median remuneration for similar roles in listed companies, of similar size to Orora, competing in comparable geographic locations.

Appropriate adjustments were made for the Executive KMP giving consideration to the market position and individual performance of each of the Executive KMP.

4.4. Short-term incentive (STI)

As outlined in section 3.2 the Orora STI consists of two components, a cash component and a deferred equity component. Two-thirds of any STI award made annually is paid in the form of cash following the release of the end of year financial results, and one-third is deferred for a period of two years into time-based performance rights.

Performance measures are carefully selected at the start of the financial year that align to the key short-term priority areas for the Orora Group. An overview of achievements against each of the performance measures selected for the financial year ended 30 June 2018 is included in **Table 5**.

Table 5

KPI	Weighting	Overview of performance
Group earnings Earnings per Share ("EPS")	40% – 60%[1]	Group earnings continued to grow in the financial year ended 30 June 2018 with underlying EPS before significant items being 14.1% ahead of the underlying EPS for the financial year ended 30 June 2017.
Group returns Return on average funds employed ("RoAFE")	10%	With increased earnings and continued sound balance sheet management ROAFE grew from 13.6% to 14.0% in the financial year ended 30 June 2018.
Group asset management Average working capital ("AWC") as a % of sales	10%	AWC continued to be a priority and the results for the financial year ended 30 June 2018 were in line with expectations and the medium/long-term goal of being less than 10% of sales.
Personal strategic measures Performance against strategic measure/s in area of strategic influence	20% – 40%	The outcome of these measures varied by individual Executive KMP, and by individual objectives, with assessments ranging from "partially achieved/not achieved" to "partially achieved/ fully achieved".
Total Scorecard	**100%**	
Safety Overlay Performance and leadership against a selection of key safety metrics	If not met, may reduce STI award by up to 10%	Safety results for the financial year ended 30 June 2018 were largely consistent with the previous year. A number of initiatives were launched across the business to reinforce the safety priority.

(1) For N D Garrard and S G Hutton a stretch weighting of 100% applies.

At the conclusion of the financial year ended 30 June 2018, the Board made an assessment on the performance of each Executive KMP against each of the agreed performance measures, and determined any STI award outcome payable based on this assessment. In their assessment, the Board also considered how the Executive KMP achieved performance:

- aligned to Orora's company values;
- how proactive they were in overcoming challenges in the delivery of the final outcome; and
- what their individual contribution was to the collective outperformance of Orora.

Consistent with the prior year, the Board has exercised their discretion on the final STI outcome for the Executive KMP to normalise results to reflect underlying business performance (i.e. excluding the impact of fluctuating foreign exchange rates, the one-off benefit from the restatement of the US tax provision and the unbudgeted benefit from lower US tax rates).

Details of the Executive KMP STI opportunity and actual payments received for the financial year ended 30 June 2018 are provided in **Table 6**.

Table 6

Name	STI % range	STI target % of TFR	Total STI earned ($)	STI earned as % of TFR	% of Maximum STI forfeited	Cash STI ($)	Deferred Performance Rights ($)	Deferred Performance Rights Number[1]
Executive Directors								
N D Garrard[2]	0% to 100% of TFR	70.0%	807,469	61.9%	38.1%	538,313	269,156	75,183
Other Executive KMP								
S G Hutton	0% to 75% of TFR	50.0%	306,731	46.1%	38.5%	204,488	102,244	28,559
D J Lewis[3]	0% to 37.5% of TFR	25.0%	78,760	13.4%	64.3%	78,760	–	–

(1) The cash and deferred performance rights will be granted in September 2018 following the determination of the STI. Deferred performance right allocations will be determined based on the volume-weighted average price of the Company's shares for the five trading days prior to 30 June 2018 ($3.58 per share).

(2) Shareholder approval was obtained at 2017 Annual General Meeting for the grant of deferred performance rights to N D Garrard for the financial year ended 30 June 2018. The Company intends that where deferred performance rights vest under the STI, the right to acquire a share in respect of each deferred performance right will be satisfied by the Company arranging to acquire shares on behalf of N D Garrard on market, however the Company may instead issue new ordinary shares to N D Garrard.

(3) D J Lewis was an Executive KMP from 1 July 2017 through to 30 April 2018, therefore, all amounts shown relate to this period only (i.e. are pro-rated).

STI deferred performance rights

The Board considers the use of time-restricted equity in the form of deferred performance rights to be a key component of Orora's STI program. Orora uses deferred performance rights to provide for greater talent retention and alignment with shareholders' interests through exposure to Orora's share price movements.

The number of performance rights to be allocated under the STI to the Executive KMP is calculated as:

- one-third of the total STI award payable following the end of the performance period, divided by
- the volume-weighted average price of Orora shares for the five trading days prior to 30 June (the end of the performance period).

The vesting of deferred performance rights is subject to a continued service condition of two years (from the date of the grant). Each Executive KMP's allocation is subject to a risk of forfeiture if that member of the Executive KMP either voluntarily leaves Orora's employment during the restriction period, or if employment is terminated for cause. Board discretion regarding vesting and/or forfeiture applies in all cases when an Executive KMP leaves Orora's employment.

4.5. Long-term incentive (LTI)

This section summarises both the LTI component of remuneration offered, and prior year LTI offers that vested, for the Executive KMP, during the financial year ended 30 June 2018.

4.5.1. LTI awarded during the year

Incentive Securities

The LTI grant during the financial year ended 30 June 2018 ("FY18 LTI Grant") was made up of two different incentive securities ("Incentive Securities"):

- **75% performance rights** to acquire fully paid ordinary shares in the Company ("Rights")
- **25% options** over fully paid ordinary shares in the Company ("Options").

Performance period and vesting

Performance will be assessed for the period from 1 July 2017 to 30 June 2021.

Vesting will occur following the release of the full year results for the financial year ending 30 June 2021, anticipated to be in August 2021. Vesting will occur prior to the ex-dividend date for the full year dividend.

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Performance hurdles

The performance hurdles that apply to the FY18 LTI Grant are detailed in **Table 7**, and consist of:

- EPS hurdle (based on the Company's compound annual growth rate ("CAGR") in EPS over the relevant performance period), with a separate minimum "gateway" based on return on average funds employed ("RoAFE")
- TSR hurdle, which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group, with a separate "gateway" based on Absolute TSR ("aTSR"), which requires that aTSR must not be negative
- Strategic Objective (which applies to the Managing Director & Chief Executive Officer only).

The combination of RoAFE and EPS represents a strong measure of overall business performance. Having an exercise price for Options ensures that this performance translates into value creation for shareholders, as no Options are earned unless the share price increases. The use of a relative TSR condition for Rights provides a shareholder perspective of the Company's relative performance against comparable ASX-listed companies, and actual shareholder returns, with the introduction of an aTSR gateway. The inclusion of a strategic objective is complementary to the other performance hurdles, and ensures the Managing Director & Chief Executive Officer is appropriately incentivised for performance which is consistent with long term value creation for shareholders.

Table 7

LTI hurdles

Managing Director & Chief Executive Officer

EPS hurdle (with a RoAFE gateway) 40% weighting		Relative TSR (with an aTSR gateway) 40% weighting	Strategic Objective 20% weighting
Options (100% of Options)	Rights (20% of Rights)	Rights (80% of Rights)	

Other Executive KMP

EPS hurdle (with a RoAFE gateway) 50% weighting		Relative TSR (with an aTSR gateway) 50% weighting
Options (100% of Options)	Rights (1/3 of Rights)	Rights (2/3 of Rights)

- **EPS hurdle with RoAFE gateway**

Incentive Securities subject to the EPS hurdle first need to meet a minimum RoAFE gateway in order to vest according to the EPS vesting schedule in **Chart 2**.

RoAFE will be calculated as earnings before interest and tax (post significant items, subject to Board discretion) divided by the average funds employed in each financial year at the 30 June testing date.

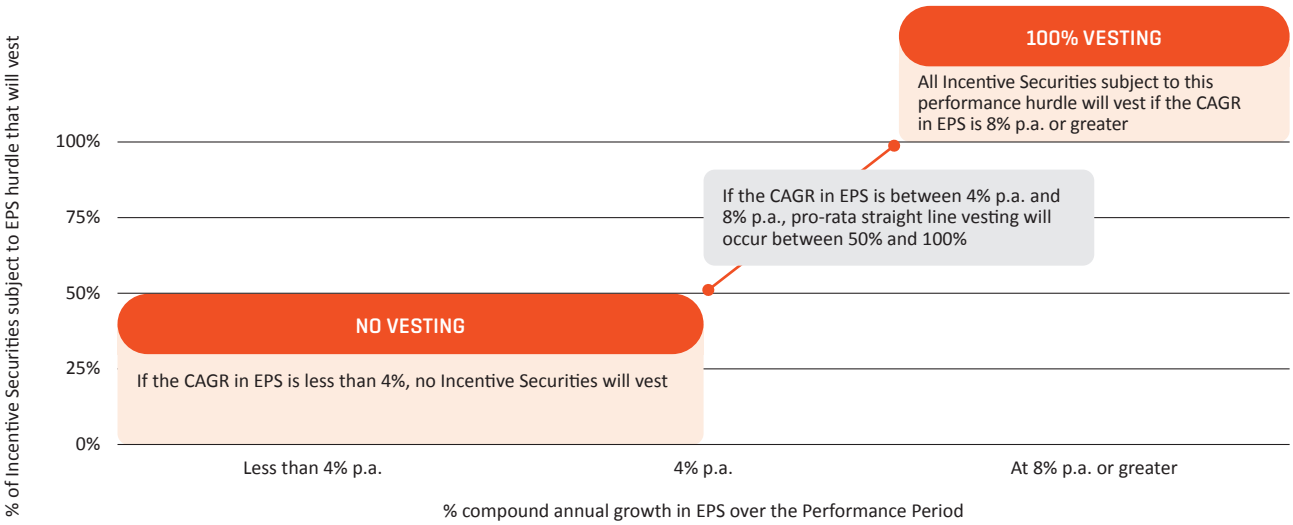
The RoAFE gateway, for the LTI grant for the financial year ended 30 June 2018 is **12.5%**. If the RoAFE gateway is not met in the relevant performance period set out above ("Performance Period"), all Incentive Securities in that grant subject to the EPS hurdle will lapse. If the RoAFE gateway for the grant is met in the relevant Performance Period, the Incentive Securities subject to the EPS hurdle will vest in accordance with the EPS vesting schedule in **Chart 2**.

EPS measures the earnings generated by the Company attributable to each Orora share. EPS is calculated based on net profit after tax ("NPAT") post significant items calculated on a constant currency basis (subject to Board discretion) for the relevant financial year, divided by the weighted average number of Orora shares on issue.

The growth in the Company's EPS over the relevant Performance Period will be calculated as the increase in audited EPS over the base of **15.6 cents** (the normalised EPS outcome for the financial year ended 30 June 2017). The compound growth in EPS will be expressed as a cumulative percentage.

The percentage of Incentive Securities subject to the EPS hurdle which vest (subject to achievement of the RoAFE gateway) will be determined based on the performance achieved against the EPS vesting schedule set out in **Chart 2**, subject to any adjustments for significant items that the Board, in its discretion, considers appropriate.

Chart 2



- **TSR hurdle with absolute TSR ("aTSR") gateway**

TSR measures the growth in the Company's share price together with the value of dividends declared and paid or any other returns of capital during the Performance Period against companies ranked 30 to 130 on the S&P/ASX index as at 1 July 2017 ("Comparator Group").

The share price used to calculate the TSR of the Company and each Comparator Group company for the Performance Period will be measured as follows:

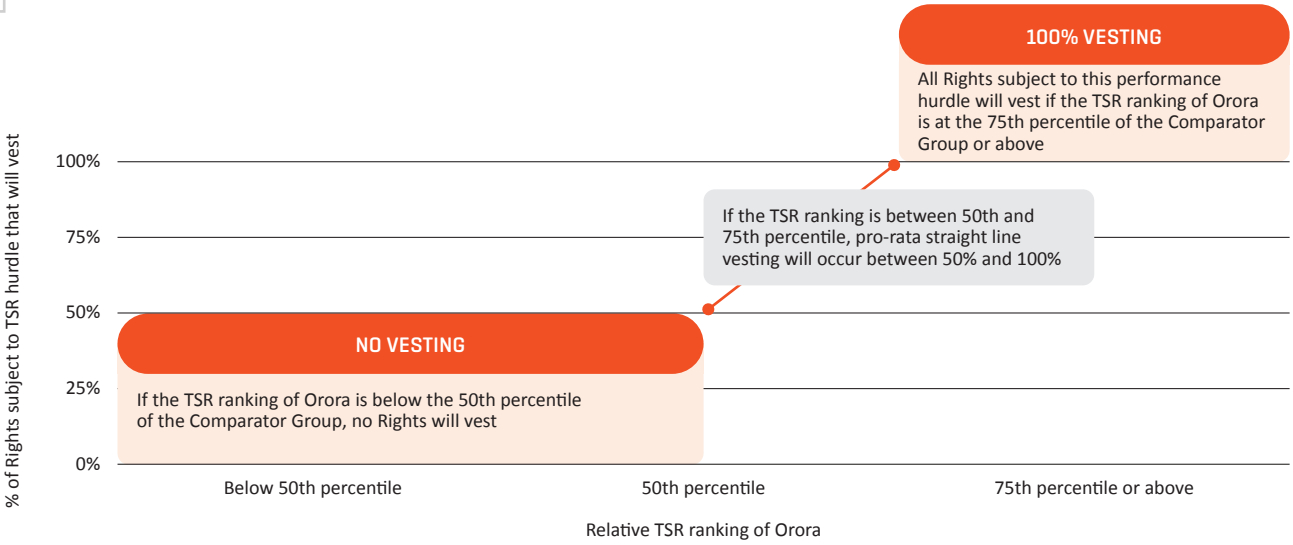
- the opening share price is the volume-weighted average price on the ASX of the Company, or the applicable Comparator Group company, for the final five trading days of the previous financial year (i.e. up to 30 June 2017)
- to ensure the impact of share price volatility is minimised, the closing price will be the volume-weighted average price on the ASX of the Company, or the applicable Comparator Group company, for the 20 trading days ending on the last trading day of the Performance Period (i.e. up to 30 June 2021).

The percentage of Rights subject to the TSR hurdle that vest, if any, will be determined by reference to the percentile ranking achieved by the Company, over the relevant Performance Period, compared to the other entities in the Comparator Group as outlined in **Chart 3**.

Rights subject to the TSR hurdle first need to meet a minimum aTSR gateway in order to vest according to the vesting schedule in **Chart 3**.

The aTSR gateway is a condition that Orora's aTSR over the Performance Period must not be negative. If Orora's aTSR over the Performance Period is negative, no Rights subject to the TSR hurdle will vest, regardless of Orora's relative TSR performance against the Comparator Group.

Chart 3



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Key features of the LTI

- The applicable rules for the LTI (Plan Rules) contain forfeiture and claw back provisions which will apply if an Executive KMP member is proven to have acted fraudulently, dishonestly or in a manner that brings Orora, the Group or any company within the Orora Group into disrepute.
- The Board retains discretion to alter the vesting conditions of Options and Rights where a material event occurs (such as an acquisition, divestment or change of control) or other strategic initiative that affects the Company's capital structure and the relevance of the vesting conditions.
- Executive KMP are subject to the requirements of the Company's Share Trading Policy when dealing with Incentive Securities. Any dealing in respect of an unvested Right or unvested or unexercised Option is prohibited, unless the Board determines otherwise or the dealing is required by law.
- Incentive Securities do not carry any dividend or voting rights prior to vesting and, where applicable, prior to exercise.
- Executive KMP are not obliged to participate in the LTI offer.

4.5.2. LTI outcomes for the year

Table 8 shows the Company's performance against the targets set for Tranche 2 and Tranche 3 of the LTI award granted to Executive KMP during the financial year ended 30 June 2014. The performance period for Tranche 2 was 1 January 2014 to 30 June 2017. The performance period for Tranche 3 was 1 January 2014 to 30 June 2018. An overview of these grants was detailed in the Remuneration Report included in the 2014 Annual Report.

The performance hurdles for Tranche 2 were either met or exceeded and this resulted in 100% of Rights and Options for Tranche 2 vesting during the financial year ended 30 June 2018 (lapsed: 0%). Tranche 3 was tested following the end of the financial year ended 30 June 2018, being the end of the performance period. The performance hurdles were either met or exceeded and this will result in the full vesting of Tranche 3, which will occur during the financial year ending 30 June 2019.

Table 8

Testing of performance hurdles

		50% of vesting 100% Options & one-third Rights						50% of vesting two-thirds Rights		
		RoAFE gateway		EPS hurdle			Share price	Relative TSR		
LTI awards & performance periods	Testing date	RoAFE gateway	RoAFE[1] outcome	EPS vesting threshold (5%)	EPS vesting maximum (10%)	EPS[2] outcome constant FX	Greater than share price at offer	TSR vesting Threshold (50%)	TSR vesting Maximum (100%)	TSR outcome
FY14 LTI Grant										
Tranche 3 – 1 January 2014 – 30 June 2018	**30-Jun-18**	**11.3**	**14.0**	**10.6**	**12.7**	**16.8**	**Yes**	**50th percentile**	**75th percentile**	**94th percentile**
Tranche 2 – 1 January 2014 – 30 June 2017	30-Jun-17	10.8	13.6	10.1	11.6	14.2	Yes	50th percentile	75th Percentile	92nd percentile

(1) Refer to Table 4, notes (1) and (2) in relation to the calculation of RoAFE.

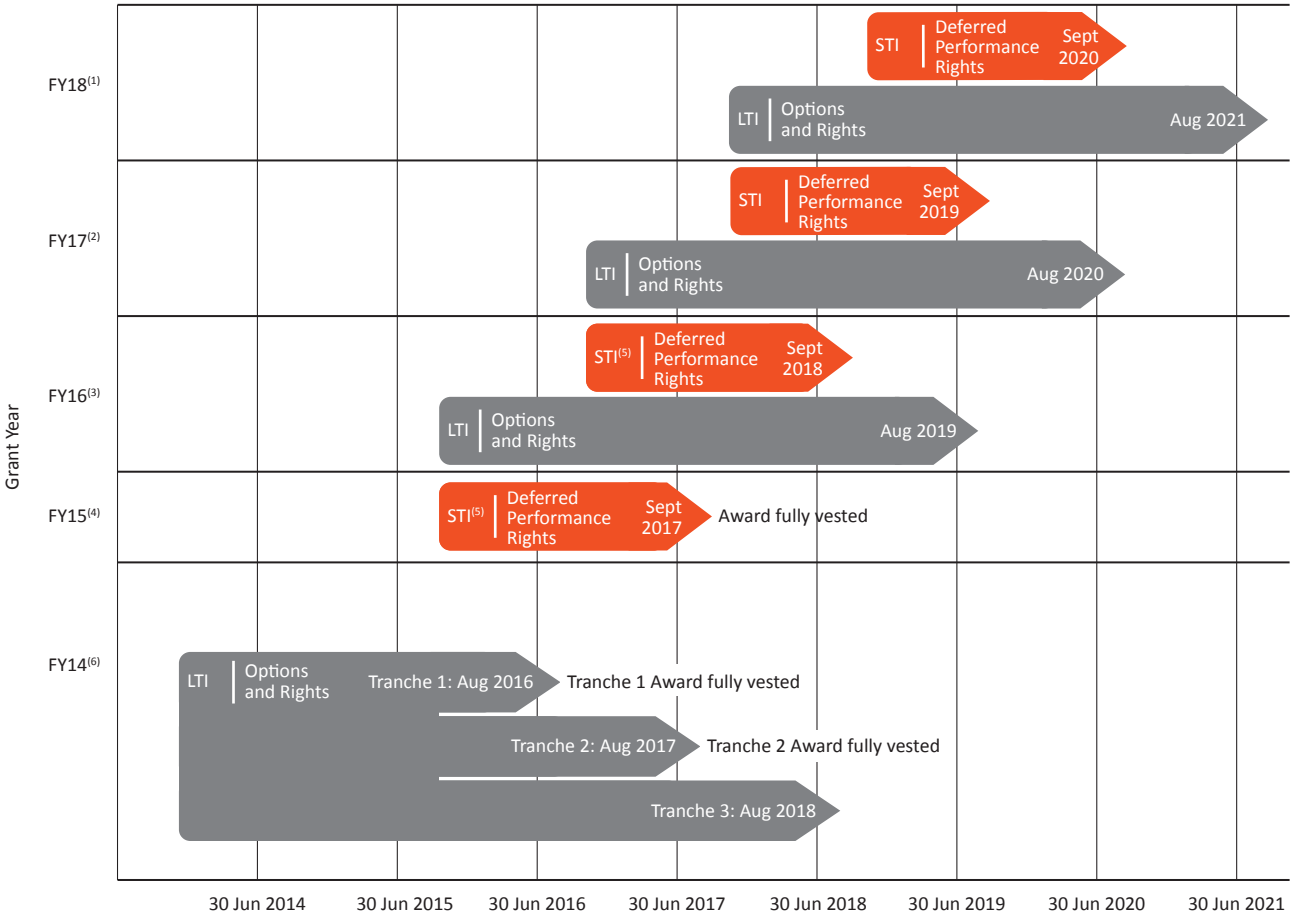
(2) The EPS outcome is calculated on a constant currency basis for each tranche of the FY14 LTI Grant. The EPS outcome for Tranche 2 was calculated on a pre significant item basis, as it had no impact on the vesting calculation. The EPS outcome for Tranche 3 has also been calculated on a pre significant items basis, and includes the one-off benefit from the restatement of the US tax provision and the unbudgeted benefit from the lower US tax rates, as these items had no impact on the vesting calculation.

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4.6. Grants of Options and Rights affecting remuneration

Chart 4 details awards granted that are still in progress (remain unvested) which impact Executive KMP remuneration for the financial year ended 30 June 2018.

Chart 4



Full service and performance conditions for rights and options granted in previous financial years are summarised in the Remuneration Report for the relevant year of grant.

(1) Following shareholder approval at the 2017 Annual General Meeting in respect of the grant to N D Garrard, the STI deferred performance rights relating to the financial year ended 30 June 2018 will be granted in September 2018. Vesting is subject to a continued service condition of two years (from the date of the grant). The cash component of the STI award will also be paid in August 2018. The LTI for N D Garrard was granted on 20 October 2017 following shareholder approval at the 2017 Annual General Meeting. Grants to all Other Executive KMP occurred on the same day, 20 October 2017. Vesting is subject to the EPS hurdle with a RoAFE gateway, Relative TSR hurdle (comparator group: ASX 30-130) with aTSR gateway and the Company's share price being greater than the exercise price for Options. Vesting of the LTI grant to N D Garrard is also subject to a strategic objective hurdle. Vesting date will be following the announcement of the full year results for the financial year ended 30 June 2021, and will occur prior to the ex-dividend date for the full year dividend. The Options may be exercised after vesting until their expiry date (being five years from the date of vesting).

(2) The STI deferred performance rights were granted on 20 October 2017, following shareholder approval at the 2016 Annual General Meeting in respect of the grant to N D Garrard. Vesting is subject to a continued service condition of two years (from the date of the grant). The cash component of this STI award was paid on 16 August 2017. The LTI for N D Garrard was granted on 30 October 2016 following shareholder approval at the 2016 Annual General Meeting. Grants to all Other Executive KMP occurred on the same day, 30 October 2016. Vesting is subject to the EPS hurdle with a RoAFE gateway, Relative TSR hurdle (comparator group: ASX 30-130) and the Company's share price being greater than the exercise price for Options. Vesting date will be following the announcement of the full year results for the financial year ended 30 June 2020, and will occur prior to the ex-dividend date for the full year dividend. The Options may be exercised after vesting until their expiry date (being five years from the date of vesting).

(3) The STI deferred performance rights were granted on 21 September 2016. Vesting is subject to a continued service condition of two years (from the date of grant). The cash component of this STI award was paid on 15 August 2016. The LTI was granted on 30 October 2015. Vesting is subject to an EPS hurdle with RoAFE gateway, Relative TSR hurdle (comparator group: ASX 50-150) and the Company's share price being greater than exercise price for the Options. Vesting of the LTI will follow the announcement of the full year results from the financial year ended 30 June 2019, and will occur prior to the ex-dividend date for the full year dividend. The Options may be exercised after vesting until their date of expiry (being five years from the date of vesting).

(4) The STI deferred performance rights were granted on 8 October 2015. The cash component of this STI award was paid on 15 September 2015. The award fully vested during the financial year ended 30 June 2018.

(5) An ASX waiver from the requirement in Listing Rule 10.14 to obtain separate shareholder approval for the grant of deferred performance rights to N D Garrard under the STI was obtained at the time of the Orora Group's demerger from Amcor Ltd. This waiver applies to the 2014, 2015 and 2016 STI grants. The 2014 grant fully vested during the financial year ended 30 June 2017 whist the 2015 grant fully vested during the financial year ended 30 June 2018. The 2016 STI grant has a vesting date of 1 September 2018.

(6) The LTI grant to N D Garrard occurred on 21 October 2014 following shareholder approval at the 2014 Annual General Meeting. LTI grants for all Other Executive KMP occurred on 1 May 2014 as disclosed in the 2014 Annual Report. Vesting subject to EPS hurdle with RoAFE gateway, Relative TSR hurdle (comparator group: ASX 50-150) and the Orora share price being greater than exercise price for Options. The Award was split into three tranches as detailed in the 2014 and 2015 Annual Reports. Tranche 1 fully vested during the financial year ended 30 June 2017 whilst Tranche 2 fully vested during the financial year ended 30 June 2018. Subject to satisfaction of the performance conditions, Tranche 3 will vest following the announcement of the full year results for the financial years ended 30 June 2018, and will occur prior to the ex-dividend date in each year for the full year dividend. The Options may be exercised after vesting until their expiry date (being five years from the date of vesting).

Remuneration report

4.7. Summary of all remuneration received by Executive KMP

Details of the nature and amount of each element of remuneration of the Executive KMP are presented in **Table 9**. Other than D J Lewis, all Executive KMP were employed for the full financial year ended 30 June 2018.

Table 9

		Employee benefits							
		Short term			Long term	Post employment	Value of share-based payments[2]		
$		Base salary	Other benefits[1]	Cash STI	Long service leave	Super-annuation benefits	Retention share/ payment plan	Options and rights	Total employee compensation
Executive Director									
N D Garrard Managing Director and Chief Executive Officer	**2018**	**1,272,000**	**257**	**538,313**	**36,906**	**25,000**	**–**	**1,949,640**	**3,822,116**
	2017	1,238,000	2,696	683,707	27,949	35,000	–	1,968,398	3,955,750
Other Executive KMP									
S G Hutton Chief Financial Officer	**2018**	**636,250**	**–**	**204,488**	**19,662**	**25,000**	**–**	**589,403**	**1,474,803**
	2017	620,000	–	196,625	18,612	30,000	23,903	530,740	1,419,880
D J Lewis[3] Group General Manager, Strategy	**2018**	**340,125**	**39,423**	**78,760**	**9,709**	**25,000**	**–**	**240,090**	**733,107**
	2017	562,500	–	192,474	13,788	25,000	19,919	475,303	1,288,984
Total	**2018**	**2,248,375**	**39,680**	**821,561**	**66,277**	**75,000**	**–**	**2,779,133**	**6,030,026**
	2017	2,420,500	2,696	1,072,806	60,349	90,000	43,822	2,974,441	6,664,614

(1) Other benefits include costs associated with employment (inclusive of any applicable fringe benefits tax) and termination payments upon resignation.

(2) The figures in this column for share-based payments are not actually provided to the Executive KMP in the financial periods presented. The amounts represent the accounting fair value of restricted shares, options, rights and performance rights granted, collectively referred to as the "grants". In accordance with the Accounting Standards the accounting fair value of the grants is recognised proportionally over the grant's performance period. Refer to sections 4.4 to 4.6 for further details of the grants, their performance conditions and performance periods. Changes in the value of share-based payments is primarily due to awards being expensed over their respective performance periods.

The amounts presented above, for both 2017 and 2018, represent management's best estimate, at the date of this report, of the likelihood that the performance conditions of the grants will be met and will therefore vest, at which point the Executive KMP will be entitled to receive the share-based payment. Management's expectation of the grants vesting has changed since last year and, as a result, the 2017 amounts have been restated for comparability purposes to reflect current expectations of the employee benefit over the applicable performance period. If the performance conditions are not met, the Executive KMP will not be entitled to the share-based payment.

(3) D J Lewis ceased to be a KMP effective 30 April 2018 upon his resignation. The employee benefits above for Mr Lewis therefore represent the period 1 July 2017 to 30 April 2018, and include termination and other benefits paid upon his resignation.

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4.8. Executive KMP: Ordinary shareholding and holding of Options and Rights over equity instruments

Table 10 shows the movements of Orora ordinary shares, and the Options and Rights over Orora ordinary shares, held directly, indirectly or beneficially, by each Executive KMP, including their related parties during the financial year ended 30 June 2018 and for the comparative period.

Table 10

		Movements during the financial period						Additional information		
Name and holding		Opening balance	Granted/ received on exercise[1]	Sold/ exercised	Purchased	Other[7]	Closing balance	Vested during the year[6]	Balance vested and not yet exercised	Accounting fair value of grant yet to vest ($)[2]
Executive Director										
N D Garrard										
Ordinary shares	**2018**	**3,138,002**	**2,683,596**	**(1,928,596)**	**682**	**–**	**3,893,684**	**–**	**–**	**–**
	2017	1,547,731	2,587,423	(997,630)	478	–	3,138,002	–	–	–
Short Term Incentive Awards										
Deferred Performance Rights	**2018**	**323,060**	**119,529**[3]	**(194,096)**[6]	**–**	**–**	**248,493**	**194,096**	**–**	**713,427**
	2017	292,019	128,964	(97,923)	–	–	323,060	97,923	–	788,123
Long Term Incentive Awards										
Share Options	**2018**	**6,399,000**	**1,305,000**[4]	**(1,750,000)**[6]	**–**	**–**	**5,954,000**	**1,750,000**	**–**	**2,968,080**
	2017	6,633,500	1,515,500[5]	(1,750,000)	–	–	6,399,000	1,750,000	–	2,880,930
Performance Rights	**2018**	**2,293,000**	**342,000**[4]	**(739,500)**[6]	**–**	**–**	**1,895,500**	**739,500**	**–**	**3,228,393**
	2017	2,677,500	355,000[5]	(739,500)	–	–	2,293,000	739,500	–	3,396,273
Other Executive KMP										
S G Hutton										
Ordinary shares	**2018**	**903,980**	**877,968**	**(815,000)**	**–**	**–**	**966,948**	**–**	**–**	**–**
	2017	328,980	847,725	(272,725)	–	–	903,980	–	–	–
Short Term Incentive Awards										
Deferred Performance Rights	**2018**	**110,493**	**34,375**[3]	**(62,968)**[6]	**–**	**–**	**81,900**	**62,968**	**–**	**234,082**
	2017	95,693	47,525[5]	(32,725)	–	–	110,493	32,725	–	271,433
Long Term Incentive Awards										
Share Options	**2018**	**2,156,000**	**465,500**[4]	**(575,000)**[6]	**–**	**–**	**2,046,500**	**575,000**	**–**	**928,825**
	2017	2,189,500	541,500[5]	(575,000)	–	–	2,156,000	575,000	–	773,560
Performance Rights	**2018**	**761,000**	**122,000**[4]	**(240,000)**[6]	**–**	**–**	**643,000**	**240,000**	**–**	**1,007,740**
	2017	874,000	127,000[5]	(240,000)	–	–	761,000	240,000	–	928,213

(Table continued over page)

Remuneration report

Table 10 continued

Name and holding		Movements during the financial period: Opening balance	Granted/ received on exercise[1]	Sold/ exercised	Purchased	Other[7]	Closing balance	Additional information: Vested during the year[6]	Balance vested and not yet exercised	Accounting fair value of grant yet to vest ($)[2]
D J Lewis[7]										
Ordinary shares	**2018**	**1,338,515**	**892,776**	**(200,000)**	**–**	**–**	**2,031,291**	**–**	**–**	**–**
	2017	548,134	790,381	–	–	–	1,338,515	–	–	–
Short Term Incentive Awards										
Deferred Performance Rights	**2018**	**99,127**	**33,649[3]**	**(132,776)[6]**	**–**	**–**	**–**	**132,776**	**–**	**–**
	2017	89,374	40,134	(30,381)	–	–	99,127	30,381	–	242,136
Long Term Incentive Awards										
Share Options	**2018**	**1,922,000**	**–**	**(535,000)[6]**	**–**	**(590,253)**	**796,747**	**535,000**	**–**	**244,716**
	2017	2,002,500	454,500[5]	(535,000)	–	–	1,922,000	535,000	–	677,700
Performance Rights	**2018**	**688,500**	**–**	**(225,000)[6]**	**–**	**(153,334)**	**310,166**	**225,000**	**–**	**340,311**
	2017	807,000	106,500[5]	(225,000)	–	–	688,500	225,000	–	823,990

(1) The aggregate equity securities granted to/received by all participants in each of the equity incentive schemes (other than the Executive KMP), during the 2018 financial year are as follows: STI (deferred performance rights) 761,201; LTI (Options) 2,175,500 and LTI (Rights) 1,477,000. In respect of the LTI, awards are only exercisable upon satisfaction of performance conditions while the STI award vests on 1 September 2019. Each share option, performance right and deferred performance right entitles the holder to one fully paid Orora ordinary share. The accounting value of all Options granted to the Executive KMP during the financial year ended 30 June 2018 is as follows: N D Garrard $822,150 and S G Hutton $293,265. The fair value of all Options exercised by the Executive KMP during the financial year ended 30 June 2018 is as follows: N Garrard $3,290,000; S Hutton $1,069,500; and D Lewis $995,100.

(2) This represents the maximum accounting value of the STI awards (deferred performance rights) and the LTI awards (Options and Rights) as at their grant date. The minimum possible total value of these grants is nil if the applicable performance/vesting conditions are not met.

(3) The STI awards were granted on 20 October 2017, have an accounting fair value at the date of the grant of $2.98 and will expire on 1 September 2019. No exercise price is applicable to the deferred performance rights granted. During the period the awards granted to D Lewis vested upon his resignation, no other awards granted during the period vested during the period.

(4) The LTI Options and Rights were granted on 20 October 2017. The Options have an exercise price of $2.86, an accounting fair value of $0.63 at the date of the grant and will expire on 30 August 2026. The Rights granted have an accounting fair value of $2.36 and no exercise price is payable in respect of the Rights granted. No awards granted during the period vested during the period.

(5) The LTI Options and Rights were granted on 20 October 2016. The Options have an exercise price of $2.69, an accounting fair value of $0.55 as at the date of the grant and will expire on 30 September 2025. In respect of the Rights granted they have an accounting fair value of $2.03, no exercise price is payable in respect of the Rights granted.

(6) Of the awards that vested during the period no price was payable in respect of the STI deferred performance rights or LTI Rights, an exercise price of $1.22 per share was paid in respect of the LTI Options that vested and were exercised. There are no amounts unpaid on shares provided as a result of the exercise of STI deferred performance rights, LTI Rights or LTI Options during the financial year ended 30 June 2018. No LTI Options lapsed during the financial year ended 30 June 2018.

(7) Effective 30 April 2018, D J Lewis resigned and ceased to be designated as a KMP from this date. Upon his resignation Mr Lewis forfeited 3.7% of Tranche 3 of the FY14 LTI award (Options and Rights), 29.2% of the FY16 LTI award (Options and Rights) and 100% of the FY17 LTI award (Options and Rights). The amounts in the Other column represent those awards that were forfeited upon resignation. The Ordinary Shares presented in the above table represent the movement in Mr Lewis's shareholding up to the date of resignation.

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5. FY18 Non-Executive Director remuneration

5.1. Fee Policy

The Non-Executive Director fee policy enables the Company to attract and retain high-quality Directors with relevant experience.

The fee policy is reviewed annually by the Human Resources Committee. The fees are set after consideration of fees paid by companies of comparable size, complexity, industry, and geography, and reflect the qualifications and experience necessary to discharge the Board's responsibilities.

The current Non-Executive Director aggregate fee limit is $1,900,000 as approved by shareholders at the 2015 Annual General Meeting.

Non-Executive Directors receive an annual fixed "base" fee of $206,700 for their role as board members, plus additional fees for chairs and members of Board Committees to reflect the additional time and responsibility required. Members of the Nomination Committee do not receive any additional fees. The Chairman receives an annual fixed fee of $413,300, but does not receive additional fees for his involvement with Committees. A 2.5% increase was applied to the fixed base fees and committee fees for Non-Executive Directors, and the annual fixed fee for the Chairman, during the financial year ended 30 June 2018.

5.2. Performance-based remuneration and minimum shareholding

Non-Executive Directors do not receive performance-based remuneration and are not granted equity instruments by Orora as part of their compensation.

Non-Executive Directors are not subject to a minimum shareholding policy. This is consistent with the principles of independence and impartiality adopted by the Board.

5.3. Non-Executive Director remuneration outcomes

Table 11

$		Base and committee fees	Other benefits[1]	Superannuation benefits	Total compensation
C I Roberts	**2018**	**384,092**	**4,712**	**25,000**	**413,804**
	2017	368,200	4,928	35,000	408,128
G J Pizzey	**2018**	**205,958**	**2,851**	**19,837**	**228,646**
	2017	202,922	2,942	19,557	225,421
J L Sutcliffe	**2018**	**205,958**	**2,851**	**19,837**	**228,646**
	2017	198,356	2,950	19,124	220,430
A P Cleland	**2018**	**205,958**	**2,849**	**19,837**	**228,644**
	2017	202,922	2,922	19,555	225,399
S L Lewis	**2018**	**210,868**	**2,801**	**20,022**	**233,691**
	2017	207,784	2,922	19,616	230,322
Total	**2018**	**1,212,834**	**16,064**	**104,533**	**1,333,431**
	2017	1,180,184	16,664	112,852	1,309,700

(1) Other benefits include costs associated with directorship (inclusive of any applicable fringe benefits tax).

Remuneration report

5.4. Non-Executive Directors' ordinary shareholdings

Table 12

Number of shares		Opening balance	Purchased	Other[1]	Closing balance
C I Roberts	**2018**	**1,153,188**	**32,235**	**(606,154)**	**579,269**
	2017	1,115,928	37,260	–	1,153,188
G J Pizzey	**2018**	**132,123**	**1,240**	**–**	**133,363**
	2017	129,971	2,152	–	132,123
J L Sutcliffe	**2018**	**150,000**	**2,262**	**–**	**152,262**
	2017	150,000	–	–	150,000
A P Cleland	**2018**	**147,637**	**3,651**	**–**	**151,288**
	2017	144,482	3,155	–	147,637
S L Lewis	**2018**	**101,087**	**3,780**	**–**	**104,867**
	2017	89,595	11,492	–	101,087

(1) Other represents shares disposed of during the period.

DECLARATION

This Directors' Report is made in accordance with a resolution of the Directors, dated at Melbourne, in the State of Victoria, on 9 August 2018.



CHRIS ROBERTS
Chairman

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Auditor's Independence Declaration

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Auditor's Independence Declaration

As lead auditor for the audit of Orora Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orora Limited and the entities it controlled during the period.



LISA HARKER
Partner

PricewaterhouseCoopers

Melbourne
9 August 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

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 ASX 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 the interpretation of the Annual Report and the financial statements.

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Income Statement

For the financial year ended 30 June 2018

$ million	Note	2018	2017
Sales revenue	1.1	**4,248.0**	4,039.1
Cost of sales		**(3,441.0)**	(3,274.6)
Gross profit		**807.0**	764.5
Other income	1.4	**46.4**	17.1
Sales and marketing expenses		**(209.9)**	(200.2)
General and administration expenses		**(322.8)**	(300.7)
Profit from operations	1.1	**320.7**	280.7
Finance income		**0.3**	0.2
Finance expenses		**(34.8)**	(37.8)
Net finance costs		**(34.5)**	(37.6)
Profit before related income tax expense[1]		**286.2**	243.1
Income tax expense[2]	4.1	**(74.0)**	(72.0)
Profit for the financial period attributable to the owners of Orora Limited		**212.2**	171.1
		Cents	**Cents**
Profit per share attributable to the ordinary equity holders of Orora Limited[1, 2]			
Basic earnings per share	1.3	**17.7**	14.3
Diluted earnings per share	1.3	**17.4**	14.1

(1) Profit for the current period includes a significant item income of $32.4 million (after tax $22.7 million) representing the gain recognised in respect of the sale of the Smithfield New South Wales site and a significant item expense of $35.1 million (after tax $24.6 million) recognised in respect of the restructure of the Fibre Packaging New South Wales businesses, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and additional expected costs associated with decommissioning the Petrie site. Profit for the comparative period includes a significant item expense of $21.6 million (after tax $15.1 million) relating to additional decommissioning costs at the Petrie site. Refer note 1.2 for further information.

(2) The income tax expense for the period includes a net one-off tax benefit of $5.5 million related to US tax reform changes enacted during the year.

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

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Statement of Comprehensive Income

For the financial year ended 30 June 2018

$ million	2018	2017
Profit for the financial period	**212.2**	171.1
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss:		
Cash flow hedge reserve		
Unrealised gains/(losses) on cash flow hedges	**8.3**	(2.5)
Realised losses transferred to profit or loss	**5.8**	13.7
Realised loss transferred to non-financial assets	**0.1**	1.0
Tax effect	**(4.4)**	(3.7)
Exchange fluctuation reserve		
Exchange differences on translation of foreign operations	**0.1**	(3.9)
Net investment hedge of foreign operations	**(1.2)**	(0.4)
Tax effect	**–**	–
Other comprehensive income for the financial period, net of tax	**8.7**	4.2
Total comprehensive income for the financial period attributable to the owners of Orora Limited	**220.9**	175.3

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

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Statement of Financial Position

As at 30 June 2018

$ million	Note	2018	2017
CURRENT ASSETS			
Cash and cash equivalents	2.3	**87.6**	58.5
Trade and other receivables	3.1	**606.1**	571.6
Inventories	3.2	**559.1**	492.6
Derivatives	5.4	**9.8**	1.3
Other current assets	3.4	**55.5**	46.1
Total current assets		**1,318.1**	1,170.1
NON-CURRENT ASSETS			
Property, plant and equipment	3.5	**1,693.7**	1,648.6
Goodwill and intangible assets	3.6	**494.7**	446.5
Derivatives	5.4	**6.3**	0.2
Other non-current assets	3.4	**104.3**	97.8
Total non-current assets		**2,299.0**	2,193.1
Total assets		**3,617.1**	3,363.2
CURRENT LIABILITIES			
Trade and other payables	3.3	**952.4**	826.9
Interest-bearing liabilities	2.3	**1.7**	21.1
Derivatives	5.4	**3.2**	7.8
Current tax liabilities		**8.7**	2.8
Provisions	3.8	**132.7**	126.8
Total current liabilities		**1,098.7**	985.4
NON-CURRENT LIABILITIES			
Other payables		**25.4**	40.5
Interest-bearing liabilities	2.3	**753.4**	711.4
Derivatives	5.4	**–**	5.8
Deferred tax liabilities	4.2	**83.3**	49.1
Provisions	3.8	**25.8**	24.2
Total non-current liabilities		**887.9**	831.0
Total liabilities		**1,986.6**	1,816.4
NET ASSETS		**1,630.5**	1,546.8
EQUITY			
Contributed equity	2.4.1	**499.7**	508.7
Treasury shares	2.4.1	**(19.8)**	(36.4)
Reserves	2.4.2	**152.1**	144.0
Retained earnings	2.4.3	**998.5**	930.5
TOTAL EQUITY		**1,630.5**	1,546.8

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

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Statement of Changes in Equity

For the financial year ended 30 June 2018

$ million	Note	Attributable to owners of Orora Limited: Contributed equity	Cash flow hedge reserve	Share-based payment reserve	Demerger reserve	Exchange fluctuation reserve	Retained earnings	Total equity
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
Other comprehensive income/(loss):								
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	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**
Net profit for the financial period	2.4.3	**–**	**–**	**–**	**–**	**–**	**212.2**	**212.2**
Other comprehensive income/(loss):								
Unrealised gains on cash flow hedges		**–**	**8.3**[1]	**–**	**–**	**–**	**–**	**8.3**
Realised losses transferred to profit or loss		**–**	**5.8**[1]	**–**	**–**	**–**	**–**	**5.8**
Realised losses transferred to non-financial assets		**–**	**0.1**[1]	**–**	**–**	**–**	**–**	**0.1**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Deferred tax		**–**	**(4.4)**	**–**	**–**	**–**	**–**	**(4.4)**
Total other comprehensive income/(loss)		**–**	**9.8**	**–**	**–**	**(1.1)**	**–**	**8.7**
Transactions with owners in their capacity as owners:								
Proceeds received from employees on exercise of options	2.4.1	**6.3**	**–**	**–**	**–**	**–**	**–**	**6.3**
Purchase of treasury shares	2.4.1	**(7.7)**	**–**	**–**	**–**	**–**	**–**	**(7.7)**
Dividends paid	2.2 & 2.4.3	**–**	**–**	**–**	**–**	**–**	**(144.2)**	**(144.2)**
Settlement of options and performance rights	2.4.1	**9.0**	**–**	**(9.0)**	**–**	**–**	**–**	**–**
Share-based payment expense	7.1	**–**	**–**	**8.4**	**–**	**–**	**–**	**8.4**
Balance at 30 June 2018		**479.9**	**2.9**	**17.5**	**132.9**	**(1.2)**	**998.5**	**1,630.5**

(1) During the 12-months to 30 June 2018 gains relating to the valuation of forward exchange contracts of $7.9 million (2017: losses of $2.9 million) and interest rate swap contracts of $0.4 million (2017: gains of $0.4 million), were recognised in the cash flow hedge reserve. In addition, losses of $3.3 million (2017: losses of $7.3 million) relating to the forward exchange contracts and $2.5 million (2017: losses $6.4 million) relating to interest rate swap contracts were transferred to profit or loss, while a gain of $0.4 million relating to forward exchange contracts (2017: losses of $1.0 million) and a loss of $0.5 million in the time value of options (2017: nil) was transferred to non-financial assets. Refer to note 5.4 for further information on these derivative instruments.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Cash Flow Statement

For the financial year ended 30 June 2018

$ million	Note	2018	2017[1]
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the financial period		**212.2**	171.1
Depreciation	1.5	**113.6**	108.7
Amortisation of intangible assets	1.5	**8.3**	7.4
Net impairment losses on property, plant and equipment, intangibles, receivables and inventory		**7.7**	2.9
Net finance costs		**34.5**	37.6
Net gain on disposal of non-current assets	1.4	**(31.6)**	(4.3)
Fair value loss on financial instruments at fair value through income statement		**(2.0)**	0.1
Share-based payment expense	1.5	**8.4**	9.1
Restructuring and decommissioning expense		**35.1**	21.6
Other sundry items		**23.9**	19.8
Income tax expense	4.1	**74.0**	72.0
Operating cash inflow before changes in working capital and provisions		**484.1**	446.0
– (Increase)/Decrease in prepayments and other operating assets		**(38.2)**	(14.9)
– Increase/(Decrease) in provisions		**(32.8)**	(10.1)
– (Increase)/Decrease in trade and other receivables		**(31.6)**	(51.9)
– (Increase)/Decrease in inventories		**(72.5)**	(43.7)
– Increase/(Decrease) in trade and other payables		**94.5**	109.2
		403.5	434.6
Interest received		**0.3**	0.2
Interest and borrowing costs paid		**(33.2)**	(34.5)
Income tax paid		**(41.6)**	(49.1)
Net cash inflow from operating activities		**329.0**	351.2
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Repayment of loans to associated companies and other persons		**0.1**	0.5
Payments for acquisition of controlled entities and businesses, net of cash acquired		**(15.4)**	(134.9)
Payments for property, plant and equipment and intangible assets	1.1	**(188.9)**	(157.1)
Proceeds on disposal of non-current assets		**48.0**	20.0
Net cash flows used in investing activities		**(156.2)**	(271.5)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from exercise of employee share options		**6.3**	6.2
Payments for treasury shares	2.4.1	**(7.7)**	(23.9)
Proceeds from borrowings		**1,670.6**	1,391.0
Repayment of borrowings		**(1,664.9)**	(1,345.0)
Principal lease repayments		**(0.7)**	(0.2)
Dividends paid and other equity distributions	2.2	**(144.2)**	(119.6)
Net cash flows used in financing activities		**(140.6)**	(91.5)
Net increase/(decrease) in cash held		**32.2**	(11.8)
Cash and cash equivalents at the beginning of the financial period		**53.4**	66.1
Effects of exchange rate changes on cash and cash equivalents		**2.0**	(0.9)
Cash and cash equivalents at the end of the financial period		**87.6**	53.4
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	**87.6**	58.5
Bank overdrafts	2.3	**–**	(5.1)
Cash and cash equivalents at the end of the financial period		**87.6**	53.4

(1) The presentation of the net cash inflow from operating activities for the comparative period has been restated for consistency with the current period presentation.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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Notes to the financial statements

For the financial year ended 30 June 2018

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;
- 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 2017;
- 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 2018 was authorised for issue in accordance with a resolution of the Directors on 9 August 2018. 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:

Page		
73	Note 1.4	Income
83	Note 3.5	Property, plant and equipment
85	Note 3.6	Intangible assets
86	Note 3.7	Impairment of non-financial assets
88	Note 3.8	Provisions
91	Note 4	Income tax
101	Note 5.4	Hedging instruments
104	Note 6.2	Prior period business acquisitions
107	Note 7.1	Share-based compensation
111	Note 7.3	Commitments and contingent liabilities

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.

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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 Group's 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 $144.2 million being 12.0 cents per ordinary share, representing payment of the FY17 final dividend of 6.0 cents and the FY18 interim dividend of 6.0 cents.

Since 30 June 2018, the Directors have determined a final dividend for FY18 of $78.0 million, 30% franked, of 6.5 cents per ordinary share. Refer note 2.2 for further details.

Sale of Smithfield Site

In August 2017, the Group announced a number of plans in respect of a reorganisation of the Fibre Packaging New South Wales business, including the closure of the fibre converting and distribution site in Smithfield along with the Group's commitment to upgrade the plant and machinery of the nearby Revesby facility, into which the operations of the Smithfield site are to be consolidated.

During the period, the Smithfield site was closed and transfer of the site's operations into the nearby Revesby facility was completed. In September 2017, the Group reached an agreement to sell the Smithfield site for total consideration of $45.5 million, which has been received. A significant item gain of $32.4 million ($22.7 million after tax), representing the net profit on sale of the Smithfield site, has been recognised and is presented in 'other income'. Refer to note 1.2.

Asset restoration, restructuring and decommissioning costs

During the year ended 30 June 2018 a significant item expense of $35.1 million ($24.6 million after tax) has been recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and potential additional costs associated with decommissioning the Petrie site (refer note 1.2). This significant item expense is presented in 'general and administration' expense.

The recognition of the additional decommissioning costs followed the ongoing project review and reassessment of the remediation requirements at the site. The provision as at 30 June 2018 (refer note 3.8) represents management's best estimate in respect of the anticipated costs to complete the remediation, using all currently available information and considering applicable legislative and environmental regulations.

Taxation - US Tax Reform

On 22 December 2017, the US Government enacted tax reform with a broad range of provisions impacting businesses, including a change in the US federal corporate tax rate from 35% to 21% (not including state taxes) effective from 1 January 2018, the immediate deductibility for certain capital investments and other amendments to business income and deduction items. Accordingly, the tax expense recognised for the twelve months to 30 June 2018 of $74.0 million (refer note 4.1) includes a one-off net benefit of $5.5 million arising from the tax reform changes relating to the Group's US operations, mainly reflecting the revaluation of deferred tax liabilities. In FY19, the Group will realise a full year of reduced tax rate impact and the US tax reform will continue to provide ongoing benefits to the Group's US businesses from a cash tax and effective tax rate perspective.

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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 $4,248.0 million, up 5.2%
- EBIT, before significant items, of $323.4 million, up 7.0%
- Earnings per share, before significant items, of 17.8 cents, up 14.1%

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, wine 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 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.

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 while 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.

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The results of the reportable segments for the year ended 30 June 2018 and 30 June 2017 are set out below:

	Australasia		North America[1]		Other		Total Reported	
$ million	2018	2017	2018	2017	2018	2017	2018	2017
Reportable segment revenue								
Revenue from external customers	**2,104.8**	2,001.6	**2,143.2**	2,037.5	**–**	–	**4,248.0**	4,039.1
Inter-segment revenue	**66.4**	43.5	**–**	–	**–**	–	**66.4**	43.5
Total reportable segment revenue	**2,171.2**	2,045.1	**2,143.2**	2,037.5	**–**	–	**4,314.4**	4,082.6
Reportable segment earnings								
Earnings before significant items, interest, tax, depreciation and amortisation	**324.3**	301.9	**146.1**	139.8	**(25.1)**	(23.3)	**445.3**	418.4
Depreciation and amortisation	**(92.0)**	(88.3)	**(25.1)**	(22.3)	**(4.8)**	(5.5)	**(121.9)**	(116.1)
Earnings before significant items, interest and tax	**232.3**	213.6	**121.0**	117.5	**(29.9)**	(28.8)	**323.4**	302.3
Significant items before related income tax (refer note 1.2)							**(2.7)**	(21.6)
Earnings before interest and tax							**320.7**	280.7
Capital spend on the acquisition of property, plant and equipment and intangibles	**139.5**	132.4	**39.5**	22.5	**9.9**	2.2	**188.9**	157.1
Receivables	**278.1**	278.7	**348.7**	309.1	**22.5**	8.9	**649.3**	596.7
Inventory	**403.4**	351.2	**156.5**	141.3	**(0.8)**	0.1	**559.1**	492.6
Payables	**(485.6)**	(433.3)	**(382.7)**	(334.2)	**(57.4)**	(51.9)	**(925.7)**	(819.4)
Working capital	**195.9**	196.6	**122.5**	116.2	**(35.7)**	(42.9)	**282.7**	269.9
Inter-segment working capital	**27.3**	12.3	**(27.3)**	(12.3)	**–**	–	**–**	–
Total reportable segment working capital	**223.2**	208.9	**95.2**	103.9	**(35.7)**	(42.9)	**282.7**	269.9
Average funds employed[2]	**1,738.2**	1,719.6	**636.0**	495.7	**(63.4)**	7.0	**2,310.8**	2,222.3
Operating free cash flow[3]	**221.6**	229.7	**113.3**	110.1	**(39.6)**	(9.6)	**295.3**	330.2

(1) For the period to 30 June 2018, the North America segment includes the full year results of the Register Print Group, Garvey Group and Graphic Tech which were acquired in January and March of 2017 (refer note 6.2).

(2) Average funds employed excludes intersegment balances and represents net assets less net debt and assets under construction, at the beginning and end of the reporting period.

(3) Operating free cash flow represents the cash flow generated from the Group's operating and investing activities, before interest, tax and dividends. The operating free cash flow of the Australasia segment, for the period to 30 June 2018, includes an inflow of $45.5 million representing the proceeds received from the sale of the fibre converting and distribution site in Smithfield, New South Wales (refer note 1.2).

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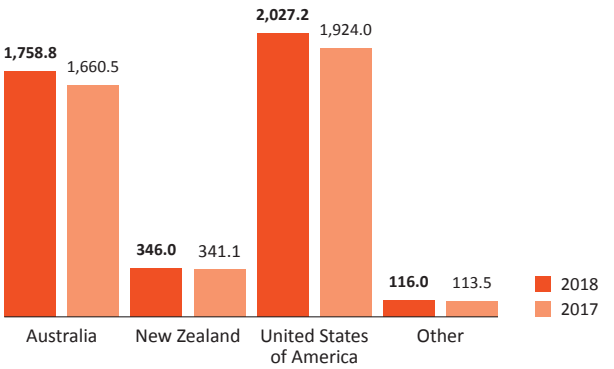
Section 1: Results for the year (continued)

1.1 Segment results (continued)

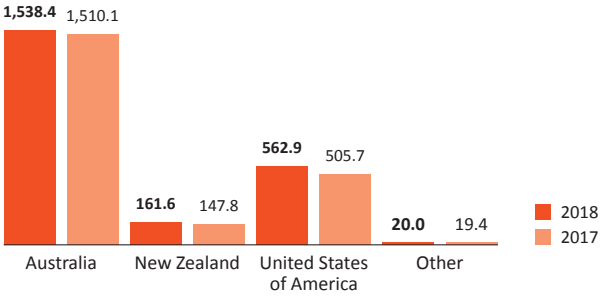
Geographical segments

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
$m



Non-current assets[1]
$m



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

Revenue by product

$ million	2018	2017
Fibre and paper-based packaging	**2,066.2**	1,938.5
Beverage packaging	**736.3**	697.3
Traded packaging products	**1,445.5**	1,403.3
Total sales revenue	**4,248.0**	4,039.1

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	2018	2017
Reported segment capital spend	**188.9**	157.1
Movement in capital creditors	**3.4**	(0.3)
Movement in prepaid capital items	**0.1**	(0.4)
Capitalised asset restoration costs	**(0.6)**	(0.8)
Other non-cash adjustments	**2.4**	4.4
Acquisition of property, plant and equipment and intangibles[1]	**194.2**	160.0

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

Operating free cash flow

$ million	2018	2017
Reported segment operating free cash flow	**295.3**	330.2
Add back investing cash flow activities included in segment operating free cash flow	**108.2**	104.4
Less interest and tax paid excluded from segment operating free cash flow	**(74.5)**	(83.4)
Net cash flows from operating activities	**329.0**	351.2

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Working capital

$ million	2018	2017
Reported segment working capital	**282.7**	269.9
Add/(Less) amounts included in working capital for management reporting purposes:		
Derivatives	**(6.5)**	6.5
Add/(Less) amounts excluded from working capital for management reporting purposes:		
Net capital receivables and payables	**(13.9)**	0.7
Loan receivables and other assets	**–**	0.1
Other payables	**(10.1)**	(8.6)
	252.2	268.6
Reconciles to the financial statements as follows:		
Trade receivables (note 3.1)	**606.1**	571.6
Inventories (note 3.2)	**559.1**	492.6
Trade and other payables (note 3.3)	**(952.4)**	(826.9)
Current prepayments (note 3.4)	**39.4**	31.3
	252.2	268.6

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.

$ million	Before tax	Tax (expense)/ benefit	Net of tax
2018			
Other income			
Profit on sale of Smithfield site	**32.4**	**(9.7)**	**22.7**
Total significant item income	**32.4**	**(9.7)**	**22.7**
General and administrative expense			
Restructuring and decommissioning costs	**(35.1)**	**10.5**	**(24.6)**
Total significant item expense	**(35.1)**	**10.5**	**(24.6)**
Total significant item expense	**(2.7)**	**0.8**	**(1.9)**
2017			
General and administrative expense			
Petrie decommissioning costs	(21.6)	6.5	(15.1)
Total significant item expense	(21.6)	6.5	(15.1)

Sale of Smithfield

In August 2017, the Group announced a number of plans in respect of a reorganisation of the Fibre Packaging New South Wales business, including the closure of the fibre converting and distribution site in Smithfield along with the Group's commitment to upgrade the plant and machinery of the nearby Revesby facility, into which the operations of the Smithfield site are to be consolidated.

During the period, the Smithfield site was closed and transfer of the site's operations into the nearby Revesby facility was completed. In September 2017, the Group reached an agreement to sell the Smithfield site for total consideration of $45.5 million, which has been received. A significant item gain of $32.4 million ($22.7 million after tax), representing the net profit on sale of the Smithfield site, has been recognised and is presented in 'other income'.

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Section 1: Results for the year (continued)

1.2 Significant items (continued)

Restructuring and decommissioning costs

During the year ended 30 June 2018, a significant item expense of $35.1 million ($24.6 million after tax) has been recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and potential additional costs associated with decommissioning the Petrie site. This significant item expense is presented in 'general and administration' expense.

The recognition of the additional decommissioning costs followed the ongoing project review and reassessment of the remediation requirements at the site in respect of the estimated costs to complete. The decommissioning of the Petrie site is a significant exercise, the estimated cost of which remains contingent on final remediation design solutions approved by regulatory authorities. The provision as at 30 June 2018 (refer note 3.8) represents management's best estimates using all currently available information and considering applicable legislative and environmental regulations.

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 $212.2 million (2017: $171.1 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 1,200.2 million (2017: 1,194.0 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	2018	2017
Profit for the financial period	**$212.2**	$171.1
Add back significant items (refer note 1.2)	**$1.9**	$15.1
Profit for the financial period, before significant items	**$214.1**	$186.2
Weighted average number of ordinary shares for basic earnings per share	**1,200.2**	1,194.0
Dilution due to share options and rights	**16.4**	19.6
Weighted average number of ordinary shares for diluted earnings per share	**1,216.6**	1,213.6
Basic earnings per share	**17.7c**	14.3c
Diluted earnings per share	**17.4c**	14.1c
Basic earnings per share, before significant items	**17.8c**	15.6c
Diluted earnings per share, before significant items	**17.6c**	15.3c

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1.4 Income

$ million	2018	2017
Revenue from sale of goods	**4,248.0**	4,039.1
Net gain on disposal of property, plant and equipment	**31.6**	4.3
Service income	**6.6**	7.2
Other	**8.2**	5.6
Total other income	**46.4**	17.1

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.

1.5 Operating costs

Employee benefit expense

$ million	2018	2017
Wages and salaries	**760.3**	711.6
Workers' compensation and other on-costs	**53.2**	52.7
Superannuation costs – accumulation funds	**27.1**	26.8
Other employment benefits expense	**4.4**	7.8
Share-based payments expense		
– Options	**1.9**	1.7
– Performance rights and other plans	**6.5**	7.4
Total employee benefits expense	**853.4**	808.0

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

Depreciation and amortisation

Depreciation in the year was $113.6 million (2017: $108.7 million) while the amortisation charge was $8.3 million (2017: $7.4 million). 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 lease rental payments expensed during the year was $81.8 million (2017: $79.5 million). There were no contingent rental payments (2017: nil).

Refer to note 7.3 for future operating lease commitments.

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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 to ensure that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost. At 30 June 2018, the Group's on-balance sheet gearing and leverage ratios were 29.0% (2017: 30.3%) and 1.5 times (2017: 1.6 times), respectively.

$ million	Note	2018	2017
Net debt			
Total interest-bearing liabilities	2.3	**755.1**	732.5
Less: Cash and cash equivalents	2.3	**(87.6)**	(58.5)
		667.5	674.0
Equity and reserves			
Contributed equity	2.4.1	**499.7**	508.7
Treasury shares	2.4.1	**(19.8)**	(36.4)
Reserves	2.4.2	**152.1**	144.0
Retained earnings	2.4.3	**998.5**	930.5
		1,630.5	1,546.8
Net capital		**2,298.0**	2,220.8

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

- adjust the amount of ordinary dividends paid to shareholders;
- maintain a dividend reinvestment 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.

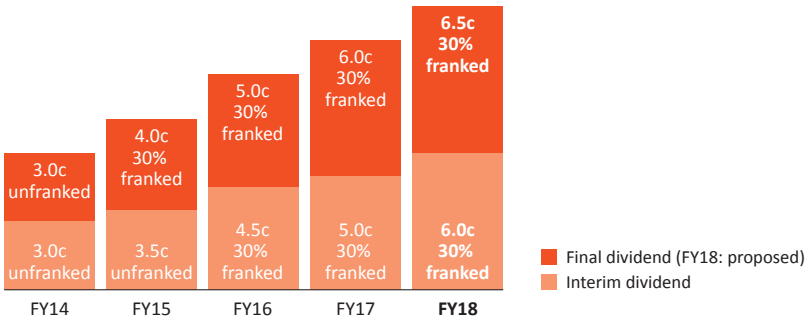
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2.2 Dividends

	Cents per share	Total $ million
Declared and paid during the period		
For the year ended 30 June 2018		
Final dividend for 2017 (30% franked)	**6.0**	**72.1**
Interim dividend for 2018 (30% franked)	**6.0**	**72.1**
		144.2
For the year ended 30 June 2017		
Final dividend for 2016 (30% franked)	5.0	60.0
Interim dividend for 2017 (30% franked)	5.0	59.6
		119.6
Proposed and unrecognised at period end(1)		
For the year ended 30 June 2018		
Final dividend for 2018 (30% franked)	**6.5**	**78.0**
For the year ended 30 June 2017		
Final dividend for 2017 (30% franked)	6.0	71.6

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

Shareholder distributions – cents per share



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% (2017: 30.0%) corporate tax rate. Both the interim and proposed final dividend for 2018 are 30.0% franked (2017: 30.0% franked). The balance of the franking credits available as at 30 June 2018 is $1.7 million (2017: $2.4 million). It is estimated that this will reduce by $10.0 million (2017: $9.3 million) after payment of the estimated final dividend on 15 October 2018. 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 2019.

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 2018 dividends, 70.0% of the dividend is sourced from the Company's Conduit Foreign Income account (2017: 70.0%). As a result 100.0% of the 2018 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 2018 is $79.6 million (2017: $88.9 million), it is estimated that this will reduce by $55.0 million (2017: $50.4 million) after payment of the estimated final dividend on 15 October 2018.

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Section 2: Capital structure and financing (continued)

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 2018:

- 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, were extended in April 2018, maturing in September 2020.

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	2018	2017
Cash on hand and at bank	**86.9**	39.7
Deposits at call	**0.7**	18.8
Total cash and cash equivalents	**87.6**	58.5
Bank overdrafts	**–**	5.1
Lease liabilities due within one year	**1.7**	1.0
Bank loans due within one year	**–**	15.0
Current interest-bearing liabilities	**1.7**	21.1
Lease liabilities due after one year	**–**	1.4
Bank loans due after one year	**415.3**	387.0
US Private Placement due after one year	**338.1**	323.0
Non-current interest-bearing liabilities	**753.4**	711.4
Total debt	**755.1**	732.5
Net debt	**667.5**	674.0

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 $338.3 million (excluding borrowing costs) while the fair value of the notes is $339.7 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.

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2.3.1 Net debt reconciliation

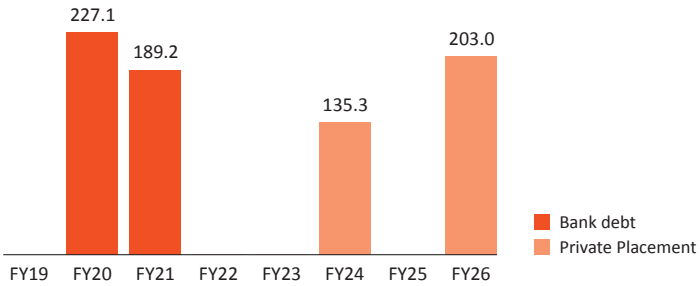
The following table illustrates the cash and non-cash movements of net debt:

	Assets	Liabilities from financing activities				
$ million	Cash and cash equivalents	Bank overdrafts	Lease liabilities	Bank loans	US Private Placement	Total
Net debt at 1 July 2016	66.1	–	–	(361.9)	(333.8)	(629.6)
Cash flows	(6.7)	(5.1)	0.2	(46.1)	–	(57.7)
Business acquisitions	–	–	(2.9)	–	–	(2.9)
Other non-cash movements	–	–	–	0.8	(0.3)	0.5
Effect of movements in foreign exchange rates	(0.9)	–	0.3	5.2	11.1	15.7
Net debt at 30 June 2017	**58.5**	**(5.1)**	**(2.4)**	**(402.0)**	**(323.0)**	**(674.0)**
Cash flows	**27.1**	**5.1**	**0.7**	**(5.7)**	**–**	**27.2**
Other non-cash movements	**–**	**–**	**–**	**0.3**	**(1.3)**	**(1.0)**
Effect of movements in foreign exchange rates	**2.0**	**–**	**–**	**(7.9)**	**(13.8)**	**(19.7)**
Net debt at 30 June 2018	**87.6**	**–**	**(1.7)**	**(415.3)**	**(338.1)**	**(667.5)**

2.3.2 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 2018 is illustrated in the following chart:

Maturity profile of drawn debt by facility – A$ million



Loans due after one year

At 30 June 2018, 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 (2017: $200.0 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 (2017: USD125.0 million drawn under a USD200.0 million committed syndicated facility maturing in April 2021); and
- $20.0 million drawn under a $50.0 million committed AUD bilateral facility maturing in September 2020 (2017: $15.0 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.

Section 2: Capital structure and financing (continued)

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 2018 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 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)**
Acquisition of shares by the Orora Employee Share Trust (note 6.3)	**–**	**–**	**(2,350)**	**(7.7)**
Restriction lifted on shares issued under the CEO Grant (note 7.1)	**–**	**0.6**	**–**	**–**
Cancellation of CEO Grant	**–**	**0.5**	**(291)**	**(0.5)**
Exercise of vested grants under Employee Share Plans	**9,738**	**14.7**	**–**	**–**
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	**(9,738)**	**(24.8)**	**9,738**	**24.8**
At 30 June 2018	**1,206,685**	**499.7**	**(6,767)**	**(19.8)**

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.

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2.4.2 Reserves

$ million	2018	2017
Cash flow hedge reserve	**2.9**	(6.9)
Share-based payment reserve	**17.5**	18.1
Demerger reserve	**132.9**	132.9
Exchange fluctuation reserve	**(1.2)**	(0.1)
Total reserves	**152.1**	144.0

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	2018	2017
Retained earnings at the beginning of the period	**930.5**	879.0
Net profit attributable to the owners of Orora Limited	**212.2**	171.1
	1,142.7	1,050.1
Ordinary dividends:		
– Interim paid (refer note 2.2)[1]	**(72.1)**	(59.6)
– Final paid (refer note 2.2)[2]	**(72.1)**	(60.0)
	(144.2)	(119.6)
Retained earnings at the end of the period	**998.5**	930.5

(1) 2018 Interim dividend paid on 16 April 2018 (2017: 2017 Interim dividend paid on 10 April 2017).
(2) 2017 Final dividend paid on 16 October 2017 (2017: 2016 Final dividend paid on 17 October 2016).

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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, while 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	2018	2017
Trade receivables	**563.8**	527.8
Less loss allowance provision	**(8.4)**	(4.3)
	555.4	523.5
Other receivables[1]	**50.7**	48.1
Total current trade and other receivables	**606.1**	571.6

(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:

	Loss allowance provision		Gross carrying amount	
$ million	2018	2017	2018	2017
Not past due	–	–	**488.2**	394.5
Past due 0–30 days	–	–	**34.9**	95.4
Past due 31–120 days	**0.8**	2.4	**31.1**	33.0
More than 121 days past due	**7.6**	1.9	**9.6**	4.9
	8.4	4.3	**563.8**	527.8

The Group has recognised a net loss of $6.2 million (2017: $1.4 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	2018	2017
At cost		
Raw materials and stores	**239.6**	178.6
Work in progress	**20.0**	17.5
Finished goods	**273.1**	272.7
Total inventory carried at cost	**532.7**	468.8
At net realisable value		
Raw materials and stores	**7.8**	7.6
Work in progress	**0.9**	0.1
Finished goods	**17.7**	16.1
Total inventory carried at net realisable value	**26.4**	23.8
Total inventories	**559.1**	492.6

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 $1.5 million (2017: $1.2 million) with regard to the net realisable value of inventories which has been recognised in 'cost of sales' expense in the income statement.

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Section 3: Assets and liabilities (continued)

3.3 Trade and other payables

$ million	2018	2017
Trade creditors	**636.6**	573.3
Other creditors and accruals	**315.8**	253.6
Total current trade and other payables	**952.4**	826.9

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	2018	2017
Current		
Contract incentive payments[1]	**16.1**	14.8
Prepayments	**39.4**	31.3
Total other current assets	**55.5**	46.1
Non-current		
Contract incentive payments[1]	**48.1**	50.6
Other non-current assets	**56.2**	47.2
Total other non-current assets	**104.3**	97.8

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

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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 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**
Additions for the period	**–**	**–**	**1.4**	**174.7**	**–**	**176.1**
Disposals during the period	**(8.5)**	**(0.4)**	**(9.8)**	**(55.1)**	**–**	**(73.8)**
Additions through business acquisitions[1]	**–**	**–**	**0.4**	**(9.5)**	**–**	**(9.1)**
Other transfers	**0.8**	**1.9**	**24.8**	**(27.5)**	**–**	**–**
Effect of movements in foreign exchange rates	**(0.1)**	**–**	**0.9**	**(0.5)**	**0.2**	**0.5**
At 30 June 2018	**51.9**	**12.9**	**491.0**	**2,886.9**	**3.5**	**3,446.2**
Accumulated depreciation and impairment						
At 1 July 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)**
Depreciation charge	**–**	**(0.3)**	**(11.9)**	**(101.0)**	**(0.4)**	**(113.6)**
Disposals during the period	**–**	**0.2**	**9.9**	**54.3**	**–**	**64.4**
Other transfers	**–**	**–**	**(0.2)**	**0.2**	**–**	**–**
Effect of movements in foreign exchange rates	**–**	**–**	**(0.3)**	**0.9**	**–**	**0.6**
At 30 June 2018	**(0.4)**	**(4.1)**	**(144.2)**	**(1,602.8)**	**(1.0)**	**(1,752.5)**
Net book value						
At 30 June 2017	59.3	7.4	331.6	1,247.6	2.7	1,648.6
At 30 June 2018	**51.5**	**8.8**	**346.8**	**1,284.1**	**2.5**	**1,693.7**

(1) During the year the accounting for prior period business acquisitions were completed. Refer to note 6.2.

At 30 June 2018, no property, plant and equipment was provided as security for any interest-bearing borrowings (2017: nil).

Section 3: Assets and liabilities (continued)

3.5 Property, plant and equipment (continued)

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.

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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 and uniquely strong market positions.

	Other intangible assets			
$ million	Computer software	Other	Goodwill	Total
Cost				
At 1 July 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**
Additions for the period	**18.1**	**–**	**–**	**18.1**
Additions through business acquisitions	**0.1**	**7.1**	**15.8**	**23.0**
Disposals during the period	**(6.9)**	**–**	**–**	**(6.9)**
Effect of movements in foreign exchange rates	**3.5**	**1.8**	**12.0**	**17.3**
At 30 June 2018	**201.3**	**23.0**	**426.2**	**650.5**
Accumulated amortisation and impairment				
At 1 July 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)**
Amortisation charge	**(6.3)**	**(2.0)**	**–**	**(8.3)**
Disposals during the period	**6.7**	**–**	**–**	**6.7**
Other transfers	**0.2**	**(0.2)**	**–**	**–**
Effect of movements in foreign exchange rates	**(1.4)**	**(0.3)**	**–**	**(1.7)**
At 30 June 2018	**(137.3)**	**(10.3)**	**(8.2)**	**(155.8)**
Net book value				
At 30 June 2017	50.0	6.3	390.2	446.5
At 30 June 2018	**64.0**	**12.7**	**418.0**	**494.7**

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Section 3: Assets and liabilities (continued)

3.6 Intangible assets (continued)

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 while 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.

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.

Where there has been a change in the Group's circumstances such as, technological changes or a decline in business performance, a review of the value of the intangible assets, including goodwill, is undertaken to ensure the assets' value has not fallen below its amortised value. Should an asset's 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

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 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).

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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 CGUs 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 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	
	2018	2017	**2018**	2017
Goodwill allocation ($million)	**104.9**	98.7	**313.1**	291.5
Pre-tax discount rate (%)	**10.3**	10.7	**9.0**	11.5
Growth rate (%)	**2.0**	2.0	**2.0**	2.0

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.

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Section 3: Assets and liabilities (continued)

3.8 Provisions

$ million	Employee entitlements	Workers' compensation, insurance and other claims	Asset restoration, restructuring and decommissioning	Total
2018				
Opening balance	**85.0**	**13.5**	**52.5**	**151.0**
Provisions made during the period[1]	**33.7**	**0.8**	**39.2**	**73.7**
Payments made during the period	**(30.9)**	**(3.3)**	**(31.5)**	**(65.7)**
Released during the period	**(0.4)**	**(1.1)**	**(1.1)**	**(2.6)**
Additions through business acquisitions	**0.3**	**–**	**1.2**	**1.5**
Unwinding of discount	**–**	**–**	**0.4**	**0.4**
Effect of movement in foreign exchange rate	**–**	**0.1**	**0.1**	**0.2**
Closing balance	**87.7**	**10.0**	**60.8**	**158.5**
Current	**79.7**	**10.0**	**43.0**	**132.7**
Non-current	**8.0**	**–**	**17.8**	**25.8**
2017				
Opening balance	83.8	16.1	41.5	141.4
Provisions made during the period[1]	32.7	3.5	30.1	66.3
Payments made during the period	(30.9)	(5.9)	(16.4)	(53.2)
Released during the period	(0.8)	(0.1)	(3.0)	(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	52.5	151.0
Current	76.0	13.5	37.3	126.8
Non-current	9.0	–	15.2	24.2

(1) During the period, a significant item expense of $35.1 million has been recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and potential additional costs associated with decommissioning the Petrie Mill site. In the comparative period, a provision of $21.6 million was recognised relating to expected additional decommissioning costs of the Petrie site. Refer note 1.2 for further information.

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, 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.

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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, restructuring and decommissioning

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. If there is no related asset in respect of the restoration or decommissioning activity, changes in the liability are recognised 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.

During the year ended 30 June 2018, a significant item expense of $35.1 million has been recognised in respect of the restructure of the Fibre Packaging New South Wales business, which included redundancies, transition costs and asset impairment charges related to the closure of the Smithfield site, and potential additional costs associated with the decommissioning of the Petrie site (refer note 1.2).

The recognition of the additional decommissioning costs followed the ongoing project review and reassessment of the remediation requirements at the site in respect of estimated costs to complete. The provision as at 30 June 2018 represents management's best estimate using all currently available information and considering applicable legislative and environmental regulations.

Contingent decommissioning liability
The decommissioning of the Petrie site is a significant exercise, the estimated cost of which remains contingent on final remediation design solutions approved by regulatory authorities. At the date of this Report, decommissioning work continues on site, and this is being completed in conjunction with finalising the remaining design phase for decommissioning the site. This final design phase is complex and time consuming and involves various stakeholders including the landowner and multiple Government agencies. The estimated costs to complete the decommissioning are contingent on all these factors and require significant judgement in respect of determining a reliable estimate.

Orora will continue to progress the design solutions and maintain engagement with the land owner, experts and Government agencies in an effort to finalise the cost estimates and complete decommissioning and handover of the site.

Section 3: Assets and liabilities (continued)

3.8 Provisions (continued)

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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.

The recognition and measurement of asset restoration and decommissioning provisions is a complex area and requires significant judgement and estimates. The measurement of the provision can vary as a result of many factors, including, but not limited to:

- changes in the relevant legal or local/national government requirements and any other commitments made to stakeholders
- review of remediation and restoration options
- identification of additional remediation requirements identified during the restorative process
- the emergence of new restoration techniques

In determining an appropriate provision management gives consideration to the results of the most recently completed surveying data in respect of the remediation process, current cost estimates and appropriate inclusion of contingency in cost estimates to allow for both known and unknown residual risks.

Estimates can be impacted by the emergence of new restoration techniques and experience at other operations. Judgement is also required to estimate such costs is also compounded by the fact that there has been limited restoration activity and historical precedent within the Group against which to benchmark estimates of the costs to remediate.

All the uncertainties discussed above may result in future actual expenditure differing from the amounts currently provided for in the balance sheet.

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.

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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	2018	2017
Current tax expense		
Current period	**(46.3)**	(55.7)
Adjustments relating to prior periods	**(0.8)**	2.6
Total current tax expense	**(47.1)**	(53.1)
Deferred tax expense		
Origination and reversal of temporary differences	**(26.9)**	(18.9)
Total income tax expense	**(74.0)**	(72.0)
Deferred income tax expense included in income tax expense comprises:		
Increase/(Decrease) in deferred tax assets	**(15.5)**	9.3
(Increase)/Decrease in deferred tax liabilities	**(11.4)**	(28.2)
Deferred income tax expense included in total income tax expense	**(26.9)**	(18.9)

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

$ million	2018	2017
Profit before related income tax (expense)/benefit	**286.2**	243.1
Tax at the Australian tax rate of 30% (2017: 30%)	**(85.9)**	(72.9)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net non-deductible/non-assessable for tax	**8.2**	3.4
Tax losses, net tax credits and temporary differences not recognised for book in prior years now recouped	**–**	2.5
	(77.7)	(67.0)
Over/(under) provision in prior period	**(0.8)**	2.6
One off US tax reform impact[1]	**5.5**	–
Foreign tax rate differential	**(1.0)**	(7.6)
Total income tax expense	**(74.0)**	(72.0)

(1) This represents the one-off net tax benefit arising from tax reform changes relating to the Group's US operations that were enacted on 22 December 2017.

Section 4: Income tax (continued)

4.2 Deferred tax balances

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

$ million	2018	2017
Deferred tax assets		
Trade receivable loss allowance provision	**2.1**	1.3
Valuation of inventories	**12.2**	11.0
Employee benefits	**42.2**	46.0
Provisions	**19.7**	19.0
Financial instruments at fair value	**0.2**	3.7
Accruals and other items	**10.6**	14.9
	87.0	95.9
Tax set off	**(87.0)**	(95.9)
Deferred tax asset	**–**	–
Deferred tax liabilities		
Property, plant and equipment	**114.5**	88.8
Intangible assets	**19.9**	23.2
Other items	**35.9**	33.0
Deferred tax liabilities	**170.3**	145.0
Tax set off	**(87.0)**	(95.9)
Deferred tax liability	**83.3**	49.1

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

$ million	2018	2017
Property, plant and equipment	**24.6**	17.3
Trade receivable loss allowance provision	**(0.7)**	(0.2)
Intangible assets	**(4.4)**	3.8
Valuation of inventories	**(1.1)**	(1.1)
Employee benefits	**4.7**	(1.9)
Provisions	**(0.7)**	(2.8)
Financial instruments at fair value	**2.1**	(0.2)
Accruals and other items	**2.4**	4.0
Deferred tax expense	**26.9**	18.9

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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.

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.

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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 (derivative 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		
• 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 – e.g. interest rate swaps. Refer notes 5.1.1 and 5.4.
• 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 5.1.2 and 5.4.
• Commodity price risk	The Group is exposed to changes in commodity prices in respect of the purchase of aluminium raw materials and the price of electricity.	Where possible, the Group mitigates raw material commodity price risk by contractually passing rise and fall adjustments through to customers. To mitigate the variability of wholesale electricity prices in Australia, the Group utilises Power Purchase Arrangements (PPAs). 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 – i.e. 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.

Risk	Exposure	Management
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: • 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.

5.1 Market risks

5.1.1 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 2018, approximately 68.0% (2017: 72.1%) 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
2018		
Bank loans	**3.4%**	**416.2**
Interest rate swaps (notional principal amount)	**3.7%**	**175.0**
Net exposure to cash flow interest rate risk		**241.2**
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

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Section 5: Financial risk management (continued)

5.1 Market risks (continued)

5.1.1 Interest rate risk (continued)

Interest rate derivatives used for hedging
The below carrying values represent the fair value of instruments used to hedge interest rate risk together with the associated nominal volume:

	Notional item	Balance $ million
2018		
Cash flow hedge	**AUD175.0 floating to fixed**	(2.4)
Total derivatives in a liability position		(2.4)
2017		
Cash flow hedge	AUD200.0 floating to fixed	(6.9)
Total derivatives in a liability position		(6.9)

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 (2017: $0.4 million gain) was recognised directly in equity in relation to interest rate swaps.

Sensitivity
At 30 June 2018, if Australian and US interest rates had increased by 1.0% (100 bps), post-tax profit for the year would have been $1.5 million lower (2017: $1.4 million lower), net of derivatives. If interest rates on Australian and US dollar denominated borrowings had decreased by 1.0% (100 bps), post-tax profit for the year would have been $1.5 million higher (2017: $1.4 million higher), net of derivatives.

Amounts recognised in profit or loss and other comprehensive income

During the year, a gain of $0.4 million (2017: $0.4 million gain) relating to cash flow hedges was recognised in other comprehensive income. Losses of $2.5 million (2017: $6.4 million loss) relating to cash flow hedges were transferred from equity to operating profit. During the period, there was no amount recognised in the income statement in respect of hedge ineffectiveness on interest rate swaps contracts (2017: loss of $2.5 million was recognised in finance costs).

5.1.2 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:

	2018		2017	
$ million	USD	NZD	USD	NZD
Funds employed	**603.9**	**199.4**	542.0	178.2
Net Debt	**(475.1)**	**6.8**	(446.5)	22.8
Gearing	**78.7%**	**(3.4%)**	82.4%	(12.8%)

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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.

Forward exchange derivatives used for hedging
The below carrying values represent the fair value of instruments used to hedge foreign exchange risk together with the associated nominal volume:

	Notional item	Weighted Average	$ million Asset	$ million Liability
2018				
Cash flow hedges				
AUD/USD	**USD89.4**	**0.7717**	**5.0**	**(0.3)**
AUD/NZD	**NZD1.1**	**1.0869**	**0.1**	**–**
AUD/EUR	**EUR17.7**	**0.6332**	**0.3**	**–**
NZD/USD	**USD16.9**	**0.7130**	**1.1**	**–**
NZD/EUR	**EUR2.0**	**0.5819**	**0.1**	**–**
NZD/AUD	**AUD67.4**	**0.9323**	**1.6**	**(0.3)**
Fair value hedges				
AUD/USD	**USD9.3**	**0.7363**	**0.1**	**–**
Total derivatives in an asset/(liability) position			**8.3**	**(0.6)**
2017				
Cash flow hedges				
AUD/USD	USD84.5	0.7485	0.2	(3.2)
AUD/NZD	NZD3.5	1.0880	0.2	(0.1)
AUD/EUR	EUR18.9	0.6810	0.8	(0.3)
NZD/USD	USD16.4	0.6983	–	(1.0)
NZD/EUR	EUR2.8	0.6273	–	(0.1)
NZD/AUD	AUD90.4	1.0749	0.3	(2.0)
Fair value hedges				
AUD/USD	USD25.0	0.7707	–	–
AUD/NZD	NZD20.0	1.0518	–	–
Total derivatives in an asset/(liability) position			1.5	(6.7)

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 2018:

- If the Australian dollar had weakened by 10% against the US dollar with all other variables held constant, equity would have been $17.2 million higher (2017: $5.7 million higher)
- If the Australian dollar had weakened by 10% against the NZ dollar with all other variables held constant, equity would have been $3.1 million lower (2017: $10.2 million lower).

Amounts recognised in profit or loss and other comprehensive income

During the year, the Group recognised a foreign currency loss of $0.5 million (2017: $3.8 million loss) and a gain of $2.0 million (2017: loss $0.1 million) relating to foreign currency derivatives, that did not qualify as hedges, within general and administrative expenses in the income statement.

In addition, a gain of $7.9 million (2017: $2.9 million loss) relating to cash flow hedges and a $1.1 million loss (2017: $4.3 million loss) on the translation of foreign operations was recognised in other comprehensive income. Losses of $3.3 million (2017: $7.3 million loss) and a gain of $0.4 million (2017: loss of $1.0 million), relating to cash flow hedges, were transferred from equity to operating profit and non-financial assets, respectively.

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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 and the price of electricity.

Electricity prices

To manage the risk associated with the variability of wholesale electricity prices in Australia the Group utilises Power Purchase Arrangements (PPAs). These contracts are entered into in order to economically hedge exposure to fluctuations in electricity prices by purchasing electricity at predetermined prices.

These derivative instruments meet the requirements for hedge accounting. Settlement of the contracts require exchange of cash for the difference between the contracted and spot market price. The contracts are measured at fair value and the resultant gains or losses that effectively hedge designated risk exposures are deferred within the cash flow hedge reserve.

At 30 June 2018, the carrying value, and fair value, of the instruments used to hedge commodity price risk in respect of electricity prices is $7.6 million (2017: nil).

Aluminium purchases

In managing commodity price risk associated with aluminium purchases 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 2018, the Trust held 6,767,418 treasury shares in the Company (2017: 13,864,381) and 385,446 allocated shares in respect of the CEO Grant (2017: 1,808,109). 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).

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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 2018, the Group had access to:

- AUD400.0 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.
- 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 AUD50.0 million each with separate domestic institutions, maturing in September 2020.

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

	2018			2017		
$ million	**Committed**	**Uncommitted**	**Total**	Committed	Uncommitted	Total
Financing facilities available:						
Bank overdrafts	**–**	**6.2**	**6.2**	–	6.3	6.3
US Private placement	**338.3**	**–**	**338.3**	324.6	–	324.6
Loan facilities and term debt	**770.7**	**84.1**	**854.8**	759.7	81.9	841.6
	1,109.0	**90.3**	**1,199.3**	1,084.3	88.2	1,172.5
Facilities utilised:						
Bank overdrafts	**–**	**–**	**–**	–	5.1	5.1
US Private placement	**338.3**	**–**	**338.3**	324.6	–	324.6
Loan facilities and term debt	**416.2**	**–**	**416.2**	403.4	–	403.4
	754.5	**–**	**754.5**	728.0	5.1	733.1
Facilities not utilised:						
Bank overdrafts	**–**	**6.2**	**6.2**	–	1.2	1.2
US Private placement	**–**	**–**	**–**	–	–	–
Loan facilities and term debt	**354.5**	**84.1**	**438.6**	356.3	81.9	438.2
	354.5	**90.3**	**444.8**	356.3	83.1	439.4

Section 5: Financial risk management (continued)

5.3 Liquidity and funding risk (continued)

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
2018						
Non-derivative financial instruments						
Trade and other payables	**952.4**	**17.7**	**6.8**	**0.9**	**977.8**	**977.8**
Borrowings	**27.0**	**249.4**	**228.6**	**352.7**	**857.7**	**755.1**
Total non-derivatives	**979.4**	**267.1**	**235.4**	**353.6**	**1,835.5**	**1,732.9**
Derivatives						
Net settled (interest rate swaps and commodity contracts)	**(0.7)**	**1.7**	**4.2**	**–**	**5.2**	**5.2**
Gross settled forward exchange contracts						
– Inflow	**268.9**	**5.3**	**–**	**–**	**274.2**	
– Outflow	**(261.1)**	**(5.4)**	**–**	**–**	**(266.5)**	
Total gross settled forward exchange contracts	**7.8**	**(0.1)**	**–**	**–**	**7.7**	**7.7**
Total derivatives	**7.1**	**1.6**	**4.2**	**–**	**12.9**	**12.9**
2017						
Non-derivative financial instruments						
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
Derivatives						
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)

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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 electricity and 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.
- Power Purchase Arrangements are derivative instruments that are used to hedge transaction risk associated with the variability of wholesale electricity prices in Australia. These forward commodity contracts exchange a fixed price of electricity for the variable wholesale electricity price.

In respect of managing commodity price risk associated with aluminium purchases 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).

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.

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.

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.

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Section 5: Financial risk management (continued)

5.4 Hedging instruments (continued)

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.

For the purposes of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or net investment hedges and are accounted for as set out in the table below.

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 its intrinsic value only. If only the intrinsic value is designated, the option's time value that matches the terms of the hedged item is be 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.
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.

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Fair value measurement

The following table sets out the fair value of derivative financial instruments utilised by the Group, analysed by type of contract. At 30 June 2018 and 30 June 2017, the Group only held derivative financial 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.

		Level 2 Fair Value Hierarchy			
		2018		2017	
$ million	Note	Asset	Liability	Asset	Liability
Cash flow hedges					
Foreign exchange derivative contracts	5.1.2	**8.3**	**(0.6)**	1.5	(6.7)
Interest rate swap contracts	5.1.1	**0.2**	**(2.6)**	–	(6.9)
Electricity and commodity derivatives	5.1.3	**7.6**	**–**	–	–
Total derivatives in an asset/(liability) position		**16.1**	**(3.2)**	1.5	(13.6)
Current asset/(liability)		**9.8**	**(3.2)**	1.3	(7.8)
Non-current asset/(liability)		**6.3**	**–**	0.2	(5.8)



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: Financial instruments traded in an active market (such as publicly traded derivatives, and trading and available-for-sale securities). Fair value is from a quoted price, for an identical asset or liability at the end of the reporting period, traded in an active market. The quoted market price used for assets is the last bid price.

Level 2: Financial instruments that are not traded in an active market (for example over-the-counter derivatives). Fair value is 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: Financial instruments for which no market exists in which the instrument can be traded. Where 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), the instrument is included in level 3.

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 – i.e. 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 electricity and aluminium commodity forward contracts is determined by using the difference between the contract commodity price and the quoted price at the reporting date.

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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:

		Ownership interest	
Controlled entities	Country of incorporation	2018	2017
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%
Orora Visual LLC	United States	**100%**	100%

The Group did not dispose of any controlled entities during the 12-month period ending 30 June 2018 (2017: nil). Refer below for details of acquisitions.

6.2 Prior period business acquisition

Register Print Group, the Garvey Group and Graphic Tech

In January 2017, the Group acquired the Register Print Group, followed closely by the acquisition of 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. The results of these businesses are included in the North American segment from the date of acquisition.

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

Purchase consideration

$ million	
Initial cash consideration paid	**121.6**
Cash paid for completion adjustments	**0.8**
Deferred consideration	**14.4**
Total purchase consideration	**136.8**

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 was paid in March 2018, while $5.7 million will become payable in September 2018 and $1.3 million in March 2019.

Purchase consideration and acquisition-related costs

30 June 2018
During the period completion adjustment payments of $0.8 million were paid in addition to a deferred consideration payment of $2.0 million. These payments are presented in investing cash flows in the cash flow statement. In the 12 months to 30 June 2018 no cash payments made related to acquisition costs.

30 June 2017
During the period from the date of acquisition to 30 June 2017, the Group reported cash consideration paid of $121.6 million. 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.

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Fair value of net assets acquired and goodwill

$ million	Fair Value
Trade and other receivables	**27.9**
Inventories	**5.0**
Property, plant and equipment	**37.3**
Deferred tax assets	**0.8**
Intangible assets	**7.3**
Trade and other payables	**(17.8)**
Provisions	**(2.2)**
Deferred tax liabilities	**(3.5)**
Fair value of net identifiable assets acquired	**54.8**
Add goodwill	**82.0**
Fair value of net assets acquired	**136.8**

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 $27.9 million. The gross contractual amount for trade receivables due is $28.3 million of which $0.4 million is expected to be uncollectable.

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.

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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 Group's 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 Group's 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 2018, the Trust held 6,767,418 Treasury Shares (unallocated shares) in the Company (2017: 13,864,381) and 385,446 allocated shares in respect of the CEO Grant (2017: 1,808,109).

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 FY18 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 FY18 dividend.

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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 $8.4 million (2017: $9.1 million). Employee expenses and employee provisions are shown in notes 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:

			Long Term Incentive Plans				Short Term Incentive Plan	
	CEO Grant		Share Options		Performance Rights and Performance Shares		Deferred Equity[1]	
	No.	$[2]	No.	$[2]	No.	$[2]	No.	$[2]
2018								
Outstanding at beginning of period	**1,808,109**	**2.41**	**19,551,561**	**0.39**	**9,275,000**	**1.42**	**2,402,246**	**2.46**
Granted during the period	**–**	**–**	**3,946,000**	**0.63**	**1,941,000**	**2.40**	**948,754**	**2.98**
Exercised during the period	**(1,131,804)**	**2.32**	**(5,215,000)**	**0.30**	**(3,035,500)**	**1.11**	**(1,487,322)**	**2.29**
Forfeited during the period	**(290,859)**	**1.31**	**(1,147,753)**	**0.49**	**(544,584)**	**1.25**	**(41,260)**	**2.64**
Outstanding at end of period	**385,446**	**2.65**	**17,134,808**	**0.47**	**7,635,916**	**1.76**	**1,822,418**	**2.87**
Exercisable at end of period	**–**	**–**	**199,561**	**0.23**	**–**	**–**	**–**	**–**
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	–	–	–	–

(1) The equity outcomes for the 2018 financial year short-term incentive will be determined and allocated in September 2018.

(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.

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Section 7: Other (continued)

7.1 Share-based compensation (continued)

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:

			Number	
Grant date	Expiry date	Exercise price	2018	2017
19 Feb 2014	30 Sept 2021	1.22	**199,561**	519,561
19 Feb 2014	30 Sept 2022	1.22	**–**	3,145,000
19 Feb 2014	30 Sept 2023	1.22	**2,840,185**	2,905,000
21 Oct 2014	30 Sept 2022	1.22	**–**	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	**4,049,562**	4,423,500
30 Oct 2016	29 Aug 2025	2.69	**4,349,500**	5,058,500
20 Oct 2017	30 Aug 2026	2.86	**3,946,000**	–
Share options outstanding at end of period			**17,134,808**	19,551,561
Weighted average contractual life of options outstanding at end of period			**6.6 years**	6.7 years

A description of the equity plans in place during the year ended 30 June 2018 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	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. The restrictions on these shares do not allow the employee to dispose of the shares within the vesting/restriction period. The shares subject to the CEO Grant carry full dividend entitlements and voting rights.	Under the long-term incentive plan, share options or performance rights over ordinary shares in the Company, 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. 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. 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.	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. 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.	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: • 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.

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	Retention/Share Payment plan	Long-term incentives		Short-Term incentive
	CEO Grant	Share Options	Performance Rights and Performance Shares	Deferred Equity
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.	In accordance with Table 7 in the Remuneration Report contained within the Directors' Report, the performance hurdles used to determine vesting include: (i) a relative Total Shareholder Return test (TSR), with absolute TSR gateway, and (ii) an EPS test, with RoAFE gateway. In addition the Managing Director and Chief Executive Officer has a strategic objective test that will also determine vesting of a set portion of performance rights. 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.

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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 (e.g. 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:

	2018	2017
Expected dividend yield (%)	**3.80**	3.80
Expected price volatility of the Company's shares (%)	**22.63**	25.64
Share price at grant date ($)	**3.32**	2.99
Exercise price ($) – options only	**2.86**	2.69
Risk-free interest rate – options (%)	**2.69**	2.16
Expected life of options (years)	**4.00**	4.00
Risk-free interest rate – rights (%)	**2.16**	1.73
Expected life of rights (years)	**3.54**	3.65

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.

7.2 Auditors' remuneration

$ thousand	2018	2017
Auditors of the Company – PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	**821.0**	802.4
Other assurance services	**17.5**	46.5
Other services		
Taxation services and transaction related taxation advice[1]	**678.0**	45.5
Other advisory services	**–**	15.0
Total PwC Australia	**1,516.5**	909.4
Network firms of PwC Australia		
Audit and other assurance services		
Audit and review of financial reports	**30.0**	52.5
Other services		
Taxation services, transaction related taxation advice and due diligence	**83.2**	41.5
Total network firms of PwC Australia	**113.2**	94.0
Total Auditors' remuneration	**1,629.7**	1,003.4

(1) Taxation services included advice received on the implications of various global tax legislative changes in the USA, Australia and New Zealand.

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7.3 Commitments and contingent liabilities

Capital expenditure commitments

At 30 June 2018, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of $24.3 million (2017: $35.8 million).

Other expenditure commitments

At 30 June 2018, the Group had other expenditure commitments of $90.1 million (2017: $88.4 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	2018	2017
Within one year	**92.2**	81.4
Between one and five years	**277.9**	268.2
More than five years	**100.1**	122.2
	470.2	471.8
Less sub-lease rental income	**–**	–
	470.2	471.8

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
The decommissioning of the Petrie site is a significant exercise which remains contingent of final remediation design solutions approved by regulatory authorities. Refer to note 1.2 and 3.8 for further information pertaining to the decommissioning process.

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 measureable.

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Section 7: Other (continued)

7.4 Orora Limited

Summarised income statement and comprehensive income

$ million	Orora Limited 2018	2017
Profit before related income tax expense	**214.1**	97.6
Income tax expense	**(39.6)**	(20.8)
Profit for the financial period	**174.5**	76.8
Total comprehensive income	**184.6**	85.3

Summarised balance sheet

$ million	Orora Limited 2018	2017
Total current assets	**489.6**	409.2
Total non-current assets	**1,696.2**	1,669.1
Total assets	**2,185.8**	2,078.3
Total current liabilities	**593.6**	567.9
Total non-current liabilities	**282.2**	247.8
Total liabilities	**875.8**	815.7
Net assets	**1,310.0**	1,262.6
Equity		
Contributed equity	**479.9**	472.3
Reserves:		
Share-based payment reserve	**17.5**	18.1
Cash flow hedge reserve	**3.7**	(6.4)
Retained profits	**808.9**	778.6
Total equity	**1,310.0**	1,262.6

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.

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Contingent liabilities of Orora Limited

Deed of Cross Guarantee

Pursuant to the terms of the ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, which relieves 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 2018 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
Pak Pacific Corporation Pty Ltd
Fibre Containers (Queensland) Pty Ltd
Speciality Packaging Group Pty Ltd
ACN 002693843 Box Pty Ltd
ACN 089523919 CCC Pty Ltd
Rota Die International Pty Ltd
Orora Closure Systems Pty Ltd
PP New Pty Ltd
AP Chase Pty Ltd
Lynyork Pty Ltd
Chapview Pty Ltd
AGAL Holdings Pty Ltd
Rota Die Pty Ltd
Envirocrates 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	2018	2017
Sales revenue	**1,878.3**	1,702.6
Profit from operations	**243.8**	191.5
Net finance costs	**(16.0)**	(11.0)
Profit before related income tax expense	**227.8**	180.5
Income tax expense	**(44.2)**	(25.0)
Profit for the financial period	**183.6**	155.5
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss:		
Cash flow hedge reserve		
Unrealised losses on cash flow hedges, net of tax	**5.7**	3.5
Realised losses transferred to profit or loss, net of tax	**4.1**	5.8
Realised losses transferred to non-financial assets, net of tax	**0.2**	(0.8)
Other comprehensive income, net of tax	**10.0**	8.5
Total comprehensive income for the financial period	**193.6**	164.0
Retained profits at beginning of financial period	**1,063.7**	1,027.8
Profit for the financial period	**183.6**	155.5
Dividends recognised during the financial period	**(144.2)**	(119.6)
Retained profits at end of the financial period	**1,103.1**	1,063.7

Section 7: Other (continued)

7.5 Deed of Cross Guarantee (continued)

Consolidated Balance Sheet

$ million	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**23.6**	4.4
Trade and other receivables	**244.9**	365.5
Inventories	**343.6**	298.3
Derivatives	**9.8**	1.3
Other current assets	**29.4**	28.6
Current tax receivable	**–**	1.0
Total current assets	**651.3**	699.1
NON-CURRENT ASSETS		
Investments in controlled entities	**345.9**	213.9
Property, plant and equipment	**1,406.7**	1,383.6
Goodwill and intangible assets	**99.1**	92.5
Derivatives	**6.3**	0.2
Other non-current assets	**37.9**	39.2
Total non-current assets	**1,895.9**	1,729.4
Total assets	**2,547.2**	2,428.5
CURRENT LIABILITIES		
Trade and other payables	**482.6**	421.1
Interest-bearing liabilities	**8.0**	53.4
Derivatives	**3.2**	7.8
Current tax liabilities	**10.8**	–
Provisions	**114.8**	109.2
Total current liabilities	**619.4**	591.5
NON-CURRENT LIABILITIES		
Other payables	**9.4**	7.2
Interest-bearing liabilities	**219.6**	199.4
Derivatives	**–**	5.8
Deferred tax liabilities	**37.8**	20.1
Provisions	**17.3**	17.2
Total non-current liabilities	**284.1**	249.7
Total liabilities	**903.5**	841.2
NET ASSETS	**1,643.7**	1,587.3
EQUITY		
Contributed equity	**499.7**	508.7
Treasury shares	**(19.8)**	(36.4)
Reserves	**60.7**	51.3
Retained earnings	**1,103.1**	1,063.7
TOTAL EQUITY	**1,643.7**	1,587.3

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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	2018	2017
Short-term employee benefits	**4,299**	4,693
Long-term employee benefits	**66**	60
Post employment benefits	**180**	203
Termination benefits	**40**	–
Share-based payment expense	**2,779**	2,688
	7,364	7,644

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 (2017: nil).

At 30 June 2018, no individual KMP or related party holds a loan with the Group (2017: nil).

Section 7: Other (continued)

7.8 New and amended accounting standards and interpretations

7.8.1 Adopted from 1 July 2017

All new and amended Australian Accounting Standards mandatory as at 1 July 2017 to the Group have been adopted, including:

- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

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.

7.8.2 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 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 core principle of the standard requires an entity to recognise revenue to depict the transfer of goods or services to a customer.

In evaluating the impact of AASB 15, information was gathered from across the business through training sessions, response to surveys and the review of significant customer contracts, to identify the Group's various revenue streams that might be impacted by the new revenue recognition framework.

In summary, the Group provides packaging materials to its customers, including customer specific product. The contract review undertaken on the Group's significant long-term customer arrangements identified that these contracts contain several elements but, in the vast majority of cases, these elements reflect only one performance obligation to the customer. As a result, it was identified that revenue will be recognised at a point in time when the customer obtains control over the packaging goods, which is no different from how the Group currently recognises revenue.

In addition to the manufacturing and supply of packaging materials, the Group also sources and provides packaging equipment to customers who enter into long term supply agreements under bundled contract arrangements. Under these bundled arrangements revenue is recognised over the term of the contract. Under AASB 15 a portion of the transaction price for these arrangements would be allocated and recognised at the time the packaging equipment is provided to the customer – i.e. when the customer controls the asset, which would be earlier than when revenue is currently recognised. The impact upon retained earnings of these arrangements is negligible and therefore no adjustment to retained earnings will be recognised on adoption.

In assessing the impact of the new revenue standard on contract incentives paid to customers and, with specific reference to individual customer contracts, it has been identified that in a limited number of instances, previous upfront incentives did not represent modifications of previous contracts and therefore should not be carried forward and allocated to the transaction price under the terms of the current contract. The impact on opening retained earnings at 1 July 2018 of the base change in allocation of upfront incentives to the transaction price under current contracts is $7.3 million after tax.

AASB 15 is applicable from 1 January 2018 and therefore will apply to the Group from 1 July 2018. The results of the impact assessment performed did not identify any material impact upon the Group's current revenue recognition practice. There will be an immaterial adjustment to retained earnings on adoption at 1 July 2018 in respect of the Groups' accounting for contract incentives.

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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 and will result in higher assets and liabilities on the balance sheet. As at 30 June 2018, the Group's undiscounted non-cancellable operating lease commitments is $470.2 million (refer note 7.3). The present value of the Group's operating lease payments as defined under the new standard will be recognised as lease liabilities on the balance sheet and included in net debt.

Earnings before significant items, interest, tax, depreciation and amortisation (EBITDA), as disclosed in note 1.1, will increase as the operating lease cost (expense of $81.8 million for FY18) that is currently charged against EBITDA will be replaced by a depreciation and interest charge which are excluded from the EBITDA measure. The replacement of the lease expense with a depreciation and finance charge under the new standard is not anticipated to significantly impact the profit before tax result of the Group.

Under the new standard the operating cash flow of the Group will increase as the element of cash paid attributable to the repayment of lease principal will instead be included in financing cash flows. The net increase/decrease in cash and cash equivalents will remain the same.

The adoption of AASB 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. It is anticipated that the Group will apply the modified retrospective approach on adoption. Under this approach the right of use asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease, the determination is made on a lease-by lease basis.

The detailed assessment of the impact of AASB 16 is ongoing. To date, work has focused on the identification and understanding of the provisions of the standard that will most impact the Group, identifying the lease population and obtaining copies of all contracts, discount rate determination, impact analysis, where required adapting the contract review process, and the review of system requirements. In FY19, work on these issues and their resolution will continue, system requirements will be addressed and work on the accounting processes will commence.

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.

Directors' declaration

1. In the opinion of the Directors of Orora Limited (the 'Company'):

   (a) the financial statements and notes, and the Remuneration Report within the Directors' Report, are in accordance with the *Corporations Act 2001* including:

      (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

      (ii) giving a true and fair view of the Orora Group's financial position as at 30 June 2018 and its performance for the year ended on that date; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. Within the notes to the financial statements it is confirmed that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. At the date of this declaration, there are reasonable grounds to believe that the Company and the consolidated entities identified in note 7.5 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to *ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785*.

4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Directors, dated at Melbourne, in the State of Victoria, on 9 August 2018.



C I ROBERTS
Chairman

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Independent auditor's report to the members of Orora Limited



Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Orora Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the income statement for the year ended 30 June 2018
- the statement of comprehensive income for the year ended 30 June 2018
- the statement of financial position as at 30 June 2018
- the statement of changes in equity for the year ended 30 June 2018
- the cash flow statement for the year ended 30 June 2018
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report to the members of Orora Limited

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Orora Limited is an Australian company listed on the Australian Securities Exchange. Orora manufactures and distributes a wide range of tailored packaging solutions. The Group also offers end-to-end packaging solutions, including global product sourcing, distribution, design, printing and warehousing optimisation.

Materiality

- For the purpose of our audit we used overall materiality of $16.7 million, which represents approximately 5% of the Group's profit from operations (being profit before net finance costs and income tax expense).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit from operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Orora operates across two operating segments, being Orora Australasia and Orora North America, with its head office functions based in Melbourne, Australia.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets including property, plant and equipment and goodwill Refer note 3.5 Property, plant and equipment, note 3.6 Intangible assets and note 3.7 Impairment of non-financial assets Orora had property, plant and equipment assets of $1,693.7 million and goodwill and intangible assets of $494.7 million at 30 June 2018. These assets are tested for impairment using a discounted cash flow model in accordance with note 3.7. In undertaking impairment testing, the following assumptions were judgemental: • expected earnings, as taken from board approved budgets and Orora's strategic plan, for financial years ending 2019 to 2022 and extrapolated to 2023 • discount rates used to discount the estimated cash flows • the long term growth rates to be applied to the forecast cash flows in the terminal year. We considered this to be a key audit matter because of the level of judgement involved by the Group in determining the assumptions used to perform impairment testing.	We evaluated Orora's cash flow forecasts used to assess the carrying value of cash generating units. This included updating our understanding of how the budgets and forecasts were compiled and comparing them to the latest Board approved FY19 budget and FY20 – FY22 strategic plan. We also tested the calculations in the cash flow model for mathematical accuracy. We compared constant average growth rates for 2014 to 2018 and budgets for 2014 to 2018 with the actual results for 2014 to 2018 to assess the level of the Group's historical accuracy in forecasting cash flows. With the assistance of our valuation experts, we evaluated the appropriateness of Orora's discount rates and long term growth rate assumptions used in the cash flow forecasts, by comparing them to our independently calculated acceptable ranges. We compared recoverable amount calculations to the Group's market capitalisation and performed independent sensitivity calculations over the forecast cash flows. We also considered the adequacy of disclosures made in relation to impairment testing of assets in light of the requirements of Australian Accounting Standards.

Independent auditor's report to the members of Orora Limited

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer note 1.1 Segment results, note 1.4 Income and note 7.8 New and amended accounting standards and interpretations For the year ended 30 June 2018, Orora recognised $4,248.0 million in revenue from the sale of packaging products. Sales were made under a variety of different customer terms and conditions, which have a significant impact on the timing or amount of revenue recognised. The Group's revenue arrangements include: • A range of trading terms which require revenue to be recognised at different points in time, including upon delivery to the customer, billing and holding the goods until the customer requires them and when the goods are free on board the shipping vessel. • Various pricing mechanisms, including pricing adjustments linked with movements in commodity indices, payment of upfront contract incentives which are amortised over the life of the contract, volume rebates and discounts. • Consignment and other arrangements where the goods are delivered directly from a third party to the customer and revenue recognition only becomes certain after the delivery to the customer or when the subsequent sale to a third party has occurred. From 1 July 2018, the Group will transition to AASB 15 *Revenue from Contracts with Customers*. In the financial report for the year ended 30 June 2018, the Group has disclosed their assessment of the impact of AASB 15. The timing and amount of revenue recognised differs depending on the arrangement in place with specific customers. Given the inherent risk associated with the appropriate recognition of revenue and the range of revenue arrangements in place, revenue recognition was considered to be a key audit matter.	In considering the Group's revenue recognition at 30 June 2018, we have performed the following audit procedures, amongst others: • Considered the Group's assessment of the terms and conditions of major new sales contracts entered into during the year and the appropriateness of revenue recognised, net of contract incentive payment amortisation and rebates. • Identified a sample of manual journal entries impacting revenue based on a specified fraud criteria and tested the appropriateness of these transactions. • Selected a sample of revenue transactions, including shortly before and after the reporting date, and: – Evaluated the timing and amount of revenue recognised in comparison to the terms and conditions of sale, timing of delivery and receipt of cash based on supporting documentation obtained. – Tested the appropriateness of revenue cut-off pre and post 30 June 2018, focusing on shipping and delivery terms. This included obtaining documentation to support the timing of delivery. We evaluated the disclosures on the Group's transition to AASB 15, by performing the following procedures amongst others: • Considered the Group's assessment of their revenue streams and contract types in line with the five step model required by AASB 15. • Selected a sample of customer contracts and considered whether the contracts were consistent with the Group's assessment of AASB 15. • Considered the adequacy of disclosures made in the financial report compared to Australian Accounting Standards.
Asset restoration and decommissioning provision Refer to note 1.2 Significant items and note 3.8 Provisions Orora hold an asset restoration and decommissioning provision. This includes the decommissioning provision relating to the former cartonboard mill site in Petrie, Queensland. The provision is evaluated by the Group on an ongoing basis using historical experience and other factors, including expectation of future events that are believed reasonable under the circumstances and represents the Group's best estimates using currently available information and environmental laws and regulations. This was a key audit matter because of the financial significance of the provision and the judgement involved in assessing the nature and extent of work to be performed and the future cost of performing the work.	We obtained Orora's estimate of the costs to complete for the Petrie site decommissioning work and performed the following audit procedures for the year ended 30 June 2018: • Considered the progression of asset restoration and decommissioning activities completed. • Critically assessed the reasons for the changes in cost estimates. • Read various reports and supporting documentation, including correspondence with regulatory authorities. • Compared cost estimates, where possible, to third party quotes, external benchmarks or similar historical expenditure. • Assessed the Group's rights and obligations under the sale agreement. • Tested the mathematical accuracy of the calculations. • Assessed the adequacy of disclosures within the financial report compared to Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the other information available and we expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

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

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

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Independent auditor's report to the members of Orora Limited

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 40 to 58 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Orora Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

LISA HARKER
Partner

Melbourne
9 August 2018

Statement of shareholdings

Statement pursuant to Australian Securities Exchange official list requirements.

Top 20 shareholders as at 3 August 2018

Rank	Name	Shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	345,837,094	28.66
2	J P Morgan Nominees Australia Limited	183,151,737	15.18
3	Citicorp Nominees Pty Limited	103,212,411	8.55
4	National Nominees Limited	81,599,771	6.76
5	BNP Paribas Noms Pty Ltd	20,167,625	1.67
6	BNP Paribas Nominees Pty Ltd	16,073,293	1.33
7	Forsyth Barr Custodians Ltd	12,168,639	1.01
8	Australian Foundation Investment Company Limited	11,670,201	0.97
9	HSBC Custody Nominees (Australia) Limited	11,384,882	0.94
10	Pacific Custodians Pty Limited	7,160,257	0.59
11	UBS Nominees Pty Ltd	6,040,847	0.50
12	HSBC Custody Nominees (Australia) Limited – A/C 2	5,966,035	0.49
13	Pacific Custodians Pty Limited	5,220,507	0.43
14	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	5,104,248	0.42
15	AMP Life Limited	4,936,813	0.41
16	Citicorp Nominees Pty Limited	4,927,670	0.41
17	Netwealth Investments Limited	4,036,764	0.33
18	Bond Street Custodians Limited	3,624,565	0.30
19	Sandhurst Trustees Ltd	2,637,190	0.22
20	HSBC Custody Nominees (Australia) Limited-Gsco Eca	2,375,978	0.20
Total		**837,296,527**	**69.39**

Substantial shareholders as at 3 August 2018

Holder	No. of shares
Bennelong Australian Equity Partners Ltd	60,744,838
Vinva Investment Management	60,716,808

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Statement of shareholdings

Distribution of shareholdings

Fully paid ordinary shares as at 3 August 2018

Range	No. of holders	No. of shares	% of issued capital
100,001 and Over	235	909,932,106	75.41
10,001 to 100,000	7,364	162,401,644	13.46
5,001 to 10,000	8,813	63,728,757	5.28
1,001 to 5,000	24,387	63,473,254	5.26
1 to 1,000	13,388	7,149,162	0.59
Total	**54,187**	**1,206,684,923**	**100.00**
Unmarketable Parcels	1,500	77,524	0.01

Voting rights

Votes of shareholders are governed by Rules 45 to 50 of the Company's Constitution. In broad summary, but without prejudice to the provisions of these rules, on a show of hands every shareholder present in person shall have one vote and upon a poll every shareholder present in person, or by proxy or attorney, shall have one vote for every fully paid share held.

Unquoted equity securities – Issued pursuant to various Orora Limited Employee Incentive Plans as at 3 August 2018

Unquoted equity securities	No. of employees participating	No. of securities
Options over ordinary shares – exercise price $1.22	9	4,789,746
Options over ordinary shares – exercise price $2.08	9	4,049,562
Options over ordinary shares – exercise price $2.69	8	4,349,500
Options over ordinary shares – exercise price $2.86	9	3,946,000
Rights	62	9,458,084

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Five year historical financial information

Results shown for all operations before significant items except where indicated
$ million (except where indicated)

For the years ended 30 June	2018	2017	2016	2015	Pro forma 2014[1]
Orora consolidated results					
Net sales	**4,248.0**	4,039.1	3,849.8	3,407.8	3,176.1
Operating profit before interest and tax pre significant items	**323.4**	302.3	272.1	225.1	192.1
Operating profit before tax pre significant items	**288.9**	264.7	231.0	187.2	150.8
Net operating profit pre significant items	**214.1**	186.2	162.7	131.4	104.4
Net operating profit after significant items	**212.2**	171.1	168.6	131.4	104.4
Basic earnings per share (cents) pre significant items	**17.8**	15.6	13.6	10.9	8.7
Basic earnings per share (cents) after significant items	**17.7**	14.3	14.1	10.9	8.7
Dividend and distribution	**144.2**	119.6	101.7	78.4	36.2
Dividend per ordinary share (cents)	**12.5**	11.0	9.5	7.5	6.0
Dividend franking (% p.a)	**30%**	30%	30%	30%[2]	–
Dividend cover (times)	**17.0**	15.6	17.7	17.5	17.4
Financial ratios					
Net tangible asset backing per share ($)	**0.94**	0.91	0.93	0.96	0.93
Net PBITDA interest cover pre significant items (times)	**12.9**	11.1	9.2	8.5	6.7
Gearing (net debt/net debt and shareholders' equity) (%)	**29%**	30%	30%	30%	32%
Return on average funds employed (%)[3]	**14.0%**	13.6%	12.7%	10.6%	9.3%
Financial statistics					
Income from dividends and interest	**0.3**	0.2	0.5	0.7	1.2
Depreciation and amortisation provided during the year	**121.9**	116.1	107.5	98.1	102.3
Net finance costs	**34.5**	37.6	41.1	37.9	43.7
Cash flow from operations	**329.0**	351.2	305.0	254.0	151.1
Capital expenditure and acquisitions	**204.3**	292.0	230.3	122.3	96.4
Balance Sheet data as at 30 June					
Current assets	**1,318.1**	1,170.1	1,082.7	998.4	854.8
Non-current assets	**2,299.0**	2,193.1	2,047.2	1,938.6	1,899.2
Total assets	**3,617.1**	3,363.2	3,129.9	2,937.0	2,754.0
Current liabilities	**1,098.7**	985.4	833.4	752.9	666.6
Non-current liabilities	**887.9**	831.0	798.9	742.1	705.7
Total liabilities	**1,986.6**	1,816.4	1,632.3	1,495.0	1,372.3
Net assets	**1,630.5**	1,546.8	1,497.6	1,442.0	1,381.7
Shareholders' equity					
Share capital	**479.9**	472.3	481.8	502.7	513.4
Reserves	**152.1**	144.0	136.8	127.2	109.2
Retained profits	**998.5**	930.5	879.0	812.1	759.1
Total shareholders' equity	**1,630.5**	1,546.8	1,497.6	1,442.0	1,381.7
Other data as at 30 June:					
Fully paid shares (000's)	**1,206,685**	1,206,685	1,206,685	1,206,685	1,206,685
Orora share price					
– year's high ($)	**3.60**	3.16	2.78	2.37	1.51
– year's low ($)	**2.73**	2.66	1.35	1.41	1.13
– close ($)	**3.57**	2.86	2.76	2.09	1.43
Market capitalisation	**4,307.9**	3,451.1	3,330.5	2,522.0	1,719.5
Employee numbers	**7,014**	7,038	6,394	6,025	5,774
Number of shareholders	**54,164**	54,002	47,542	45,786	62,029

(1) The reported results for FY14 present a view of performance as if the internal corporate restructure associated with the demerger in December 2013 had been effective from 1 July 2013. Pro forma adjustments have been made to include the impact of additional standalone corporate costs ($8.5 million for six months) and the depreciation reduction in Australasia from the asset impairment ($10.5 million for six months) as if they had been applicable from 1 July 2013. Refer to the 2014 Annual Report for further information.

(2) The FY15 final dividend was 30% franked, FY15 interim dividend was unfranked.

(3) Return on average funds employed is calculated as EBIT divided by average funds employed.

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Shareholder information

Shareholder enquiries

Shareholders seeking information about their shareholding or dividends should contact Orora's Share Registry, Link Market Services Limited ("Link"). Contact details are on the back cover of this report. For security and privacy reasons, before contacting the Share Registry, shareholders should have their Securityholder Reference Number ("SRN") or Holder Identification Number ("HIN") available.

Shareholders can also access a wide variety of holding information via Link's website: www.linkmarketservices.com.au and make changes either online or by downloading a form.

These changes include:

- choosing the preferred method of receiving the Annual Report, Notice of Meeting and payment statements
- checking holding balances
- updating address details
- providing an email address
- updating bank details
- electing to participate in the DRP.

Stock Exchange Listing

Orora Limited shares are listed on the Australian Securities Exchange ("ASX") and are traded under the code ORA.

Annual General Meeting

The Annual General Meeting of Orora Limited will be held at the Hawthorn Arts Centre, 360 Burwood Road, Hawthorn, Victoria, Australia at 10.30am (Melbourne Time) on 16 October 2018.

Formal notice of the meeting is sent to each shareholder.

Orora publications and communications

The Annual Report is mailed in mid-September only to those shareholders who have previously requested to receive hard copies of the document.

If a previously requested copy of the Annual Report is no longer required in print form, then the preference can be updated online with Link, or Link can be advised in writing.

To view this report online, or to download a copy, visit Orora's website: www.ororagroup.com.

Orora's website, www.ororagroup.com, offers shareholders details of the latest share price, announcements made to the ASX, including half-year and full-year results, investor and analyst presentations and many other publications that may be of interest.

Shareholders can also keep up-to-date with Orora news and announcements by downloading the Orora app. Visit the Apple App Store or Google Play Store, search for "Orora" and install the app onto your device. The app is free and can be downloaded to most smartphones or iPads. To access the newsfeed simply tap "Skip to news" on the bottom of the home screen.

Dividends

The Company normally pays dividends around April and October each year.

Shareholders should retain all remittance advice relating to dividend payments for tax purposes.

1. Direct deposit to a bank, building society or credit union account

Shareholders can receive their dividends directly into a nominated bank, building society or credit union account held in Australia, the United States of America or New Zealand.

The currency selected must match the location of the financial institution. For example, NZD can only be paid into an account held with a financial institution located in New Zealand.

Shareholders can provide or update banking details online at Orora's Share Registry at www.linkmarketservices.com.au.

2. Cheque payable to international shareholders

International shareholders who do not have an account with an Australian, United States or New Zealand financial institution will receive their dividends by Australian dollar cheque.

Lost or stolen cheques should be reported immediately in writing to Orora's Share Registry to enable a "stop payment" and replacement.

In addition, eligible shareholders can choose to have their dividend earnings reinvested in Orora shares.

Dividend Reinvestment Plan ("DRP")

The DRP provides shareholders in Australia and New Zealand with the opportunity to reinvest their dividends to acquire additional Orora shares. Shares acquired under the DRP rank equally with existing fully paid ordinary shares.

Full details of the DRP and a DRP election form are available from Orora's Share Registry or from Orora's website.

Financial calendar 2018–2019*

Financial year 2018 (FY18) ends	30 June 2018
Announcement of full-year results for FY18	9 August 2018
Ex-dividend date for final dividend FY18	10 September 2018
Record date for final dividend FY18	11 September 2018
Record date for Dividend Reinvestment Plan (DRP) for FY18 final dividend	12 September 2018
Dividend payment date and DRP allotment for FY18 final dividend	15 October 2018
Annual General Meeting	16 October 2018
Financial half year 2019 ends	31 December 2018
Announcement of interim results for financial year 2019 (FY19)	February 2019
Ex-dividend date for interim dividend FY19	March 2019
Record date for interim dividend FY19	March 2019
Record date for DRP for FY19 interim dividend	March 2019
Dividend payment date and DRP allotment for FY19 interim dividend	April 2019
Financial year 2019 ends	30 June 2019

* Dates are subject to change.

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