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Form 388

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Copy of financial statements and reports

Company details

Company name

PAPER AUSTRALIA PTY LTD

ACN

061 583 533

Lodgement details

Registered agent number

1585

Registered agent name

HERBERT SMITH FREEHILLS

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

31-12-2019

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

785536000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

888093000

How many employees are employed by the large proprietary company and the entities that it controls?

1148

How many members does the large proprietary company have?

12

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

Details of current auditor or auditors

Current auditor

Date of appointment **18-02-2010**

Name of auditor

ERNST & YOUNG

Address

8 EXHIBITION STREET
MELBOURNE VIC 3000

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Agent

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authenticated by
Name HERBERT SMITH FREEHILLS
This form has been submitted by
Name Anita PROPADALO
Date 12-05-2020

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PAPER AUSTRALIA Pty Ltd

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' Report

The Directors present their report together with the financial report of Paper Australia Pty Ltd ('the Company') and its subsidiaries together referred to as 'the Group', for the year ended 31 December 2019 and the auditor's report thereon.

Directors

The names of the Directors of Paper Australia Pty Ltd in office at any time during or since the end of the financial year are:

- Yasuhito Murakami (resigned 26 June 2019)
- Mizuho Ishida
- Peter Williams (resigned 30 March 2020)
- Tomoaki Koyanagi (appointed 27 June 2019)
- Seiya Nozu (appointed 1 April 2020)

Principal Activities

The principal activities of the Consolidated Entity are the manufacture, sale and distribution of office papers, printing and packaging papers, and envelope and stationery products. There were no significant changes in the nature of the principal activities of the Consolidated Entity during the year under review.

Review and Results of Operations

Paper Australia Pty Ltd primarily services the Australian market directly and through sales to merchant operations, office suppliers, printing papers users, and packaging manufacturers.

The Company has channels to market, building off its Australian mill, so local customers benefit from expert manufacturing capabilities, widely available product offering, superior service, customer support, and extensive and efficient supply lines.

The Paper Australia Pty Ltd consolidated group's net loss after tax ($12.49) million (2018: gain of $0.8 million). The business improved revenue during the period as a result of increased domestic volume. Manufacturing costs were higher than previous reporting period due to extended shuts for key capital investments and increases in energy costs. Once off cost were incurred restructuring the Envelope and Stationery business that will result in improved profitability in this segment for 2020. Underlying business conditions continue to be supported by relatively stable AUD/USD exchange rate.

Significant Changes in the State of Affairs

Paper Australia have responded to the COVID-19 pandemic situation that escalated in Australia during March 2020 by implementing a Business Continuity Team to monitor and develop plans to work through the emerging challenges.

Australia Paper has been able to maintain business continuity throughout the pandemic to supply essential services such as recycling services, paper and board products; and supporting other essential services in the broader community that are vital during this time.

On 30 April 2020 Paper Australia successfully completed its $1.72 billion acquisition of the Orora Fibre Businesses. This acquisition is part of a long term, strategically integrated approach to targeted growth in the Australia and New Zealand packaging markets.

Environmental Regulation

The Group is subject to significant environmental regulation, in particular with respect to its manufacturing activities. Environmental performance obligations are monitored by management and subject to internal audits as well as independent external and government agency audits and site inspections.

The Company is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities initially for the 12 months ended 30 June 2011 and subsequently for future periods. The Company has established data collection systems and processes are in place to meet these requirements.

Future Developments/Outlook

A key focus will be realising synergies from the acquisition of Orora Fibre Business on 30th April 2020.

2020 should see an improvement in operating earnings with improved production performance and savings realised from the Envelope and Stationery restructure that occurred during 2019.

Dividends

The Company has not declared or paid any dividend for the year ended 31 December 2019 (2018: $nil).

Indemnities and Insurance

The Company has agreements with each of the Directors of the Company in office at the date of this report, and certain present and former Officers of the Company, indemnifying those Officers against liabilities 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, except where the liability arises out of conduct involving a lack of good faith or unlawful activity.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Audit Services

The Company has obtained an independence declaration from its auditors, Ernst & Young, which has been attached to this report.

Non-audit Services

In addition to the statutory audit work during the year, the Company's auditors, Ernst & Young, have provided certain non-audit services, including:

- Foreign employee tax services
- Foreign employee visa application
- Worksafe Victoria self-insurance provision report
- Emissions Intensive Trade Exposed exemption certificate
- Fringe Benefits Tax review

The Company has strict criteria relating to the engagement of the auditor for non-audit services. Directors at the time have reviewed the nature of non-audit services being provided, as well as their cost, and believe the provision of these services does not impair the integrity and objectivity of the auditors and is compatible with the general standard of independence for auditors imposed by the Corporations Act. In the current year, the Company has also engaged the services of other accounting firms to perform a variety of non-audit assignments.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Signed in accordance with a resolution of the Directors

Tomoaki Koyanagi

Tomoaki Koyanagi

Director and Chief Executive Officer

7 May 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Auditor's Independence Declaration to the Directors of Paper Australia Pty Ltd

As lead auditor for the audit of the financial report of Paper Australia Pty Ltd for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Paper Australia Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Jacob Gossan
Partner
7 May 2020

Contents

Consolidated statement of comprehensive income
For the period ended 31 December 2019

	Notes	Dec-19 $'000	Dec-18 $'000
Continuing operations			
Revenue	4.1	785,536	779,874
Revenue		**785,536**	**779,874**
Cost of sales		(715,584)	(700,125)
Gross Profit		**69,952**	**79,749**
Other income	7.1	22,862	29,754
Personnel costs non-manufacturing		(31,837)	(36,631)
Logistics and distribution		(44,943)	(43,683)
General and administration	7.2	(17,073)	(10,442)
Sales and marketing		(5,988)	(7,797)
Research and development	7.7	(819)	(908)
Operating Profit/(Loss)		**(7,846)**	**10,042**
Finance income	7.4	248	251
Finance expenses	7.3	(8,944)	(9,455)
Profit/(Loss) before tax from continued operations		**(16,542)**	**838**
Income tax expense	8	4,054	(54)
Profit/(Loss) for the year		**(12,488)**	**784**
Other comprehensive Income/(loss)			
Net foreign exchange differences on translation of overseas subsidiaries	15	82	2,586
Net gains/(losses) on cash flow hedges	15	4,743	(17,643)
Actuarial gains/(losses) on defined benefit plans net of tax	15	(130)	(3,175)
Other comprehensive income for the year net of tax		4,695	(18,232)
Total comprehensive Gain/(loss) for the year		**(7,793)**	**(17,448)**
Attributable to:			
Owners of the parent		(12,478)	770
Non-controlling interest		(10)	14
		(12,488)	**784**
Total comprehensive gain/(loss) for the year is attributable to:			
Owners of the parent		(7,783)	(17,462)
Non-controlling interest		(10)	14
		(7,793)	**(17,448)**

Consolidated statement of financial position
As at 31 December 2019

	Notes	Dec-19 $'000	Dec-18 $'000
Current assets			
Cash and cash equivalents	14	29,888	43,254
Trade and other receivables	13	98,216	99,529
Prepayments		11,076	15,469
Derivatives	6	730	-
Inventories	12	149,212	135,246
Income tax receivable		12	116
Total current assets		**289,134**	**293,614**
Non-current assets			
Property, plant and equipment	9	545,227	554,984
Intangible assets	10	675	876
Right of use assets	19	9,119	-
Deferred tax assets	8	30,329	26,005
Defined Benefit Plan	20	12,499	12,684
Other Assets		1,110	1,265
Total non-current assets		**598,959**	**595,814**
Total assets		**888,093**	**889,428**
Current liabilities			
Trade and other payables	18	114,935	107,460
Loans and borrowings	11.2	203,137	144,284
Provisions	16	44,225	46,782
Derivatives	6	-	4,010
Other Financial Liabilities	19	3,402	-
Total current liabilities		**365,699**	**302,536**
Non-current liabilities			
Loans and borrowings	11.2	43,900	106,800
Other Financial Liabilities	19	5,798	5,288
Provisions	16	5,685	5,288
Total non-current liabilities		**53,383**	**112,088**
Total liabilities		**421,082**	**414,624**
Net assets		**467,011**	**474,804**
Equity			
Issued capital	15	662,280	662,280
Reserves		(445)	(5,270)
Accumulated gains/(losses)		(195,005)	(182,397)
Minority interest		181	191
Total equity		**467,011**	**474,804**

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Attributed to the equity holders of the parent						
	Issued capital	Accumulated gains/(losses)	Cash Flow Hedge reserve	Foreign currency transaction reserve	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	662,280	(182,397)	(6,795)	1,525	474,613	191	474,804
Net profit/(loss) for the year	-	(12,478)	-	-	(12,478)	(10)	(12,488)
Other comprehensive income/(loss)	-	(130)	4,743	82	4,695	-	4,695
Total comprehensive income/(loss) for the year	662,280	(195,005)	(2,052)	1,607	466,830	181	467,011
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At 31 December 2019	662,280	(195,005)	(2,052)	1,607	466,830	181	467,011

	Attributed to the equity holders of the parent						
	Issued capital	Accumulated gains/(losses)	Cash Flow Hedge reserve	Foreign currency transaction reserve	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	662,280	(179,992)	10,848	(1,061)	492,075	177	492,252
Net profit/(loss) for the year	-	770	-	-	770	14	784
Other comprehensive income/(loss)	-	(3,175)	(17,643)	2,586	(18,232)	-	(18,232)
Total comprehensive income/(loss) for the year	662,280	(182,397)	(6,795)	1,525	474,613	191	474,804
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At 31 December 2018	662,280	(182,397)	(6,795)	1,525	474,613	191	474,804

Consolidated statement of cash flows
For the year ended 31 December 2019

	Notes	Dec-19 $'000	Dec-18 $'000
Cash flows from operating activities			
Receipts from customers		865,915	863,191
Payments to suppliers and employees		(829,167)	(811,172)
Interest received		248	251
Interest paid		(8,944)	(9,455)
Income tax paid		(110)	(254)
Net cash flows from/(used in) operating activities		**27,942**	**42,561**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(38,433)	(66,820)
Government Grants Received		7,323	13,560
Net cash flows used in investing activities		**(31,110)**	**(53,260)**
Cash flows from financing activities			
Proceeds from borrowings		25,000	20,000
Repayments to borrowings		(29,896)	(13,294)
Payment of principal portion of lease liabilities		(5,302)	-
Net cash flows from/(used in) financing activities		**(10,198)**	**6,706**
Net increase/(decrease) in cash and cash equivalents		(13,366)	(3,993)
Cash and cash equivalents at the beginning of the year		43,254	47,247
Cash and cash equivalents at the end of the year	14	**29,888**	**43,254**

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of Paper Australia Pty Ltd and its subsidiaries (collectively, the Group or Consolidated Entity) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 7 May 2020. Paper Australia Pty Ltd (the Company, the parent or Consolidated Entity) is a for profit company limited by shares incorporated in Australia.

Note 2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit, private sector entity, which is not publicly accountable. Therefore, the consolidated financial statements for the Group are general purpose financial statements, which have been prepared in accordance with *Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).*

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001, Australian Accounting Standards* and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and contingent consideration, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

Going Concern

The Directors have prepared the 31 December 2019 financial report on a going concern basis. The Directors note that the Group has reported a net current asset deficiency of ($76.565m) which is influenced by loans and borrowings of ($203.137m) that are classified as current liabilities. The Directors have received confirmation from the Group's parent entity (Nippon Paper Industries Co., Ltd) that it will continue to provide financial support to the Group for the next 12 months (from the date of signing the 31 December 2019 financial report). It is the Group's intention to extend its loans and borrowings that fall due within the next 12 months with support from Nippon Paper Industries Co., Ltd (who is also the guarantor of the Group's loans and borrowings).

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair Value Measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Contingent consideration
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)
- Non-cash distribution

c) Revenue from contracts with customers

The Group is in the business of manufacturing and selling paper products. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sales Revenue

The Group's contracts with customers for the sale of paper related products generally include one performance obligation. The Group has concluded that revenue should be recognised at the point in time when control of the asset is transferred to the customer. On adoption of AASB 15, it is assessed that there is no significant impact on the timing of revenue recognition compared to our previous policy. The good is transferred when or as the customer obtains control of the asset. Control of an asset means that the customer must have the present right to direct its use and obtain substantially all the remaining benefits from the asset. Revenue is accounted for net of the amount of goods and services tax (GST) payable to the taxation authority.

Factors which may include that control is passed at a point in time include:

- The Group has a present right to payment for the assets;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has significant risks and rewards related to the ownership of the asset; and
- The customer has accepted the asset.

Commissions

Revenue for commissions is recognised when the applicable sale is completed.

Rebates

The Group provides retrospective rebates to certain customers based on the terms of their agreements. Rebates are offset against amounts payable by the customer. The group accrues rebates which are offset against sales revenue at the time of sale.

Warranty obligations

The Group typically provides warranties for defects that existed at the time of sale, as required by law. There assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

d) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant from the carrying amount of the asset and it is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

e) Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Foreign Currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

g) Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 16) for further information about the recognised decommissioning provision.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Land improvement: between 1% -3%
- Buildings: between 1% - 4%
- Plant and equipment: between 1.5% – 20%
- Finance leases for equipment: between 4% - 20%

Depreciation and amortisation are expensed except to the extent they are included in the carrying amount of an asset as an allocation of production overheads.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leased Assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years
- Property 3 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

i) Net Financing Costs

Net financing costs comprise interest and other financing charges excluding net foreign exchange gains and losses. These costs are brought to account in determining profit for the year, except to the extent the interest incurred relates to major capital items in which case interest is capitalised as a cost of the asset up to the time it is ready for its intended use or sale.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

For fixed assets, the capitalised interest and charges are amortised over the expected useful economic lives.

j) Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The period of amortisation equates to the period over which benefits are expected to be derived.

k) Financial Instruments

The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group uses the following financial instruments to hedge these risks: forward exchange contracts, interest rate swaps and net investment hedges. Financial instruments are not held for trading purposes.

Derivative Instruments

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The increased volatility in natural gas prices has led to the decision to enter into commodity swap contracts.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Financial Instruments included in Liabilities

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity and are stated at amortised cost.

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost. Any difference between cost and redeemable value is recognised as interest expense, on an effective interest basis in net financing costs over the period of the borrowings.

Liabilities are classified as non-current when the Consolidated Entity has an unconditional right to defer settlement for at least 12 months after the reporting period.

Financial Instruments Included in Assets

Trade debtors and other receivables are carried at amortised cost less any impairment losses. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

Investments are initially recorded at cost and are subject to impairment testing at each reporting date. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

l) Inventories

Inventories are valued at the lower of cost (including an appropriate proportion of fixed and variable overheads) and net realisable value in the normal course of business.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The provision for impairment losses is based on an ageing analysis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

m) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to any goodwill allocated to the cash generating unit, and then to other assets in the unit on a pro rata basis.

Recoverable Amount

The recoverable amount of receivables carried at cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate.

Reversals of Impairment

In respect of property, plant and equipment, an impairment loss is reversed only if there is an indication that the impairment loss may no longer exist or there has been a change in estimates used to determine the recoverable amount.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

o) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends on Ordinary Shares

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring

A provision for restructuring is recognised when the Consolidated Entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced.

Environmental Remediation

A provision for environmental remediation is recognised when a legal or constructive obligation to remediate exists due to the impact of a past event, and the provision can be reliably estimated.

o) Pensions and other post-employment benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the high quality corporate bonds which have maturity dates approximating to the terms of the Consolidated Entity's obligations.

Liabilities for employee benefits for wages, salaries, annual leave, long service leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits such as medical care, housing, cars and subsidised goods and services, are expenses based on the net marginal cost to the Consolidated Entity as the benefits, are taken by the employees.

Employee Retirement Benefit Obligations

The Consolidated Entity has both defined benefit and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date published by Milliman Australia as suitable for AASB 119 valuations.

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

Past service costs are recognised immediately in income, unless the related changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

2.4 Changes in accounting policies and disclosures

➢ **New and amended standards and interpretations**

The Group applied AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

➢ ***AASB 16 Leases***

AASB 16 supersedes AASB117 Leases, Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting AASB 16 is shown at Note 19.

➢ ***Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Note 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These are discussed below:

a) Impairment of Non-Current assets

The Consolidated Entity assesses whether non-current assets are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash generating units to which the non-current assets are allocated based on forecast future cash flows and certain related assumptions. The Company has applied the following key assumptions/inputs to its recoverable amount analysis: (1) Board approved cash flow forecasts, (2) Post-tax discount rate of 9.20% and (3) EBITDA growth rate of 3%. These key assumptions/inputs are re-assessed annually or when the recoverable analysis is performed.

b) Provision for expected credit losses of trade receivables

The Group is to maintain an appropriate amount in a provision for doubtful debts, over and above any credit insurance. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with industries standards or practices and forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. The assessment of the correlation between historical observed default rates, industries standards or practices and forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 13.

c) Defined Benefit Superannuation Fund Obligations

Various actuarial assumptions are utilised in the determination of the Consolidated Entity's defined benefit superannuation fund obligations. These assumptions are discussed in Note 20.

d) Environmental remediation

The Consolidated Entity assesses if it has any environmental remediation liabilities or contingent liabilities on an annual basis. The assessment makes reference to both internal and external (including government agency) reviews that are conducted during the reporting period.

e) Taxation

The Company's accounting policy for taxation requires management's judgement. Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets arising from temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

f) Leases

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Note 4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 31 December 2019 Segments	**Paper & Packaging**	**Envelopes & Stationery**	**Pulp**	**Total**
	$'000	$'000	$'000	**$'000**
Sales of Paper Products	735,509	38,696	11,331	**785,536**
Total Sales Revenue	**735,509**	**38,696**	**11,331**	**785,536**

For the year ended 31 December 2018 Segments	**Paper & Packaging**	**Envelopes & Stationery**	**Pulp**	**Total**
	$'000	$'000	$'000	**$'000**
Sales of Paper Products	724,277	47,468	8,129	**779,874**
Total Sales Revenue	**724,277**	**47,468**	**8,129**	**779,874**

4.2 Performance obligations

Information about the Group's performance obligations are summarised below:

Paper Products:

The sale of paper products is satisfied upon delivery of the paper products and the majority of payment is generally due as per our standard terms and conditions, which is end of month plus 30 days.

Note 5. Group information

The holding company

The ultimate controlling party of the Group is Nippon Paper industries Co. Ltd, incorporated in Japan

Information about subsidiaries

The consolidated financial statements of the Group include:

Subsidiaries	**Country of incorporation**	**Ownership interest 2019**	**2018**
Australian Paper Pty Ltd	Australia	100%	100%
Paper Products Marketing Pty Ltd	Australia	100%	100%
Paper Products Marketing Taiwan Ltd	Taiwan	80%	80%
Paper Products Marketing Hong Kong Ltd	Hong Kong	100%	100%
Paper Products Marketing Singapore Pte Ltd	Singapore	100%	100%
Paper Products Marketing USA Inc.	USA	100%	100%
Paper Products Marketing Europe GmbH	Germany	100%	100%
Maryvale Sustainable Energy Pty Ltd	Australia	100%	100%
Opal Packaging Australia Pty Ltd	Australia	100%	n/a
Opal Packaging New Zealand Limited	New Zealand	100%	n/a
Opal Commercial Services Pty Ltd	Australia	100%	n/a
Australian Paper Pty Ltd (New Zealand Branch)	Australia	100%	n/a

Note 6. Fair value measurement

Fair value measurement for assets as at 31 December 2019

	Date of Valuation	$'000
Derivatives - at fair value	31-Dec-19	730
		730

Fair value measurement for assets as at 31 December 2018

	Date of Valuation	$'000
Derivatives - at fair value	31-Dec-18	(4,010)
		(4,010)

Note 7. Other income/expenses

7.1 Other operating income

	2019	2018
	$'000	$'000
Net foreign exchange gains	-	6,727
Commission	1,564	1,585
Other operating income	21,298	21,442
Total other income	**22,862**	**29,754**

7.2 Other operating expenses

	2019	2018
	$'000	$'000
Net foreign exchange losses	(3,877)	-
Rent	-	(2,989)
Depreciation	(6,303)	(1,112)
Insurance	(1,261)	(867)
Trading Expenses Other	(5,632)	(5,474)
Total other operating expenses	**(17,073)**	**(10,442)**

7.3 Finance costs

	2019	2018
	$'000	$'000
Interest on debts and borrowings	(8,757)	(9,455)
Interest on Right of Use Leases Assets	(187)	-
Total finance costs	**(8,944)**	**(9,455)**

7.4 Finance income

	2019	2018
	$'000	$'000
Interest income	248	251
Total finance income	**248**	**251**

7.5 Depreciation, amortisation, lease payments, foreign exchange differences and costs of inventories

	2019	2018
	$'000	$'000
Included in the cost of sales:		
Depreciation	34,982	33,880
Cost of inventories recognised as an expense	698,318	563,780
Variable lease payments (Note 19)	115	-
Expenses relating to short term leases (Note 19)	203	-
Included in general and administration:		
Depreciation	6,303	1,112
Amortisation and impairment of intangible assets (Note 10)	341	206
Net foreign exchange differences	3,877	(6,742)

7.6 Employee benefits expense

	2019	2018
	$'000	$'000
Salaries and wages	130,840	131,323
Superannuation	11,360	11,066
Total Employee Benefits	**142,200**	**142,389**

7.7 Research and development costs

	2019	2018
	$'000	$'000
Research & Development	819	908

The Group's manufacturing plant Maryvale's research & development concentrates on the new product development, various product & efficiency related testings & technical service charges. Based on the projects, the Group engaged external parties to conduct R&D on behalf of the Group. R&D costs that are not eligible for capitalisation have been expensed in the period incurred (in 2019, this was $819,074 (2018: $907,537)), and they are recognised in a separate line item in profit & loss.

Note 8. Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Consolidated profit or loss	**2019**	**2018**
	$'000	**$'000**
Current income tax:		
Current income tax charge	143	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(4,197)	54
Income tax expense reported in the statement of profit or loss	**(4,054)**	**54**

Consolidated profit or loss

	2019 $'000	2018 $'000
Deferred tax related to items recognised in OCI during the year		
Deferred tax charged to OCI	56	1,360

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2018 and 2019:

Consolidated profit or loss

	2019 $'000	2018 $'000
Accounting profit before tax from continuing operations	(16,542)	838
Accounting profit before income tax	**(16,542)**	**838**
At the Australian statutory income tax rate of 30% (2018: 30%)	(4,963)	251
Net temporary differences and tax losses not recognised	909	(197)
At the effective income tax rate of 24.5% (2018: 6%)	**(4,054)**	**54**

Deferred Tax

Deferred Tax relates to the following

	Consolidated statement of financial position		Consolidated statement of profit and loss	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Property, plant and equipment	13,992	10,200	(3,792)	(387)
Provisions and employee benefits	17,302	17,025	(203)	633
Trading stock provision and valuation adjustments	2,785	2,585	(202)	(139)
Prior period balance adjustments			-	(53)
Actual gains on defined benefit plan	(3,750)	(3,805)		
Deferred tax expense/(benefit)			**(4,197)**	**54**
Net deferred tax assets/(liabilities)	**30,329**	**26,005**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	30,329	26,005		
Deferred tax assets, net	**30,329**	**26,005**		

Reconciliation of deferred tax assets, net

	2019 $'000	2018 $'000
As of 1 January	26,005	24,537
Tax income/(expense) during the period recognised in profit or loss	4,197	(54)
Tax income/(expense) during the period in OCI	56	1,575
Prior period balance adjustment	71	(53)
As at 31 December 2019	**30,329**	**26,005**

The Group has tax losses that arose in Australia during the current year of $37.2 million (2018: $20.1 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Tax consolidation

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Tax related contingencies

There were no tax related contingencies during the period

Note 9. Property, plant and equipment

	Freehold Land & Buildings	Plant & Machinery	Assets under Construction	Other Equipment	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost or valuation					
At 1 January 2018	168,405	2,159,155	13,156	194	2,340,910
Additions	43	38,346	11,455	-	49,844
Settlements from AuC	-	9,353	(9,353)	-	-
At 31 December 2018	**168,448**	**2,206,854**	**15,258**	**194**	**2,390,754**
Additions	21	3,271	26,103	-	29,395
Disposals	-	(11,756)	-	-	(11,756)
Settlements from AuC	-	4,968	(4,968)	-	-
At 31 December 2019	**168,469**	**2,203,337**	**36,393**	**194**	**2,408,393**
Depreciation and impairment					
At 1 January 2018	108,914	1,691,777	-	138	1,800,829
Depreciation charge for the year	2,545	32,362	-	34	34,941
At 31 December 2018	**111,459**	**1,724,139**	**-**	**172**	**1,835,770**
Depreciation charge for the year	2,545	33,521	-	22	36,088
Disposals		(8,692)	-	-	(8,692)
At 31 December 2019	**114,004**	**1,748,968**	**-**	**194**	**1,863,166**
Net book value					
At 31 December 2019	54,465	454,369	36,393	-	545,227
At 31 December 2018	56,989	482,715	15,258	22	554,984

Assets under construction

Included in property, plant and equipment is expenditure relating to plant in the course of construction.

Note 10. Intangible assets

		Computer Software	Other Intangible Assets	Total
		$0	$0	$0
Cost				
	At 1 January 2018	83,033	1,132	84,165
	Additions	177	-	177
At 31 December 2018		**83,210**	**1,132**	**84,342**
	Additions	144	-	144
At 31 December 2019		**83,354**	**1,132**	**84,486**
Amortisation and impairment				
	At 1 January 2018	82,619	485	83,104
	Amortisation	155	207	362
At 31 December 2018		**82,774**	**692**	**83,466**
	Amortisation	139	206	341
At 31 December 2019		**82,909**	**898**	**83,807**
Net book value				
At 31 December 2019		441	234	675
At 31 December 2018		436	440	876

Note 11. Financial assets and financial liabilities

11.1 Financial assets

	2019 $'000	2018 $'000
Derivatives designated as hedging instruments	730	-

11.2 Financial liabilities: Interest-bearing loans and borrowings

	Interest Rate	Maturity	2019	2018
Loans and borrowings - current	%		$'000	$'000
Bank Loans	BBSW / LIBOR+0.5	2020	133,615	75,485
	1.3258-5.07	2020		
Other loans				-
Loans from related parties, **Note 22**	BBSW+0.5			
	HIBOR+0.5	2020	69,522	68,799
	TIBOR+0.5			
			203,137	144,284
Loans and borrowings - non current				
Bank Loans	2.48-5.07	2020-2024	43,900	106,800
			43,900	106,800

	2019	2018
	$'000	$'000
Derivatives designated as hedging instruments	-	(4,010)

11.3 Hedging activities and derivatives

Cash flow hedges

- **Foreign currency risk**

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cashflow hedges of (1) forecast sales in US dollar and forecast purchases in US dollar or (2) committed purchases in US dollar or Euro. These forecast transactions are highly probable, and they comprise about 50-75% of the net of Group's total expected sales in US dollars and its total expected purchases in US dollar. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. The cash flow hedges of the expected future sales and purchases in 2019 were assessed to be highly effective. Comparatively, the cash flow hedges of the expected future sales and purchases in 2018 were assessed to be highly effective.

	2019	2018
	$'000	$'000
Foreign currency forward contracts designated as hedging instruments		
Fair Value	(1,374)	2,026

- **Commodity price risk**

The Group purchases natural gas on an ongoing basis as its operating activities require a continuous supply of natural gas for the production of pulp and paper products. The increased volatility in natural gas prices has led to the decision to enter into commodity swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of natural gas. Hedging the price volatility of forecast natural gas purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period 36 months, based on existing purchase agreements. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The cumulative effective portion is reflected in OCI and will affect the profit or loss for 2018 to 2020.

	2019	2018
	$'000	$'000
Commodity swap contracts designated as hedging instruments		
Fair Value	2,824	(1,004)

- **Interest Rate risk**

The Group borrows funds at both fixed and floating interest rates. Interest rate swap contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of interest paid under loan agreements with floating interest.

	2019	2018
	$'000	$'000
Interest rate swap contracts designated as hedging instruments		
Fair Value	(720)	(981)

11.4 Financial Instruments Risk Management Objectives and Policies

- **Foreign currency risk**

The Group is exposed to foreign exchange risk because of its sales in foreign currency and its purchases in foreign currency. These risks relate to future commercial transactions, financial assets and liabilities not denominated in AUD$ and net investments in foreign operations. Where possible loans are drawn in foreign currency 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.

- **Commodity price risk**

The Group is exposed to changes in commodity prices in respect of the purchase of natural gas. The Group's policy is to hedge contractual commitments linked to commodity index price for Brent Oil by entering into commodity swap contracts.

- **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.

Note 12. Inventories

At the lower of cost and net realisable value:	2019 $'000	2018 $'000
Raw materials and engineering stores	77,537	71,203
Provision for impairment losses	(7,925)	(7,216)
Net raw materials and engineering stores	69,612	63,987
Work in progress	12,279	11,250
Finished goods	68,699	61,475
Provision for impairment losses	(1,378)	(1,466)
Net finished goods	67,321	60,009
Total inventories	**149,212**	**135,246**

During 2019, $0.902 million (2018: ($0.731 million)) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Note 13. Trade and Other Receivables

	2019 $'000	2018 $'000
Trade debtors	92,941	88,714
Provision for doubtful debts	(197)	(210)
Net Trade Debtors	92,744	88,504
Other Debtors	5,472	11,025
Trade and Other Receivables	**98,216**	**99,529**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 22. As at 31 December 2019, trade receivables with an initial carrying value of $197,000 (2018: $210,000) were impaired and fully provided for.

Note 14. Cash and cash equivalents

	2019 $'000	2018 $'000
Current Assets		
Cash and cash equivalents	**29,888**	**43,254**

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

Note 15. Issued capital and reserves

	2019	2018
	$'000	$'000
Issued Capital		
Balance at the beginning of the year	**662,280**	**662,280**
Balance as at the end of the year	662,280	662,280

OCI Items, net of tax:

The disaggregation of changes of OCI by each type of reserve is shown below:

As at 31 December 2019

	Cash flow hedge reserve	Foreign currency translation reserve	Retained Earnings	Total
Net gain/(loss) from Cash Flow Hedging	4,743	-	-	4,743
Foreign exchange translation differences	-	82	-	82
Remeasured on defined benefit plan	-	-	(130)	(130)
	4,743	**82**	**(130)**	**4,695**

As at 31 December 2018

	Cash flow hedge reserve	Foreign currency translation reserve	Retained Earnings	Total
Net gain/(loss) from Cash Flow Hedging	(17,643)	-	-	(17,643)
Foreign exchange translation differences	-	2,586	-	2,586
Remeasured on defined benefit plan	-	-	(3,175)	(3,175)
	(17,643)	**2,586**	**(3,175)**	**(18,232)**

Note 16. Provisions

	Employee Benefits	Environmental	Other	Total
	$'000	$'000	$'000	$'000
At 1 January 2019	**43,902**	**6,405**	**1,763**	**52,070**
Arising during the year	12,227	423	55	**12,705**
Utilised	(13,120)	-	(1,744)	**(14,864)**
At 31 December 2019	**43,009**	**6,828**	**73**	**49,910**
Current	41,952	2,200	73	44,225
Non Current	1,057	4,628	-	5,685

	Employee Benefits	Environmental	Other	Total
	$'000	$'000	$'000	$'000
At 1 January 2018	**43,243**	**6,068**	**1,256**	**50,567**
Arising during the year	18,369	337	589	**19,295**
Utilised	(17,710)	-	-	**(17,710)**
Unused Amounts Reverses	-	-	(82)	**(82)**
At 31 December 2018	**43,902**	**6,405**	**1,763**	**52,070**
Current	42,819	2,200	1,763	46,782
Non Current	1,083	4,205	-	5,288

The Company has provided for $43.008 million (2018: $43.902 million) for employee benefits regarding annual leave, long service leave, sick leave and work cover.

The Company has provided $6.828 million (2018: $6.405 million) for environmental remediation costs regarding landfill and salt cake area works at the Maryvale mill.

Note 17. Government grants

	2019	2018
	$'000	$'000
At 1 January	13,260	-
Received during the year	7,323	13,500
Released to the statement of profit or loss	(525)	(240)
At 31 December	20,058	13,260
Current	14,298	7,500
Non-current	5,760	5,760

Note 18. Trade and other payables

	2019	2018
	$'000	$'000
Trade creditors	74,535	64,760
Other creditors	40,400	42,700
	114,935	**107,460**

Trade and other payables are non-interest bearing and are normally settled on terms ranging from 30 to 60 days.

Note 19. Leases

Group as a lessee

The Group has lease contracts for property, various items of plant, machinery, vehicles and other equipment used in its operations. Leases of property generally have lease terms of 3 to 10 years, plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years.

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

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Motor Vehicles	Plant and machinery	Property	Total
	$'000	$'000	$'000	$'000
As at 1 January 2019	2,062	927	5,512	8,501
Additions	1,000	51	4,770	5,821
Depreciation Expense	(930)	(941)	(3,332)	(5,203)
As at 31 December 2019	**2,132**	**37**	**6,950**	**9,119**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2019	2018
	$'000	$'000
As at 1 January	8,501	-
Additions during the year	5,813	-
Accretion of interest	188	-
Payments	(5,302)	-
As at 31 December	**9,200**	-
Current	3,402	-
Non-Current	5,798	-

The following are the amounts recognised in profit or loss:

	2019	2018
	$'000	$'000
Depreciation expense of right-of-use assets	5,203	-
Interest expense on lease liabilities	188	-
Total amount recognised in profit or loss	**5,391**	-

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Less than one year	One to five years	More than five years	Total
	$'000	$'000	$'000	$'000
Extension options expected not to be exercised	-	2,262	5,614	8,236
	-	2,262	5,614	8,236

On transition to AASB 16, the Group recognised an additional $8,501,116 of right-of-use assets and $8,501,116 of lease liabilities. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.05%. The difference of $1,706,479 between operating lease commitment at 31 December 2018 and undiscounted lease payments at 1 January 2019 is attributed primarily to the exclusion of payments for non-lease components (e.g. outgoings in property leases), leases of low-value items, short-term leases, and inclusion of lease payment escalations based on an index or rate.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Assets	**$'000**
Operating lease commitments at 31 December 2018	10,421
Weighted average incremental borrowing rate as 1 January 2019	2.05%
Less:	
Commitments relating to exclusion of payments for non-lease components, leases of low-value items, short term leases and inclusion of lease payments escalations	1,706
Undiscounted lease liability as 1 January 2019	8,715
Discounted lease payments using the incremental borrowing rate at 1 January 2019	8,501
Lease liabilities recognised at 1 January 2019	

Note 20. Pension and other post-employment benefit plans

Australian Paper defined benefit sub plan

	2019	**2018**
	$'000	**$'000**
Defined benefit obligation	(34,897)	(40,792)
Fair value of assets	47,396	53,476
Net defined benefit asset/(liability)	**12,499**	**12,684**
Benefits paid	(11,315)	(3,236)

Paper Australia Pty Ltd sponsors the Paper Australia Sub Fund, a defined benefit sub fund of the Amcor Superannuation Plan and part of the Plum Superannuation Fund.

2019 changes in the defined benefit obligation and fair value of plan assets:

	01 January 2019	**Other Changes**	**Benefits Paid**	**Contributions by employer**	**31 December 2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Defined benefit obligation	(40,792)	(5,420)	11,315	-	(34,897)
Fair value of plan assets	53,476	5,211	(11,315)	23	47,396
Net defined benefit asset/(liability)	**12,684**	**(209)**	**-**	**23**	**12,498**

The principal assumptions used in determining the post-employment defined benefit obligations for Australian Paper plans are shown below:

	2019	2018
	%	%
Discount rate	2.00	3.25
Future salary increases	2.50	2.50

Employer contributions

Employer contributions to the defined benefit section of Australia Paper's plans are based on recommendations by the plan's actuaries. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

On the recommendation of the plan actuaries and the trustees of the fund, the employer contribution made to the fund has ceased for the period from 1 August 2016 to 30 June 2020. This is due to the surplus of $12.49m in the plan as at 31 December 2019 and surplus of $12.68m as at 31 December 2018.

The Company is currently on a contribution holiday in relation to defined benefit members as advised by the Plan Actuary in a report dated 18 Dec 2019.

Note 21. Commitments and contingencies

Commitments

Other lease commitments - Group as lessee

The Group has some other lease contracts (on top of note 19 Lease) that have not yet commenced as at Dec 2019. The future lease payments for non-cancellable lease contracts are $50,000 within one year, $210,000 within five years.

Capital expenditure commitments

At 31 December 2019 the Group had commitments relating to capital expenditure on plant and equipment contracted but not provided for of $ 4,002,738 (2018: $6,277,895)

Contingent Liabilities

Environmental

The Company has possible future expenditure obligations for environmental remediation regarding various aspects at the Maryvale mill. The contingent liability based upon preliminary independent reports is $17.42 million (2018: $17.23 million)

Guarantees

The Company has issued performance and financial guarantees to the value of $14.66 million (2018: $14.66 million) to unrelated parties as at 31 December 2019.

Note 22. Related party disclosures

Note 5 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides he total amount of transactions that have been entered into with related parties for the relevant financial year.

a) Sales to & Purchases from related parties		**Sales to related parties**	**Purchased from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
		$'000	**$'000**		**$'000**
Ultimate holding company:					
Nippon Paper Industries Co. Ltd	**2019**	1,867	30,249	7	4,680
	2018	-	38,069	-	6,710

The amounts are classified as trade receivables and trade payables respectively.

b) Loans from related parties		**Interest Paid**	**Amounts owed to related parties**
Ultimate holding company		**$'000**	**$'000**
Nippon Paper Industries Co. Ltd	**2019**	-	-
	2018	-	-
Entity under common control			
Nippon Paper Recourses Australia Pty Ltd	**2019**	288	14,500
	2018	356	14,500
Dyna Wave Holding Asia			
	2019	1,364	55,022
	2018	1,160	54,299

The unsecured loans are made from entities under common control on an arm's length basis. Repayment terms are set for each loan, which range from 88 to 94 days. Interest is payable at 1.39000% to Nippon Paper Resources Australia Pty Ltd and payable at 2.95232% to Dyna Wave Holding Asia. Interest repayments are made over the terms of the loans.

c) Transactions with key management personnel

	2019	**2018**
Compensation of key management personnel of the Group	**$'000**	**$'000**
Total Compensation paid to key management personnel	1,106	1,295

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel

Note 23. Events after the reporting period

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

On 30 April 2020 Paper Australia successfully completed its $1.72 billion acquisition of the Orora Fibre Businesses. This acquisition is part of a long term, strategically integrated approach to targeted growth in the Australia and New Zealand packaging markets.

Note 24. Auditors' remuneration

The auditor of Paper Australia Pty Ltd is Ernst & Young Australia

	2019 $'000	2018 $'000
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	372	358
Other services in relation to the entity and any other entity in the consolidated group	151	96
	523	454

Note 25. Information relating to Paper Australian Pty Ltd (the Parent)

	2019 $'000	2018 $'000
Current assets	267,373	260,902
Total assets	863,321	867,597
Current liabilities	379,667	314,154
Total liabilities	429,200	426,190
Issued capital	662,280	662,280
Accumulated losses	(226,107)	(214,078)
Reserves	(2,052)	(6,795)
	434,121	441,407
Profit or loss of the Parent entity	(11,900)	(3,669)
Total comprehensive income or loss of the Parent entity	(7,285)	(21,312)

Directors' declaration

In accordance with a resolution of the directors of Paper Australia Pty Ltd, I state that:

(a) the financial statements and notes, set out on pages 6 to 36, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

(ii) complying with *Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001;*

(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.

On behalf of the board

Tomoaki Koyanagi

Tomoaki Koyanagi

Director and Chief Executive Officer

7 May 2020

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Independent Auditor s eport to the e ers of Paper Australia Pty Ltd

Opinion

e have audited the financial report of Paper Australia Pty Ltd the Company) and its subsidiaries collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date and

b) complying with Australian Accounting Standards educed Disclosure equirements and the *Corporations ations 2001*.

Basis for Opinion

e conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *A itor s sponsi i iti s or t A it o t inancia port* section of our report. e 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 *Co o t ics or ro ssiona Acco ntants* the Code) that are relevant to our audit of the financial report in Australia. e have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting and Restriction on Use

e draw attention to ote 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors financial reporting responsibilities under the *Corporations Act 2001* and to meet *ction CA* of the *a ation A inistration Act 1* Our report is intended solely for Paper Australia Pty Ltd and its members and should not be used by parties other than Paper Australia Pty Ltd and its members. Our opinion is not modified in respect of this matter

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phasis of atter ents After the eportin Period ID

e draw attention to ote 23 of the financial report which notes the orld ealth Organisation s declaration of the outbreak of COVID 19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in ote 23, no ad ustments have been made to financial statements as at 31 December 2019 for the impacts of COVID 19. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information is the directors report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our ob ectives 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. easonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

EY

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

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

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

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

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

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

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

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

Ernst + Young

Ernst & Young

Jacob Gossan
Partner
Melbourne
7 May 2020

Australian Securities & Investments Commission

Electronic Lodgement

Document No. **7EBH88181**

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Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

PAPER AUSTRALIA PTY LTD

ACN

061 583 533

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date
31-12-2020

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
1515306000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
3101884000

How many employees are employed by the large proprietary company and the entities that it controls?
4127

How many members does the large proprietary company have?
15

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

Details of current auditor or auditors

Current auditor

Date of appointment **18-02-2010**

Name of auditor

ERNST & YOUNG

Address

8 EXHIBITION STREET
MELBOURNE VIC 3000

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been submitted by

Name Katrina Diana BOBEFF

Date 31-05-2021

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2020

PAPER AUSTRALIA Pty Ltd

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' Report

The Directors present their report together with the financial report of Paper Australia Pty Ltd ('the Company') and its subsidiaries together referred to as 'the Group', for the year ended 31 December 2020 and the auditor's report thereon.

Directors

The names of the Directors of Paper Australia Pty Ltd in office at any time during or since the end of the financial year are:

- Tomoaki Koyanagi
- Peter Williams (resigned 30 March 2020)
- Mizuho Ishida – (resigned 17 June 2020)
- Seiya Nozu (appointed 1 April 2020)
- Yoshifumi Nagaura – (appointed 18 June 2020)
- Masanobu Iizuka – (appointed 25 June 2020)
- Hiroya Kakehashi – (appointed 25 June 2020)

Principal Activities

The principal activities of the Consolidated entity are the manufacture, sale and distribution of packaging papers and products, office and printing papers, and envelope and stationery products. The acquisition of the Orora Fibre Businesses on 30 April 2020 significantly enhanced the entity's packaging business and introduced box manufacturing and distribution to the group. The acquisition was significant relative to the pre-existing business base.

Review and Results of Operations

Paper Australia Pty Ltd primarily services the Australian and New Zealand market directly and through sales to merchant operations, office suppliers, printing papers users, and packaging manufacturers.

The Company is highly integrated in the packaging, office and printing papers segments and has numerous channels to market. Australian and New Zealand customers benefit from expert local manufacturing capabilities, diverse product offering, superior service, customer support, and extensive and efficient logistics solutions.

The Paper Australia Pty Ltd consolidated group's net loss after tax was ($178.96m) million (2019: loss of $12.49 million). On 30 April 2020 Paper Australia successfully completed the $1.78 billion acquisition of the Orora Fibre Businesses. The new and old integrated businesses are known as Opal. The acquisition is consistent with the company's strategy to strengthen its business presence in Australia and New Zealand by leveraging integrated business opportunities and realising operating synergies. Included in the net loss after tax were transaction and transitions costs of $86.88m relating to the acquisition.

The underlying financial performance of the business during the reporting period was mixed. COVID-19 had a significant impact on demand for domestic & export office and printing papers resulting in deteriorating selling prices and lower returns. Although also under pressure from reduced demand, the packaging business performed relatively better, but performance was still down on the previous corresponding period. Towards the end of 2020 and into 2021 local and international business conditions improved and pricing performance is providing increased confidence for the 2021 full year.

Significant Changes in the State of Affairs

The acquisition of the Orora Fibre business provides Paper Australia Pty Ltd a unique opportunity to consolidate manufacturing and distribution assets and improve financial performance. The "One Opal" initiative is underway and will unify the whole business in driving operating efficiency, overhead reduction, and improved customer experience.

Despite being materially impacted by COVID-19, Paper Australia Pty Ltd was able to maintain business continuity throughout the pandemic to supply essential services such as recycling, paper, and board products; and support other essential services in the broader community.

Environmental Regulation

The Group is subject to significant environmental regulation, in particular with respect to its manufacturing activities. Environmental performance obligations are monitored by management and subject to internal audits as well as independent external and government agency audits and site inspections.

The Company is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities initially for the 12 months ended 30 June 2011 and subsequently for future periods. The Company has established data collection systems and processes are in place to meet these requirements.

Future Developments/Outlook

A key focus will be to realise the synergies associated with the acquisition of Orora Fibre Business. Plans have been developed are progressing well.

Despite the ongoing global impacts of the COVID-19 pandemic, the domestic economy has rebounded, and business conditions and confidence are at multi-year highs. This confidence is expected to continue through 2021 and should support improved profitability in all of Paper Australia Pty Ltd.'s business segments.

Dividends

The Company has not declared or paid any dividend for the year ended 31 December 2020 (2019: $nil).

Indemnities and Insurance

The Company has agreements with each of the Directors of the Company in office at the date of this report, and certain present and former Officers of the Company, indemnifying those Officers against liabilities 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, except where the liability arises out of conduct involving a lack of good faith or unlawful activity.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Audit Services

The Company has obtained an independence declaration from its auditors, Ernst & Young, which has been attached to this report.

Non-audit Services

In addition to the statutory audit work during the year, the Company's auditors, Ernst & Young, has provided certain non-audit services, including:

- Foreign employee tax services and visa application
- Worksafe Victoria self-insurance provision report
- Emissions Intensive Trade Exposed exemption certificate
- Fringe Benefits Tax review
- Transaction Due Diligence support

The Company has strict criteria relating to the engagement of the auditor for non-audit services. Directors at the time have reviewed the nature of non-audit services being provided, as well as their cost, and believe the provision of these services does not impair the integrity and objectivity of the auditors and is compatible with the general standard of independence for auditors imposed by the Corporations Act. In the current year, the Company has also engaged the services of other accounting firms to perform a variety of non-audit assignments.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Signed in accordance with a resolution of the Directors

Masanobu Iizuka

Director and Chief Executive Officer

17 May 2021

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Paper Australia Pty Ltd

As lead auditor for the audit of the financial report of Paper Australia Pty Ltd for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Paper Australia Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

K Brown

Kester Brown
Partner
17 May 2021

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Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	Dec-20 $'000	Dec-19 $'000
Continuing operations			
Revenue	4.1	1,515,306	785,536
Revenue		**1,515,306**	**785,536**
Cost of sales		(1,353,078)	(715,584)
Gross Profit		**162,228**	**69,952**
Other income	8.1	11,108	22,862
Personnel costs non-manufacturing		(93,119)	(31,837)
Logistics and distribution		(90,368)	(44,943)
General and administration	8.2	(130,183)	(17,073)
Sales and marketing		(30,706)	(5,988)
Research and development	8.6	(1,035)	(819)
Operating Profit/(Loss)		**(172,075)**	**(7,846)**
Finance income	8.4	75	248
Finance expenses	8.3	(11,902)	(8,944)
Profit/(Loss) before tax from continued operations		**(183,902)**	**(16,542)**
Income tax expense	9	4,938	4,054
Profit/(Loss) for the year		**(178,964)**	**(12,488)**
Other comprehensive Income/(loss)			
Net foreign exchange differences on translation of overseas subsidiaries	17	(2,701)	82
Net gains/(losses) on cash flow hedges net of tax	17	(6,362)	4,743
Actuarial gains/(losses) on defined benefit plans net of tax	17	(2,860)	(130)
Other comprehensive income for the year net of tax		(11,923)	4,695
Total comprehensive Gain/(loss) for the year		**(190,887)**	**(7,793)**
Profit/(loss) attributable to:			
Owners of the parent		(178,991)	(12,478)
Non-controlling interest		27	(10)
		(178,964)	**(12,488)**
Total comprehensive gain/(loss) for the year is attributable to:			
Owners of the parent		(190,908)	(7,783)
Non-controlling interest		21	(10)
		(190,887)	**(7,793)**

Consolidated statement of financial position

As at 31 December 2020	Notes	Dec-20 $'000	Dec-19 $'000
Current assets			
Cash and cash equivalents	15	110,514	29,888
Trade and other receivables	14	294,566	98,216
Prepayments		23,466	11,076
Derivatives	7, 12.2	-	730
Inventories	13	365,266	149,212
Income tax receivable		-	12
Total current assets		**793,812**	**289,134**
Non-current assets			
Property, plant and equipment	10	1,754,917	545,227
Goodwill and Intangible assets	11	227,949	675
Right of use assets	22	233,555	9,119
Deferred tax assets	9	44,392	30,329
Defined Benefit Plan	23	9,639	12,499
Other Assets	16	37,620	1,110
Total non-current assets		**2,308,072**	**598,959**
Total assets		**3,101,884**	**888,093**
Current liabilities			
Trade and other payables	20	285,067	114,935
Loans and borrowings	12.3	227,049	203,137
Provisions	18	136,576	44,225
Derivatives	7, 12.3	26,336	-
Other Financial Liabilities	22	37,095	3,402
Total current liabilities		**712,123**	**365,699**
Non-current liabilities			
Loans and borrowings	12.3	74,000	43,900
Other Financial Liabilities	22	182,540	5,798
Provisions	18	24,359	5,685
Other Creditors	21	32,738	-
Total non-current liabilities		**313,637**	**55,383**
Total liabilities		**1,025,760**	**421,082**
Net assets		**2,076,124**	**467,011**
Equity			
Issued capital	17	2,462,280	662,280
Reserves		(9,501)	(445)
Accumulated gains/(losses)		(376,856)	(195,005)
Minority interest		201	181
Total equity		**2,076,124**	**467,011**

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Attributed to the equity holders of the parent						
	Issued capital $'000	**Accumulated gains/(losses) $'000**	**Cash Flow Hedge reserve $'000**	**Foreign currency transaction reserve $'000**	**Total $'000**	**Non-controlling interest $'000**	**Total $'000**
At 1 January 2020	662,280	(195,005)	(2,052)	1,607	466,830	181	467,011
Net profit/(loss) for the year	-	(178,991)	-	-	(178,991)	27	(178,964)
Other comprehensive income/(loss)	-	(2,860)	(6,362)	(2,694)	(11,916)	(7)	(11,923)
Total comprehensive income/(loss) for the year	662,280	(376,856)	(8,414)	(1,087)	275,923	201	276,124
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	-	-
Issue of share capital	1,800,000	-	-	-	1,800,000	-	1,800,000
Other adjustments	-	-	-	-	-	-	-
At 31 December 2020	2,462,280	(376,856)	(8,414)	(1,087)	2,075,923	201	2,076,124

	Attributed to the equity holders of the parent						
	Issued capital $'000	**Accumulated gains/(losses) $'000**	**Cash Flow Hedge reserve $'000**	**Foreign currency transaction reserve $'000**	**Total $'000**	**Non-controlling interest $'000**	**Total $'000**
At 1 January 2019	662,280	(182,397)	(6,795)	1,525	474,613	191	474,804
Net profit/(loss) for the year	-	(12,478)	-	-	(12,478)	(10)	(12,488)
Other comprehensive income/(loss)	-	(130)	4,743	82	4,695	-	4,695
Total comprehensive income/(loss) for the year	662,280	(195,005)	(2,052)	1,607	466,830	181	467,011
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At 31 December 2019	662,280	(195,005)	(2,052)	1,607	466,830	181	467,011

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	Dec-20 $'000	Dec-19 $'000
Cash flows from operating activities			
Receipts from customers		1,657,910	865,915
Payments to suppliers and employees		(1,600,423)	(829,167)
Interest received		75	248
Interest paid		(11,902)	(8,944)
Income tax paid		(644)	(110)
Net cash flows from/(used in) operating activities		**45,016**	**27,942**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(60,344)	(38,433)
Acquisition of subsidiary, net of cash acquired		(1,747,407)	-
Government Grants Received		8,391	7,323
Net cash flows used in investing activities		**(1,799,360)**	**(31,110)**
Cash flows from financing activities			
Proceeds from share issue		1,800,000	-
Proceeds from borrowings		138,500	25,000
Repayments to borrowings		(78,900)	(29,896)
Payment of principal portion of lease liability		(24,630)	(5,302)
Net cash flows from/(used in) financing activities		**1,834,970**	**(10,198)**
Net increase/(decrease) in cash and cash equivalents		80,626	(13,366)
Cash and cash equivalents at the beginning of the year		29,888	43,254
Cash and cash equivalents at the end of the year	15	**110,514**	**29,888**

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of Paper Australia Pty Ltd and its subsidiaries (collectively, the Group or Consolidated Entity) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 17 May 2021. Paper Australia Pty Ltd (the Company, the parent or Consolidated Entity) is a for profit company limited by shares incorporated in Australia.

Note 2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit, private sector entity, which is not publicly accountable. Therefore, the consolidated financial statements for the Group are general purpose financial statements, which have been prepared in accordance with *Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).*

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001, Australian Accounting Standards* and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and contingent consideration, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

Going Concern

The Directors have prepared the 31 December 2020 financial report on a going concern basis. The Directors have received confirmation from the Group's parent entity (Nippon Paper Industries Co., Ltd) that it will continue to provide financial support to the Group for the next 12 months (from the date of signing the 31 December 2020 financial report). It is the Group's intention to extend its loans and borrowings that fall due within the next 12 months with support from Nippon Paper Industries Co., Ltd (who is also the guarantor of the Group's loans and borrowings).

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair Value Measurement

The Group measures financial instruments such as derivatives and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Contingent consideration
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)
- Non-cash distribution

c) Revenue from contracts with customers

The Group is in the business of manufacturing and selling paper and packaging products. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sales Revenue

The Group's contracts with customers for the sale of paper related products generally include one performance obligation. The Group has concluded that revenue should be recognised at the point in time when control of the asset is transferred to the customer. The Group continues to apply AASB 15 and there has been no significant impact on the timing of revenue recognition compared to our previous policy . The good is transferred when or as the customer obtains control of the asset. Control of an asset means that the customer must have the present right to direct its use and obtain substantially all the remaining benefits from the asset. Revenue is accounted for net of the amount of goods and services tax (GST) payable to the taxation authority.

Factors which may include that control is passed at a point in time include:

- The Group has a present right to payment for the assets;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has significant risks and rewards related to the ownership of the asset; and
- The customer has accepted the asset.

Rebates

The Group provides retrospective rebates to certain customers based on the terms of their agreements. Rebates are offset against amounts payable by the customer. The contract transaction price can vary due to volume or pricing rebates or early payment discounts. Variable consideration is estimated using the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold.

Warranty obligations

The Group typically provides warranties for defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Contract Assets are amounts incurred in obtaining a customer contract and is recognised as a contract cost over the term of the contract.

d) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant from the carrying amount of the asset and it is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

e) Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Foreign Currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

g) Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 17) for further information about the recognised decommissioning provision.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Land improvement: between 1% -3%
- Buildings: between 1% - 4%
- Plant and equipment: between 1.5% – 20%

Depreciation and amortisation are expensed except to the extent they are included in the carrying amount of an asset as an allocation of production overheads.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leased Assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years
- Property 3 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

i) Net Financing Costs

Net financing costs comprise interest and other financing charges excluding net foreign exchange gains and losses. These costs are brought to account in determining profit for the year, except to the extent the interest incurred relates to major capital items in which case interest is capitalised as a cost of the asset up to the time it is ready for its intended use or sale.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

For fixed assets, the capitalised interest and charges are amortised over the expected useful economic lives.

j) Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The period of amortisation equates to the period over which benefits are expected to be derived.

Intangible assets with finite lives are amortised on a straight line basis over their useful life. The amortisation period and method is reviewed at each financial year end. The estimated useful lives are as follows:

- Computer Software: between 2-5 years
- Customer Relationships: between 8-10 years
- Patents, Brands and Other Trademarks between 7-10 years

k) Financial Instruments

The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group uses the following financial instruments to hedge these risks: forward exchange contracts, interest rate swaps and net investment hedges. Financial instruments are not held for trading purposes.

Derivative Instruments

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The increased volatility in natural gas prices has led to the decision to enter into commodity swap contracts.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Financial Instruments included in Liabilities

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity and are stated at amortised cost.

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost. Any difference between cost and redeemable value is recognised as interest expense, on an effective interest basis in net financing costs over the period of the borrowings.

Liabilities are classified as non-current when the Consolidated Entity has an unconditional right to defer settlement for at least 12 months after the reporting period.

Financial Instruments Included in Assets

Receivables from contracts with customers are recognised if an amount of consideration that is unconditional is due from the customer. Trade debtors and other receivables are carried at amortised cost less any impairment losses. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts. The Entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Entity applies a simplified approach in calculating ECLs. Therefore, the Consolidated Entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Consolidated Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Investments are initially recorded at cost and are accounted for as Fair Value through P&L at each reporting date. This is for the exception of investments not held for trading, and therefore designated at inception as Fair Value through OCI.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Consolidated Entity has applied the practical expedient, the Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Consolidated Entity has applied the practical expedient are measured at the transaction price. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Consolidated Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Consolidated Entity commits to purchase or sell the asset

Cash and cash equivalents comprise cash balances and call deposits.

l) Inventories

Inventories are valued at the lower of cost (including an appropriate proportion of fixed and variable overheads) and net realisable value in the normal course of business.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The provision for impairment losses is based on an ageing analysis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

m) Impairment of Assets

The Group tests property, plant and equipment, right-of-use assets and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to any goodwill allocated to the cash generating unit, and then to other assets in the unit on a pro rata basis.

Recoverable Amount

The recoverable amount of receivables carried at cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate.

Reversals of Impairment

In respect of property, plant and equipment, an impairment loss is reversed only if there is an indication that the impairment loss may no longer exist or there has been a change in estimates used to determine the recoverable amount.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

o) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends on Ordinary Shares

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring

A provision for restructuring is recognised when the Consolidated Entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced.

Environmental Remediation

A provision for environmental remediation is recognised when a legal or constructive obligation to remediate exists due to the impact of a past event, and the provision can be reliably estimated.

o) Pensions and other post-employment benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the high quality corporate bonds which have maturity dates approximating to the terms of the Consolidated Entity's obligations.

Liabilities for employee benefits for wages, salaries, annual leave, long service leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits such as medical care, housing, cars and subsidised goods and services, are expenses based on the net marginal cost to the Consolidated Entity as the benefits, are taken by the employees.

Employee Retirement Benefit Obligations

The Consolidated Entity has both defined benefit and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date published by Milliman Australia as suitable for AASB 119 valuations.

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

Past service costs are recognised immediately in income, unless the related changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

p) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Note 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These are discussed below:

a) Impairment of Non-Current assets

The Group tests property, plant and equipment, right-of-use assets and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment. These calculations involve an estimation of the recoverable amount of the cash generating units to which the non-current assets are allocated based on forecast future cash flows and certain related assumptions. The Company has applied the following key assumptions/inputs to its recoverable amount analysis: (1) Board approved cash flow forecasts, (2) Post-tax discount rate of 8% and (3) EBITDA growth rate of 4%. These key assumptions/inputs are re-assessed annually or when the recoverable analysis is performed.

b) Provision for expected credit losses of trade receivables and contract assets

The Group maintains an appropriate amount in a provision for doubtful debts, over and above any credit insurance. The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with industries standards or practices and forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. The assessment of the correlation between historical observed default rates, industries standards or practices and forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 14.

c) Defined Benefit Superannuation Fund Obligations

Various actuarial assumptions are utilised in the determination of the Consolidated Entity's defined benefit superannuation fund obligations. These assumptions are discussed in Note 23.

d) Environmental remediation

The Consolidated Entity assesses if it has any environmental remediation liabilities or contingent liabilities on an annual basis. The assessment makes reference to both internal and external (including government agency) reviews that are conducted during the reporting period.

e) Taxation

The Company's accounting policy for taxation requires management's judgement. Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets arising from temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

f) Leases

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimating the incremental borrowing rate

In instances when the interest rate implicit in the lease is not readily determinable, The Group therefore uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Note 4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 31 December 2020

Segments	Paper & Packaging $'000	Envelopes & Stationery $'000	Pulp $'000	Total $'000
Sales of Paper Products	1,475,042	33,274	6,990	**1,515,306**
Total Sales Revenue	**1,475,042**	**33,274**	**6,990**	**1,515,306**

For the year ended 31 December 2019

Segments	Paper & Packaging $'000	Envelopes & Stationery $'000	Pulp $'000	Total $'000
Sales of Paper Products	735,509	38,696	11,331	**785,536**
Total Sales Revenue	**735,509**	**38,696**	**11,331**	**785,536**

4.2 Contract Balances

	2020	2019
	$'000	$'000
Trade Receivables	287,376	92,744
Contract Assets	7,498	-

4.3 Performance obligations

Information about the Group's performance obligations are summarised below:

Paper Products:

The sale of paper products is satisfied upon delivery of the paper products and the majority of payment is generally due as per our standard terms and conditions, which is end of month plus 30 days.

Note 5. Group information

The holding company

The ultimate controlling party of the Group is Nippon Paper industries Co. Ltd, incorporated in Japan

Information about subsidiaries

The consolidated financial statements of the Group include:

	Country of	Ownership interest	
Subsidiaries	**incorporation**	**2020**	**2019**
Australian Paper Pty Ltd	Australia	100%	100%
Paper Products Marketing Pty Ltd	Australia	100%	100%
Paper Products Marketing Taiwan Ltd	Taiwan	80%	80%
Paper Products Marketing Hong Kong Ltd	Hong Kong	100%	100%
Paper Products Marketing Singapore Pte Ltd	Singapore	100%	100%
Paper Products Marketing USA Inc.	USA	100%	100%
Paper Products Marketing Europe GmbH	Germany	100%	100%
Maryvale Sustainable Energy Pty Ltd	Australia	100%	100%
Opal Packaging Australia Pty Ltd	Australia	100%	100%
Opal Packaging New Zealand Limited	New Zealand	100%	100%
Opal Commercial Services Pty Ltd	Australia	100%	100%
Paper Australia Pty Ltd (New Zealand Branch)	Australia	100%	100%
PP New Pty Ltd	Australia	100%	n/a
Specialty Packaging Group Pty Ltd	Australia	100%	n/a
Rota Die International Pty Ltd	Australia	100%	n/a
AP Chase Pty Ltd	Australia	100%	n/a

The Group acquired PP New Pty Ltd, Specialty Packaging Pty Ltd, Rota Die International Pty Ltd and AP Chase Pty Ltd in 2020 as part of the transaction with Orora (note 6).

Note 6. Business Combinations and Acquisitions of non-controlling interests

Acquisitions in 2020

On 30 April 2020, the group acquired the Australia and New Zealand paper and fibre packaging assets of Orora Ltd. Total consideration paid for the acquired business was $1.78B. Details of the acquired assets and liabilities are set out below.

Assets acquired and Liabilities assumed

The fair value of the identified assets and liabilities of the acquired entities as at the date of acquisition were:

	Fair Value recognised on acquisition
Assets	**$'000**
Cash	507
Accounts Receivable	224,762
Inventories	239,008
Property, Plant and Equipment	1,251,329
Right Of Use Assets	241,426
Intangible Assets	110,545
Deferred Tax Assets	34,908
Other (a)	44,876
Liabilities	
Accounts payable	(119,959)
Lease Liabilities	(224,728)
Employee Provisions	(69,317)
Workers Compensation Provision	(5,353)
Asset Restoration Provision	(16,318)
Environmental Provision (b)	(10,579)
Deferred Tax Liability	(38,291)
Derivative Liabilities	(6,215)
Other	(2,661)
Total identifiable net assets at Fair Value	1,653,940
Goodwill arising on acquisition	126,174
Purchase consideration transferred	**1,780,114**

(a) Within the Other Assets acquired balance includes $32.2m relating to the purchase of properties at Revesby NSW and Rocklea in Queensland. This amount represents deferred consideration given final settlement of these properties is subject to finalising the land sub-division of these properties. Subdivision is expected to be completed within the next 24 months and the Company currently has complete access to the sites for its operations.

(b) The environmental provision of $10.6m is subject to an indemnity from Orora Ltd regarding pre-existing contamination at acquired sites. The indemnity only relates to contamination that is required to be remediated by a regulatory agency or the site is subject to regulatory enforcement action that is directly related to the pre-existing contamination.

Note 7. Fair value measurement

Fair value measurement for assets as at 31 December 2020		**$'000**
	Date of Valuation	
Derivatives - at fair value	31 December 2020	(26,336)
		(26,336)

Fair value measurement for assets as at 31 December 2019		**$'000**
	Date of Valuation	
Derivatives - at fair value	31 December 2019	730
		730

Note 8. Other income/expenses

8.1 Other operating income

	2020	**2019**
	$'000	**$'000**
Commission	1,713	1,564
Other operating income	9,395	21,298
Total other income	**11,108**	**22,862**

8.2 Other operating expenses

	2020	**2019**
	$'000	**$'000**
Net foreign exchange losses	(9,030)	(3,877)
Depreciation	(14,562)	(6,303)
Business acquisition transaction & transition costs	(86,878)	-
Trading expenses	(19,713)	(6,893)
Total other operating expenses	**(130,183)**	**(17,073)**

8.3 Finance expenses

	2020	**2019**
	$'000	**$'000**
Interest on debts and borrowings	(6,231)	(8,757)
Interest on Right of Use leases assets	(5,671)	(187)
Total finance costs	**(11,902)**	**(8,944)**

8.4 Finance income

	2020	**2019**
	$'000	**$'000**
Interest income	75	248
Total finance income	**75**	**248**

8.5 Depreciation, amortisation, lease payments, foreign exchange differences and costs of inventories

	2020	2019
	$'000	$'000
Included in the cost of sales:		
Depreciation	108,609	34,982
Cost of inventories recognised as an expense	1,296,027	698,318
Variable lease payments	53	115
Expenses relating to short term leases	3,296	203
Included in general and administration:		
Depreciation	4,630	6,303
Amortisation and impairment of intangible assets (Note 11)	9,931	341
Net foreign exchange differences	9,030	3,877

8.6 Research and development costs

	2020	2019
	$'000	$'000
Research & Development	**1,035**	**819**

The Group's manufacturing plants research & development concentrates on the new product development, various product & efficiency related testings & technical service charges. Based on the projects, the Group engaged external parties to conduct R&D on behalf of the Group. R&D costs that are not eligible for capitalisation have been expensed in the period incurred (in 2020, this was $1,034,857 (2019: $819,074)), and they are recognised in a separate line item in profit & loss.

Note 9. Income tax

The major components of income tax expense for the years ended 31 December 2020 are:

Consolidated profit or loss	**2020** **$'000**	**2019** **$'000**
Current income tax:		
Current income tax charge	669	143
Deferred tax:		
Relating to origination and reversal of temporary differences	(5,607)	(4,197)
Income tax expense/(benefits) reported in the statement of profit or loss	**(4,938)**	**(4,054)**

Consolidated profit or loss	**2020** **$'000**	**2019** **$'000**
Deferred tax related to items recognised in OCI during the year	11,853	56
Deferred tax charged to OCI	**11,853**	**56**

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2020:

Consolidated profit or loss	**2020** **$'000**	**2019** **$'000**
Accounting profit before tax from continuing operations	(183,902)	(16,542)
Accounting profit before income tax	**(183,902)**	**(16,542)**
At the Australian statutory income tax rate of 30%	(55,171)	(4,963)
Tax effect of income tax rate differential.	(71)	-
Net temporary differences and tax losses not recognised	50,304	909
At the effective income tax rate of 3% (2019: 24.5%)	**(4,938)**	**(4,054)**

Deferred Tax

Deferred Tax relates to the following

	Consolidated statement of financial position		**Consolidated statement of profit or loss**	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Property, plant and equipment and intangibles	(23,409)	13,992	3,781	(3,792)
Provisions and employee benefits	51,767	17,302	(2,992)	(203)
Trading stock provision and valuation adjustments	4,505	2,785	(1,050)	(202)
Actual gains on defined benefit plan	(2,892)	(3,750)	-	-
Other	14,421	-	(5,346)	-
Deferred tax expense/(benefit)			**(5,607)**	**(4,197)**
Net deferred tax assets/(liabilities)	**44,392**	**30,329**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	44,392	30,329		
Deferred tax assets, net	**44,392**	**30,329**		

Reconciliation of deferred tax assets, net	**2020 $'000**	**2019 $'000**
As of 1 January	30,329	26,005
Acquisitions	(3,383)	-
Tax income/(expense) in OCI	11,853	56
Tax income/(expense) during the period recognised in profit or loss	5,607	4,197
Movement to FCTR and other	(14)	71
As at 31 December	**44,392**	**30,329**

The Group has tax losses that arose in Australia during the current year of $58 million (2019: $37.2 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Tax consolidation

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Tax related contingencies

There were no tax related contingencies during the period

Note 10. Property, plant and equipment

	Freehold Land & Buildings	Plant & Machinery	Assets under Construction	Other Equipment	Total
Cost or valuation	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2019	168,448	2,206,854	15,258	194	2,390,754
Additions	21	3,271	26,103	-	29,395
Disposals	-	(11,756)	-	-	(11,756)
Settlements from Assets under Construction	-	4,968	(4,968)	-	-
At 31 December 2019	**168,469**	**2,203,337**	**36,393**	**194**	**2,408,393**
Additions	-	-	49,650	14	49,664
Acquisitions of a subsidiary	357,662	805,568	88,099	-	1,251,329
Disposals	(1,090)	(9,147)	(856)	-	(11,093)
Settlements from Assets under Construction	24,535	81,849	(106,384)	-	-
At 31 December 2020	**549,576**	**3,081,607**	**66,902**	**208**	**3,698,293**
Depreciation and impairment					
At 1 January 2019	111,459	1,724,139	-	172	1,835,770
Depreciation charge for the year	2,545	33,521	-	22	36,088
Disposals	-	(8,692)	-	-	(8,692)
At 31 December 2019	**114,004**	**1,748,968**	**-**	**194**	**1,863,166**
Depreciation charge for the year	8,134	74,794	-	14	82,942
Disposals	(38)	(2,694)	-	-	(2,732)
At 31 December 2020	**122,100**	**1,821,068**	**-**	**208**	**1,943,376**
Net book value					
At 31 December 2020	427,476	1,260,539	66,902	-	1,754,917
At 31 December 2019	54,465	454,369	36,393	-	545,227

Assets under construction

Included in property, plant and equipment is expenditure relating to plant in the course of construction.

Note 11. Intangible assets

	Computer Software	Other Intangible Assets	Goodwill	Total
	$'000	**$'000**	**$'000**	**$'000**
Cost				
At 1 January 2019	83,210	1,132	-	84,342
Additions	144	-	-	144
At 31 December 2019	**83,354**	**1,132**	**-**	**84,486**
Additions	349	133	-	482
Disposals	-	-	-	-
Acquisitions	12,445	98,100	126,174	236,719
At 31 December 2020	**96,148**	**99,365**	**126,174**	**321,687**
At 1 January 2019	82,774	692	-	83,466
Amortisation	135	206	-	341
At 31 December 2019	**82,909**	**898**	**-**	**83,807**
Amortisation	1,960	7,971	-	9,931
At 31 December 2020	**84,869**	**8,869**	**-**	**93,738**
Net book value				
At 31 December 2020	11,279	90,496	126,174	227,949
At 31 December 2019	441	234	-	675

Note 12. Financial assets and financial liabilities

12.1 Financial Instruments Risk Management Objectives and Policies

- **Foreign currency risk**

The Group is exposed to foreign exchange risk because of its sales in foreign currency and its purchases in foreign currency. These risks relate to future commercial transactions, financial assets and liabilities not denominated in AUD$ and net investments in foreign operations. Where possible loans are drawn in foreign currency 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.

- **Commodity price risk**

The Group is exposed to changes in commodity prices in respect of the purchase of natural gas. The Group's policy is to hedge contractual commitments linked to commodity index price for Brent Oil by entering into commodity swap contracts. The Group is exposed to changes in commodity prices in respect of the purchase of electricity. Contracts novated under the acquisition of Orora Fibre Packaging include a hedge for energy supplied to various sites of the acquired entity.

- **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.

12.2 Financial assets

	2020 $'000	2019 $'000
Derivatives designated as hedging instruments	-	730

12.3 Financial liabilities: Interest-bearing loans and borrowings

Loans and borrowings - current	**Interest Rate %**	**Maturity**	**2020 $'000**	**2019 $'000**
Bank Loans	BBSW / LIBOR+0.5	2021	81,664	133,615
	1.05-5.07	2021		
Loans from related parties, **Note 23**	BBSW+0.5			
	HIBOR+0.5	2021	145,385	69,522
	TIBOR+0.5			
			227,049	203,137
Loans and borrowings - non current				
Bank Loans	2.48-3.95	2022-2024	74,000	43,900
			74,000	43,900

Subsequent to year end on 31 March 2021, a repayment of $80m of the outstanding loans from related parties balance at 31 December 2020 was made. On the same date, the Company then entered into three new external loan facilities totalling $185m maturing on 31 March 2022. To date, the Company has drawn down $120m against these new facilities.

	2020 $'000	2019 $'000
Derivatives designated as hedging instruments	(26,336)	-

12.4 Hedging activities and derivatives

Cash flow hedges

- **Foreign currency risk**

Foreign exchange forward contracts are measured at fair value through OCI are designated as hedging instruments in cashflow hedges of (1) forecast sales in US dollar and forecast purchases in US dollar or (2) committed purchases in US dollar or Euro. These forecast transactions are highly probable, and they comprise about 50-75% of the net of Group's total expected sales in US dollars and its total expected purchases in US dollar. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. The cash flow hedges of the expected future sales and purchases in 2020 were assessed to be highly effective. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Comparatively, the cash flow hedges of the expected future sales and purchases in 2019 were assessed to be highly effective.

	2020	2019
	$'000	$'000
Foreign currency forward contracts designated as hedging instruments		
Fair Value	10,276	(1,374)

- **Commodity price risk**

The Group purchases natural gas on an ongoing basis as its operating activities require a continuous supply of natural gas for the production of pulp and paper products. The increased volatility in natural gas prices over the past 24 months has led to the decision to enter into commodity swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of natural gas. Hedging the price volatility of forecast natural gas purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period 72 months, based on existing purchase agreements. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The cumulative effective portion is reflected in OCI and will affect the profit or loss for 2020 to 2025.

In April 2018 Orora Fibre Packaging (the acquired entity) signed up to an electricity corporate Power Purchase Agreement (PPA), known as the Lal Lal Agreement, to supply electricity to VIC and NSW sites. The Lal Lal agreement was structured to completely remove all spot price exposure to Orora's sites by entering a fixed volume swap arrangement with Allianz Risk Transfer. The Group purchased Orora's fibre business on 30 April 2020, which included this Lal Lal agreement, and the hedging relationship was redesignated by the Group on acquisition. 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.

	2020	2019
	$'000	$'000
Commodity swap contracts designated as hedging instruments		
Fair Value	(35,682)	2,824

- **Interest Rate risk**

The Group borrows funds at both fixed and floating interest rates. Interest rate swap contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of interest paid under loan agreements with floating interest.

	2020	2019
	$'000	$'000
Interest rate swap contracts designated as hedging instruments		
Fair Value	(931)	(720)

Note 13. Inventories

At the lower of cost and net realisable value:	2020 $'000	2019 $'000
Raw materials	97,216	35,185
Provision for impairment losses	(4,334)	(298)
Net raw materials	92,882	34,887
Engineering stores	97,614	42,352
Provision for impairment losses	(12,972)	(7,627)
Net engineering stores	84,642	34,725
Work in progress	21,952	12,279
Finished goods	177,980	68,699
Provision for impairment losses	(12,190)	(1,378)
Net finished goods	165,790	67,321
Total inventories	**365,266**	**149,212**

Note 14. Trade and Other Receivables

	2020 $'000	2019 $'000
Trade debtors	293,143	92,941
Provision for doubtful debts	(3,767)	(197)
Net Trade Debtors	287,376	92,744
Other Debtors	7,190	5,472
Trade and Other Receivables	**294,566**	**98,216**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 25. As at 31 December 2020, trade receivables with an initial carrying value of $3,767,000 (2019: $197,000) were impaired and fully provided for.

ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated the ECL's based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for any forward-looking factors specific to the debtors and the economic environment. The ECL provision was not adjusted as a result of any economic consequences from the COVID-19 pandemic as the Group's receivables, which are generally collected within 30 to 90 days, continue to be collected in line with expectations.

Note 15. Cash and cash equivalents

	2020 $'000	2019 $'000
Current Assets		
Cash and cash equivalents (a)	**110,514**	**29,888**

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

(a) The cash balance includes $4,506,042 of restricted cash which is held as security term deposit for cash backed bank guarantees.

Note 16. Other Assets

	2020	2019
	$'000	$'000
Deferred Consideration on acquired properties (Note 6)	32,200	-
Other amounts	5,420	1,110
	37,620	**1,110**

Note 17. Issued capital and reserves

	2020	2019
	$'000	$'000
Issued Capital		
Balance at the beginning of the year	662,280	662,280
Share capital issued for the acquisition of Orora Ltd. fibre packaging assets (Note 6)	1,800,000	-
Balance as at the end of the year	**2,462,280**	**662,280**

OCI Items, gross of tax:

The disaggregation of changes of OCI by each type of reserve is shown below:

As at 31 December 2020

	Cash flow hedge reserve	Foreign currency translation reserve	Actuarial gains/ (losses)	Total
Net gain/(loss) from Cash Flow Hedging	(18,215)	-	-	(18,215)
Foreign currency translation differences	-	(2,694)	-	(2,694)
Remeasured on defined benefit plan	-	-	(2,860)	(2,860)
Deferred Tax	11,853	-	-	11,853
	(6,362)	**(2,694)**	**(2,860)**	**(11,916)**

As at 31 December 2019

	Cash flow hedge reserve	Foreign currency translation reserve	Actuarial gains/ (losses)	Total
Net gain/(loss) from Cash Flow Hedging	4,687	-	-	4,687
Foreign currency translation differences	-	82	-	82
Remeasured on defined benefit plan	-	-	(130)	(130)
Deferred Tax	56			56
	4,743	**82**	**(130)**	**4,695**

Note 18. Provisions

	Employee Benefits	Environmental	Other	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2020	**43,009**	**6,828**	**73**	**49,910**
Arising during the year	33,625	-	3,491	**37,116**
Utilised	(27,384)	-	(91)	**(27,475)**
Acquisitions (a)	74,670	10,579	16,318	**101,567**
Unused Amounts Reversed	-	(183)	-	**(183)**
At 31 December 2020	**123,920**	**17,224**	**19,791**	**160,935**
Current	115,649	1,136	19,791	136,576
Non-Current	8,271	16,088	-	24,359

	Employee Benefits	Environmental	Other	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2019	**43,902**	**6,405**	**1,763**	**52,070**
Arising during the year	12,227	423	55	**12,705**
Utilised	(13,120)	-	(1,745)	**(14,864)**
At 31 December 2019	**43,009**	**6,828**	**73**	**49,910**
Current	41,952	2,200	73	44,225
Non-Current	1,057	4,628	-	5,685

(a) In relation to the acquisition of the Orora Fibre Packaging business, the Company has acquired Employee Benefits of $74.670m regarding leave and workers compensation entitlements. In addition, the Company has recognised Environmental Provisions of $10.576m regarding indemnity from Orora Ltd related to pre-existing contamination at acquired sites. The Company has also recognised within Other Provisions an asset restoration liability of $16.318m relating to leased properties acquired as part of the transaction.

Note 19. Government grants

	2020	2019
	$'000	**$'000**
At 1 January	20,058	13,260
Received during the year	8,391	7,323
Released to the statement of profit or loss	(810)	(525)
At 31 December	**27,639**	**20,058**
Current	21,879	14,298
Non-current	5,760	5,760

Government grants have been received for the purchase of certain items of property, plant and equipment. As at 31 December 2020 the Group does not have any unfulfilled conditions or contingencies relating to these government grants.

Note 20. Trade and other payables

	2020	2019
	$'000	**$'000**
Trade creditors	187,480	74,535
Other creditors	97,587	40,400
	285,067	**114,935**

Trade and other payables are non-interest bearing and are normally settled on terms ranging from 30 to 60 days.

Note 21. Other Creditors

	2020	2019
	$'000	**$'000**
Deferred Consideration on acquired properties (Note 6)	32,200	-
Other amounts	538	-
	32,738	**-**

Note 22. Leases

Group as a lessee

The Group has lease contracts for property, various items of plant, machinery, vehicles and other equipment used in its operations. Leases of property generally have lease terms of 3 to 10 years, plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years.

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

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Motor Vehicles	Plant and machinery	Property	Total
	$'000	**$'000**	**$'000**	**$'000**
As at 1 January 2019	2,062	927	5,512	8,501
Additions	1,000	51	4,770	5,821
Depreciation Expense	(930)	(941)	(3,332)	(5,203)
As at 1 January 2020	**2,132**	**37**	**6,950**	**9,119**
Additions	1,246	1,209	10,851	13,306
Acquisitions	7,915	802	232,709	241,425
Depreciation Expense	(3,993)	(1,262)	(25,040)	(30,295)
As at 31 December 2020	**7,300**	**786**	**225,470**	**233,555**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020	2019
	$'000	**$'000**
As at 1 January	9,200	8,501
Additions during the year	4,666	5,813
Acquisitions	224,728	-
Accretion of interest	5,671	188
Payments	(24,630)	(5,302)
As at 31 December	**219,635**	**9,200**
Current	37,095	3,402
Non-Current	182,540	5,798

The following are the amounts recognised in profit or loss:

	2020	2019
	$'000	**$'000**
Depreciation expense of right-of-use assets	30,295	5,203
Interest expense on lease liabilities	5,671	188
Total amount recognised in profit or loss	**35,966**	**5,391**

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group’s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Note 23. Pension and other post-employment benefit plans

Australian Paper defined benefit sub plan

	2020 $'000	2019 $'000
Defined benefit obligation	(30,917)	(34,897)
Fair value of assets	40,556	47,396
Net defined benefit asset/(liability)	**9,639**	**12,499**
Benefits paid	(7,459)	(11,315)

Paper Australia Pty Ltd sponsors the Paper Australia Sub Fund, a defined benefit sub fund of the Amcor Superannuation Plan and part of the Plum Superannuation Fund.

2020 changes in the defined benefit obligation and fair value of plan assets:

	1 January 2020 $'000	Other Changes $'000	Benefits Paid $'000	31 December 2020 $'000
Defined benefit obligation	(34,897)	(3,479)	7,459	(30,917)
Fair value of plan assets	47,396	619	(7,459)	40,556
Net defined benefit asset/(liability)	**12,499**	**(2,860)**	**-**	**9,639**

The principal assumptions used in determining the post-employment defined benefit obligations for Australian Paper plans are shown below:

	2020 %	2019 %
Discount rate	1.00	2.00
Future salary increases	2.50	2.50

Employer contributions

Employer contributions to the defined benefit section of Australia Paper's plans are based on recommendations by the plan’s actuaries. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

On the recommendation of the plan actuaries and the trustees of the fund, the employer contribution made to the fund has ceased for the period from 1 August 2016. The Company is currently on a contribution holiday in relation to defined benefit members as advised by the Plan Actuary in a report dated 18 Dec 2019.

Note 24. Commitments and contingencies

Commitments

Capital expenditure commitments

At 31 December 2020 the Group had commitments relating to capital expenditure on plant and equipment contracted but not provided for of $ 19,009,500 (2019: $4,002,738)

Contingent Liabilities

Environmental

The Company has possible future expenditure obligations for environmental remediation regarding various aspects at the Maryvale mill. The contingent liability based upon preliminary independent reports is $17.5 million (2019: $17.42 million)

Guarantees

The Company has issued performance and financial guarantees to the value of $27.65 million (2018: $14.66 million) to unrelated parties as at 31 December 2020.

Note 25. Related party disclosures

Note 5 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year

a) Sales to & Purchases from related parties		**Sales to related parties**	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
		$'000	**$'000**	**$'000**	**$'000**
Ultimate holding company:					
Nippon Paper Industries Co. Ltd	**2020**	335	18,857	6	2,336
	2019	1,867	30,249	7	4,680

The amounts are classified as trade receivables and trade payables respectively.

b) Loans from related parties		**Interest Paid**	**Amounts owed to related parties**
Ultimate holding company		**$'000**	**$'000**
Nippon Paper Industries Co. Ltd	**2020**	381	80,000
	2019	-	-
Entity under common control			
Nippon Paper Recourses Australia Pty Ltd	**2020**	132	15,000
	2019	288	14,500
Dyna Wave Holding Asia			
	2020	1,015	50,385
	2019	1,364	55,022

The unsecured loans are made from entities under common control on an arm's length basis. Repayment terms are set for each loan, which range from 88 to 94 days. Interest is payable at 1.39% to Nippon Paper Resources Australia Pty Ltd and payable at 2.95% to Dyna Wave Holding Asia. Interest repayments are made over the terms of the loans.

c) Transactions with key management personnel

Compensation of key management personnel of the Group	2020	2019
Total Compensation paid to key management personnel	$'000	$'000
	3,989	**1,106**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel

Note 26. Events after the reporting period

On 30 December 2020, there was a fire at the Maryvale wood yard conveyor. The fire started on top of the second conveyor, then travelled along first and second conveyor before being contained by the fire brigade. This fire caused extensive damage to the conveyor belts, hoppers and various electrical components across approximately 300m of the conveyor. As a result of the fire, equipment and stock losses were incurred. Parts of the mill were shut for some time impacting production output. The full impact of the fire is still being assessed and it is expected that an insurance claim will be issued in the first half of 2021. Expected net financial loss after insurance recoveries is approximately $1.5m. A provision for this amount has been included in the financial statements as at 31 December 2020.

Note 27. Auditors' remuneration

The auditor of Paper Australia Pty Ltd is Ernst & Young Australia

	2020	2019
	$'000	$'000
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,815	372
Other services in relation to the entity and any other entity in the consolidated group:		
Tax related employee services and other compliance work	164	54
Assurance related services	67	97
Transaction due diligence services	183	-
	2,229	**523**

Note 28. Information relating to Paper Australian Pty Ltd (the Parent)

	2020	2019
	$'000	**$'000**
Current assets	247,088	267,373
Total assets	2,691,781	863,321
Current liabilities	429,390	379,667
Total liabilities	520,158	429,200
Issued capital	2,462,280	662,280
Accumulated losses	(289,346)	(226,107)
Reserves	(1,311)	(2,052)
Total equity	2,171,623	434,121
Profit/(loss) of the Parent entity	(60,379)	(11,900)
Total comprehensive income/(loss) of the Parent entity	(62,499)	(7,285)

Directors' declaration

In accordance with a resolution of the directors of Paper Australia Pty Ltd, I state that:

(a) the financial statements and notes, set out on pages 6 to 40, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date; and

(ii) complying with *Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001;*

(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.

On behalf of the board

Masanobu Iizuka

Director and Chief Executive Officer

17 May 2021

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Independent Auditor's Report to the Members of Paper Australia Pty Ltd

Opinion

We have audited the financial report of Paper Australia Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001* and to meet *Section 3CA* of the *Taxation Administration Act 1953.* Our report is intended solely for Paper Australia Pty Ltd and its members and should not be used by parties other than Paper Australia Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Ernst & Young

Kester Brown
Partner

Melbourne
17 May 2021

Australian Government

Streamlining Australia's anti-dumping system

An effective anti-dumping and countervailing system for Australia

June 2011

Published by

Australian Customs and Border Protection Service
Canberra
June 2011

Contents

Australian Government reforms to the anti-dumping and countervailing system

Executive summary

Australia is an export-oriented economy. An open trade environment provides critical access to markets that keep our economy strong. For more than 30 years, Australia has had bipartisan support for some of the lowest barriers to trade in the world.

Australia is a defender of the rules governing multilateral trade. If everyone plays by the rules, business and the community can retain confidence in the benefits a global economy can bring.

An anti-dumping system has become a standard feature of the international trade policy landscape. More than 90 countries have one. As there is no international competition law regime, an anti-dumping system is the only means by which unfair market behaviour can be deterred at the global level.

A well-administered anti-dumping system has several welcome efficiency effects. These include avoiding the depreciation of the skills and capabilities of the labour force and of industry, encouraging capital investment by providing greater certainty in the competitive environment.

The Australian anti-dumping system provides an effective and relatively low cost means for import-competing firms to seek redress for material injury caused by unfair trading practices. A rigorous and well-resourced anti-dumping regime, will better secure our industries and our workforce from unfair trade practices.

These changes build on the changes made after the Gruen Review (1986) and the Willett Review (1996). There have been no substantial changes to the anti-dumping system in more than a decade.

The Government's reforms respond to the Productivity Commission Inquiry Report No. 48, *Australia's Anti-dumping and Countervailing System*, implementing 15 out of 20 recommendations in whole or in part.

The reforms also take into account the views of State and Territory Governments, the reports of the Senate Economics Legislation Committee of 22 June 2011 on the Customs Amendment (Anti-Dumping) Bill and the Customs Amendment (Anti-dumping Measures) Bill, and numerous submissions made by stakeholders.

The package of reforms to the anti-dumping system outlined here will provide significant improvements to the way we administer the global rules in Australia, and better align our laws and practices with other countries.

The changes will improve access to the anti-dumping system for businesses, and anti-dumping investigations will be resolved more quickly. There is a focus on improving decision-making by the renamed International Trade Remedies Branch (the Branch) within the Australian Customs and Border Protection Service, and ensuring greater consistency with anti-dumping administrations in other countries.

The Branch will have greater resources and expertise available to enable it to do its job. Ensuring compliance with anti-dumping measures is also a priority.

1. Better access to the anti-dumping system

1.1 Small and medium enterprise and downstream industry will be provided support to actively participate in anti-dumping investigations.

1.2 The Branch will work with the Australian Bureau of Statistics and a new International Trade Remedies Forum to examine options to access import data. In addition, the data requirements for initiating an investigation will be clarified, and information about countervailable subsidies in other countries will be made available to businesses that are considering applying for measures.

1.3 The circumstances in which shorter than normal investigation and injury periods may apply will be clarified.

1.4 Parties will more easily be able to update measures as a result of changes that will allow a partial review of measures that are in place.

1.5 A working group of the International Trade Remedies Forum will be established to determine the best way to resolve the problems faced by primary producers in accessing the anti-dumping system.

2. Improved timeliness

2.1 Staff in the Branch will be increased by 45 per cent, from 31 to 45 staff, over the next 12 months to ensure cases are not delayed by a lack of resources.

2.2 Guidelines will be developed to improve the timely provision of information and to ensure adequate opportunities for industry to respond to matters raised by other parties. Further consideration will be given to a new, ordered, evidence gathering process.

2.3 Provisional measures will be considered at the earliest opportunity – as soon as the Branch has sufficient information, without necessarily waiting to verify all data.

2.4 A 30 day time limit for Ministerial decision-making will be introduced.

3. Improved decision-making

3.1 The Branch will make greater use of experts including forensic accountants, industry specialists and others, in accordance with protocols to be determined after consultation with the International Trade Remedies Forum.

3.2 A working group of the International Trade Remedies Forum will be established to make recommendations to Government about how to improve the effectiveness of Australia's "particular market situation" provisions, consistent with World Trade Organization obligations.

3.3 A more rigorous appeals process will be introduced, with more resources, and with the Review Officer rather than the Branch making recommendations to the Minister.

3.4 The definition of what constitutes material injury caused by dumping will be amended to allow a more inclusive consideration of the impact of dumping on employment and investment, and to take account of profits foregone and other injury caused in new or expanding markets. The Branch will also clarify how it determines whether injury is caused by dumping or by other factors.

3.5 The Branch will have flexibility in seeking extensions of time to accomodate complex cases, and consider critical new information that could not reasonably have been provided earlier.

3.6 There will be greater transparency through publishing the Branch's approach to evaluation of applications, and by reporting on measures and applications.

4. Consistency with other countries

4.1 The current list of countervailable subsidies will be expanded to make them consistent with the World Trade Organization Agreement on Subsidies and Countervailing Measures and Agreement on Agriculture.

4.2 The approach to determining whether parties are non-cooperative will be strengthened and clarified.

4.3 The method of determining the non-injurious price will be revised recognising that injury to industry can take different forms, and that more flexible consideration of relevant factors will provide a more effective remedy that is tailored to the injury caused in a particular case.

4.4 The parties permitted to participate in investigations, including by making submissions, will be clarified to include relevant industry associations, unions and downstream industry.

4.5 A more flexible approach will be taken to determining the appropriate form of a dumping or countervailing duty, including *ad valorem* duty, fixed duty, combination duty, or a floor price[1].

4.6 The Branch will take into account relevant cases and practices in other jurisdictions.

1 A glossary of terms is at page 32

5. Stronger compliance

5.1 There will be increased monitoring of compliance with anti-dumping measures.

5.2 A framework will be introduced to prevent the unfair circumvention of measures by the modification of products, sending products through third countries or exporters with a lower duty rate, or assembling parts in Australia.

The Government is proposing to retain the current approach to considering the wider impact of measures, the continuation of measures, zeroing[1] and basing its findings on an objective examination of positive evidence in accordance with Australia's World Trade Organization obligations.

The Trade Measures Branch of the Australian Customs and Border Protection Service will be renamed the International Trade Remedies Branch. This is standard terminology internationally. The Branch will develop a new case management system to enable faster dissemination of case information to parties, improving the timeliness of anti-dumping decisions.

The Government will also establish the International Trade Remedies Forum comprising parties with an interest in the anti-dumping system and government agencies to oversee the implementation of the reforms and monitor their effectiveness. A full independent review of the changes will be made in five years time.

1. Better access

1.1 Supporting access to the anti-dumping system

1.1.1 Small and medium enterprises

Presently, the Trade Measures Branch of the Australian Customs and Border Protection Service includes a liaison function, which involves providing information about the anti-dumping and countervailing system (ADS) to industry, including small and medium enterprises (SMEs).

The Branch is constrained in the advice it can provide to industry because it will ultimately make a recommendation to the Minister about whether dumping is causing injury to the industry.

During consultations, it became apparent that there is continuing and widespread concern about the ability of SMEs to access the ADS.

The Government will fund a position within a major industry association to assist SMEs with anti-dumping and countervailing investigations. The existing liaison function will continue to provide information about the system, but not detailed advice.

The SME Support Officer (SSO) will work with businesses to enable them to prepare applications and satisfy initial evidentiary requirements and assist other SMEs interested in a particular case to provide submissions to the Branch during an investigation.

The SSO will also be able to facilitate cooperation between businesses to ensure that their application reaches the "25 per cent of domestic producers of like goods" and "more support than opposition" thresholds for applications required by the World Trade Organization (WTO) Anti-Dumping Agreement (ADA) and Agreement on Subsidies and Countervailing Measures (ASCM). The SSO will achieve this through industry networks and other appropriate means.

The Government intends that these proposals will raise greater understanding of the ADS amongst SMEs, and will facilitate appropriate access to remedies for small businesses injured by dumping. The SSO is a pilot project. The position will be trialled for two years, and extended if it is effective in achieving these objectives.

1.1.2 Downstream industry

The SSO may also provide assistance to downstream industry.

During an anti-dumping investigation or continuation inquiry the Branch may identify domestic producers that use the goods under investigation and "like goods" as inputs. Presently, the Minister may consider the impact of measures on this downstream industry in determining whether to impose measures, however, once measures are in place, no further action is taken.

The possibility exists for trade measures to be undermined where measures on imports of a particular product result in an influx of downstream goods at a subsequent stage of processing, further damaging the domestic industry in those downstream goods and companies in its supply chain. To ameliorate that risk, the SSO will periodically review available data about downstream industries following the imposition of measures.

Where there are concerns about the possible dumping of the downstream products, the SSO may assist with the preparation of an anti-dumping or countervailing application in respect of those goods. The SSO may also refer the matter to the Minister to determine whether there are grounds for the Minister to initiate an investigation. Consistent with the WTO ADA and ASCM (ADAs), the Minister can only initiate an investigation where there are "special circumstances", and where there is *prima facie* evidence of dumping or subsidisation causing material injury to the domestic industry as a whole.

1.2 Access to import and subsidies data

The availability of import data in Australia is governed by the *Census and Statistics Act 1905*. This requires the Australian Bureau of Statistics (ABS) to preserve the confidentiality of data so that granting full access to import data on a transaction-by-transaction basis, as occurs in some other jurisdictions, is not open to the ABS.

The role of the ABS is to provide high quality statistical information for research and other statistical purposes. In keeping with this, the ABS disseminates a wide range of statistics compiled from both information it collects directly and information initially collected by other organisations, like the Branch.

The ability to collect this information is partially based on retaining the community's trust that the ABS will preserve the confidentiality of information that is likely to enable the identification of an individual business or person. This also ensures that commercially valuable data is not made available to competing firms or industries.

Potential applicants for anti-dumping or countervailing measures have reported difficulty in constructing applications because of the ABS practice of suppressing certain information in import statistics.

The Government recognises the benefits that would flow to potential applicants from increased access to ABS maintained import data. Availability of import statistics for clearly defined categories of goods would improve the accuracy of applications from Australian industry. It would also give applicants a better idea of whether to commit time and resources to lodging an application for measures.

The Branch will work with the ABS and the International Trade Remedies Forum (the Forum) to examine options for providing, on a customised cost-recovery basis, the alternative presentation of statistics that may be more useful to applicants in anti-dumping cases (see 7.1). This proposal builds on recommendation 7.9 of the Productivity Commission.

Nonetheless, detailed import data is not required to make an application for measures. Applicants need to provide enough data to make a *prima facie* case that dumping or subsidisation is occurring (and has caused injury to the Australian industry). Applicants can use market intelligence to estimate import volumes and provide estimates of export prices by deducing export prices from known selling prices in Australia, less an estimate of the importer's profit, costs in Australia and overseas freight. The SSO (see 1.1) may assist applicants with this process.

This practice will be clarified in the Customs Dumping and Subsidy Manual (the Manual) and in the other information provided to potential applicants for measures.

Further, to assist applicants seeking the imposition of countervailing measures, the Branch will develop and maintain a subsidies register. The register will be published on the Customs and Border Protection website and will provide a summary of subsidy programs previously investigated by the Branch. It will also outline the basis for its determinations as to whether or not each individual subsidy was an actionable subsidy. Where relevant, the register may also refer to subsidies found by other countries (see 4.6).

1.3 Investigation and injury periods

For the Branch to apply measures there must be evidence that the dumping or subsidy has caused material injury to the domestic industry. The Branch has commonly used 12-month investigation periods for dumping assessments, and three full years plus any subsequent and incomplete year, for injury analysis.

The WTO ADAs do not specify how long the investigation period should be, or specify the length of the injury period for an investigation. However, the current Branch approach is consistent with the recommendation of the Anti-Dumping Committee of the WTO that the period for data collection for dumping analysis should normally be 12 months, and in any case, no less than six months (that is, the investigation period). This period should end as close to the date of initiation as is practicable. Further, the period of data collection for injury analysis should normally be at least three years, including the investigation period.

Some stakeholders have indicated concerns that these requirements are unduly onerous.

The Branch will advise the Government, after consultation with the Forum, how to clarify the circumstances in which, consistent with our international trade obligations, it may be appropriate for Customs and Border Protection to deviate from its normal practice. The Manual will be revised accordingly.

1.4 Review of measures

Once imposed, measures can be periodically reviewed to ensure they are only in force for as long as and to the extent necessary to counteract the injurious dumping or subsidisation. This may occur no more than once in any 12-month period on the initiation of an affected party, or if initiated by the Minister, at any time.

Presently, the work involved in a review is said to be as significant as for the original investigation, arguably deterring parties from seeking a review.

The Government will enable businesses to apply for a partial review of measures. A partial review need not be comprehensive in terms of the exporters covered, or the variable factors or injury considerations examined.

The scope of the review will be specified in the notice of initiation of the review. This will provide the flexibility to reflect the scope and complexity of the particular review, rather than the current one-size fits all approach, reducing costs for business and the system overall. It will make it easier for parties to seek a review of measures.

The changes to the review provisions, which will enhance the existing market driven approach, are preferable to an automatic annual review, as recommended by the Productivity Commission (recommendation 6.5).

An annual review of measures would significantly increase compliance costs for Australian businesses, as well as the administrative costs to Government. Businesses affected by measures should continue to have the opportunity to apply for a review if they consider the measures are out of date rather than being compelled to participate in a costly exercise every year.

The new review procedures will require legislative amendment and will be consistent with Australia's international trade obligations. The new procedures are compatible with the Government's proposal before Parliament, which relates to the revocation provisions in the *Customs Act 1901*.

1.5 Close processed agricultural goods

Under the Customs Act, section 269T(4B) "like goods" can be "close processed agricultural goods" (CPAG) if the Minister is satisfied that:

(a) the raw agricultural goods are devoted substantially or completely to the processed agricultural goods, and

(b) the processed agricultural goods are derived substantially or completely from the raw agricultural goods, and

(c) either:

  (i) there is a close relationship between the price of the processed agricultural goods and the price of the raw agricultural goods, or

  (ii) a significant part of the production cost of the processed agricultural goods, whether or not there is a market in Australia for those goods, is, or would be, constituted by the cost to the producer of those goods of the raw agricultural goods.

These provisions were introduced in 1991 to provide remedies for primary producers, who can be injured by dumping or subsidisation of goods that are like those manufactured by the processors to whom they sell their product.

Concerns have been raised with the present narrow definition of CPAG, particularly because primary producers cannot alone apply for measures against a dumped processed product. It has been argued that processors of a dumped agricultural product have a powerful incentive not to support anti-dumping actions, because the processor benefits from the low dumping price.

The Government is aware of concerns with the operation of the current legislative provisions relating to CPAG and believes that an examination of the provisions is warranted.

The Branch will convene an agricultural products working group comprising industry representatives and agencies to examine the provisions and report to Government. This relates to the Productivity Commision's recommendation 6.1.

2. Improved timeliness

2.1 More resources

Presently, there are 31 Customs and Border Protection staff involved in administering the ADS. This will be increased to 45 over the next 12 months.

Staff are involved in:

- conducting anti-dumping investigations, including reviews of measures, continuation inquiries and duty assessments (Operations)
- providing support to investigations by providing quality assurance, industry liaison, management of administrative and judicial review, and monitoring compliance (Operations Support)
- providing advice on policy and legislative issues, international liaison and engagement and strategic communication (Policy and Capability), and
- involved in the reforms to the ADS (Strategic Review).

Some stakeholders are of the view that the Branch needs more resources and this was acknowledged by the Productivity Commission (recommendation 7.5).

The Government agrees that maintaining an effective capability within the Branch is fundamental to the delivery of a timely and effective ADS.

The recruitment of an additional 14 staff, will boost the Branch's capabilities and provide for better decision-making.

The Senate Economics Legislation Committee recommended that the Government re-examine the statutory timeframes because investigations have exceeded existing timeframes. The Government believes that the better approach is to increase resources.

2.2 Process for providing evidence

Presently it is open to all parties to an anti-dumping investigation to make submissions at any time prior to the Branch issuing the Statement of Essential Facts (SEF), and again in the period between issuing the SEF and making the final report to the Minister.

This can result in parties manipulating the process to leave inadequate time for the other parties to respond to issues raised in their submissions. This is particularly the case where parties do not provide or approve non-confidential versions of a document early enough to allow a considered response.

The Branch will work with the Forum to develop guidelines based upon the existing legislative process, and consistent with Australia's international trade obligations, to ensure all interested parties have adequate time to respond to submissions and the Branch reports at the earliest opportunity.

The Government expects that this will result in quicker final reports to the Minister and accordingly quicker resolution of anti-dumping matters (see also 2.4). It will also provide greater certainty for parties to anti-dumping investigations, and avoid perceptions that natural justice has not been afforded when parties make late submissions.

The Branch will also consult with the Forum and make recommendations to Government about further improving the process for providing evidence. Further changes would be likely to require legislative amendment. Any changes will be consistent with Australia's WTO obligations.

2.3 Earlier consideration of provisional measures

During the course of an investigation, the Branch may apply provisional measures on imports if they have made a preliminary affirmative determination (PAD) of dumping or subsidisation and consequent injury, and have judged that the measures are necessary to prevent injury being caused while the investigation continues.

The provisional measures typically take the form of a bond or security equal to the product of the preliminary estimate of the dumping or subsidy margin (per unit) and the quantity of imports. These are documentary securities.

The Customs Amendment (Anti-Dumping) Bill proposes to allow the application of provisional measures from day one of investigations. However, the WTO only allows provisional measures to be applied 60 days after the initiation of an investigation.

On average, the Branch has applied provisional measures around day 140 of the investigation, with the earliest at day 80. This is because the Branch has usually waited until completion of verification visits to exporters before making a PAD.

Stakeholders have expressed concern that this does not adequately prevent injury to Australian manufacturers and producers during the investigation, particularly given the length of time it can take to bring an application for anti-dumping or countervailing measures.

The Productivity Commission recognised the need for earlier application of provisional measures where warranted (recommendation 6.3) and the Government believes that earlier provisional measures will better prevent injury to Australian manufacturers and producers during the investigation.

The Branch will therefore consider making a PAD when it has adequate information, without necessarily waiting to verify all data. By day 60 (the earliest WTO consistent date a PAD can be considered) the Branch will usually have verified the domestic industry's data, and will have received data from the exporters.

If the data submitted by the exporters shows evidence of dumping or subsidisation, this may be sufficient evidence on which to base a PAD prior to verification. Exporters will be given adequate opportunity to respond to questionnaires before a PAD is considered.

Before provisional measures are imposed, the Branch will still need to have made a PAD of dumping or subsidisation and consequent injury, and have judged that the measures are necessary to prevent injury being caused while the investigation continues.

If as a result of verification the Branch finds no dumping or a lower dumping margin, the Branch can remove or adjust the level of the provisional measures. If at the conclusion of the investigation duties are imposed at a higher level than the provisional measures, the Branch can not retrospectively collect more duty than the value of the provisional measures.

This proposal can be implemented through changes to the Manual.

2.4 Time limits for Ministerial decisions

Unlike all the other decisions and processes in the ADS there are currently no legislative time constraints governing the Minister's decision.

There are clear benefits in imposing a time limit on Ministerial decision-making, providing greater certainty for parties, and ultimately reducing the overall timeframe to conclude an investigation.

The Government will adopt the Productivity Commission's recommendation (recommendation 7.4) and, subject to extenuating circumstances, the Minister will make a decision within 30 days of receiving the report on an investigation, continuation inquiry, review of measures, duty assessment, or report following a review of a decision.

This will require legislative change.

3. Enhanced decision-making

3.1 Greater use of experts

The Branch comprises people with a range of skills critical to anti-dumping investigations, including law, economics and accounting.

However, parties who have been involved in investigations have expressed concern that the Branch does not have specific in-house expertise in relation to the wide range of products, industries and countries in which anti-dumping investigations take place.

It is not feasible for any organisation the size of the Branch to have both the depth and breadth of expertise required by the diversity of investigations. Instead the Branch will bring in independent experts to supplement existing staff knowledge in complex cases and to provide advice on key issues. This might include issues such as determinations of like goods, production processes and costs, accounting arrangements, statistical analysis, economic modelling and economic impact studies.

The Branch will access expertise in accordance with a protocol, to be determined by the government in consultation with the Forum and the Branch. The protocol will require experts to declare all potential conflicts of interest, and it will address the need to comply with due process, evidentiary requirements and other relevant WTO obligations.

The use of independent experts should not, subject to extenuating circumstances, impact on the timeframes for making a decision.

It will still be open for parties to an investigation to procure expert opinions in support of their case, which the Branch will assess in making determinations and recommendations to the Minister.

3.2 Particular market situation

The basis for determining whether goods have been dumped is set out in the WTO Anti-Dumping Agreement. Goods are dumped if their export price to Australia is less than their normal value in the country of export.

In determining the normal value for a dumping investigation involving a market economy, the Branch will first look to that country's domestic selling prices. In Australia this approach applies to all WTO members.

Where the domestic selling prices cannot be used because there are no sales in the ordinary course of trade, low sales volumes, or there is a "particular market situation", the normal value may be calculated using one of two alternative approaches.

The most common method used by the Branch is to construct a normal value in the domestic market in the country of export using the exporter's costs. The other is to use export prices to third countries. In certain circumstances, where exporters do not cooperate in an investigation, the Branch may consider "all relevant information".

A number of stakeholders have raised issues with the interpretation of what constitutes a particular market situation.

The Manual currently outlines some relevant considerations for assessing whether a particular market situation exists, however it could provide improved guidance including:

- the relevance and impact of government influence and assistance in respect of key inputs to the product
- circumstances where the proportion of

government owned enterprises might contribute to a particular market situation determination

- other circumstances where government intervention could result in distortion of domestic selling prices, and
- how the Branch will assess particular market situation where the government of a country, or exporters, do not cooperate.

The Manual could also provide improved guidance for determining an appropriate amount for profit when constructing a normal value consequent upon a particular market situation determination.

A working group of the Forum will be established to make recommendations to Government before the end of 2011 about how to improve the effectiveness of the market situation provisions, consistent with our WTO obligations. The working group will include representatives of relevant Government agencies, as well as domestic industry, overseas exporters and domestic importers. In developing these recommendations, the working group may also consider using independent experts. This is consistent with the new approach outlined in 3.1.

3.3 New appeals process

Presently decisions of the Minister may be appealed to the Trade Measures Review Officer, who is an employee of the Attorney-General's Department. The Review Officer must accept an application unless the applicant has failed to provide sufficient particulars of the findings to which the application relates.

Where the Review Officer reviews a decision of the Minister and recommends that a particular finding or findings warrant further consideration, the matter is referred back to the Branch to reinvestigate and make recommendations to the Minister as to whether to overturn or amend the original decision.

A number of concerns have been raised with the current Trade Measures Review Officer arrangements, including:

- the resourcing available
- the frequency of appeals – 80 per cent of Ministerial decisions are appealed to the Trade Measures Review Officer, and
- the perception that the Branch is conflicted in reinvestigating its own decisions.

The Government will establish a new process for administrative appeals to replace the current Trade Measures Review Officer. This new process will be consistent with Australia's international trade obligations and include the following key elements.

The Review Officer will no longer be an officer in the Attorney-General's Department, and in any particular case will be selected from a panel with relevant expertise.

The Minister will appoint the Panel and the Government will make available additional resources, in the form of administrative and research assistance, to support the efficient functioning of the Panel.

Before making a recommendation to the Minister, the Review Officer may request the Branch reinvestigate a particular finding and report to the Review Officer. Where a reinvestigation occurs, it will be limited to the findings the Review Officer has identified as flawed in the initial investigation.

Where the Review Officer finds in favour of an appeal the Review Officer will make a recommendation to the Minister, who will make a final determination.

As part of the new appeals process consideration will be given to amending the threshold for the Review Officer to apply in accepting applications for review. Any new threshold will be consistent with the Government's administrative law policy for merits review.

Other than the changes to the appeals process, the Minister, Review Officer and the Branch will retain their broad administrative and decision-making roles within the anti-dumping system. These reforms are consistent with the approach recommended by the Productivity Commission (recommendations 7.1 and 7.2).

The changes to the appeals process will require legislative amendment.

3.3.1 New information

Where compelling new evidence becomes known to a party after the investigation has concluded, the Minister will be able to exercise existing powers to initiate a review of existing measures or a new investigation, noting that in accordance with the WTO ADAs the latter can only be undertaken in "special circumstances". The proposed changes to extensions of time will also allow consideration of new evidence provided late in the investigation that could not reasonably have been known by the party when the SEF was published by the Branch.

Taking account of new information in an appeal would result in characterising the appeal as a continuation of the investigation. This would result in regularly exceeding WTO investigation time-limits, which would constitute a violation of Australia's international trade obligations and risk Australia becoming subject to dispute settlement litigation and possible retaliation against its exports. Therefore, reviews by the Review Officer and reinvestigations by the Branch will continue to be limited to the information that was part of the original investigation.

3.3.2 Appellable decisions

A number of decisions that are not presently able to be appealed will become appellable. This includes decisions of the Minister to continue measures or not, and to vary measures following review. However, decisions of the Minister on the advice of the Review Officer will only be able to be appealed to the Federal Court.

3.4 Material injury

Australia's domestic legislation (section 269TAE of the Customs Act) reflects the WTO ADA (Article 3.4)[2] which requires:

> "evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output, market share, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; the magnitude of the margin of dumping; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital or investments. This list is not exhaustive, nor can one or several of these factors necessarily give decisive guidance."

Some stakeholders have suggested that certain injury factors are not adequately considered in

2 A similar provision is contained in the ASCM (Article 15.4)

assessing whether dumping or subsidisation has caused material injury. The impact on jobs and investment in an industry are two such factors. Stakeholders have also expressed the view that profits foregone and loss of market share should also be recognised as injury considerations.

Presently, section 269TAE(3) refers to "the number of persons employed, and the level of wages paid to persons employed, in the industry in relation to the production or manufacture of goods of that kind, or like goods".

The Government will amend the Customs Act to reflect that the Minister can consider any impact on jobs in the domestic industry producing like goods, not just the effects currently specified. As well as the wage rate and the number of workers employed, the Branch would be able to consider all aspects of the terms and conditions of the contract of employment, including hours worked and the incidence of part-time employment.

Section 269TAE(3) also refers to investment in the industry, the level of return on investment, and the ability to raise capital. The Government will amend the Customs Act so that the Minister can examine any impact on investment in the industry.

The Government will revise the current Ministerial Direction on Material Injury to confirm that profits foregone and loss of market share in an expanding market are relevant injury considerations. This revision recognises there may be circumstances where dumping or subsidisation may still result in injury where it has caused the rate of an industry's growth to slow, without causing it to contract, or where an industry suffers a loss of market share in a growing market, without a decline in profits.

Some stakeholders consider that the Branch is reluctant to find that dumping or subsidisation has caused material injury where other causes of injury are also evident.

The WTO ADAs require the Branch to examine known factors other than the dumped or subsidised imports that are injuring the domestic industry, and the Branch must not attribute the injury from those other factors to the dumping or subsidisation.

The Branch will amend the Manual to make clear that the mere existence of injury caused by other factors does not preclude a finding that the dumping or subsidisation has caused material injury.

The Branch will also amend the Manual to explain further its approaches to determining whether particular injury is caused by dumping or subsidisation, or other factors, ensuring that the requirements of the WTO ADAs to separate and distinguish the injurious effects of dumped or subsidised imports and the injurious effects of other factors are observed.

3.5 Extensions of time

Australia's ADS contains one of the shortest investigation timeframes in the world, at 155 days.

The Branch can seek an extension to this timeframe during the course of an investigation, but only one extension and only prior to the publication of the SEF at day 110. This can mean that extensions tend to be for significant periods, as the Branch needs to anticipate the possible further need for an extension.

Extensions have been sought in an increasing number of cases and for significant periods of time due to the size and complexity of recent investigations. In general, however, investigations are still being completed within shorter timeframes than other jurisdictions

Consistent with the Productivity Commission's recommendation 7.3, the Government will amend the Act to allow the Branch to seek more than one extension to the timeframe at any point during an investigation, review of measures, continuation inquiry or duty assessment.

The Minister will still have to approve all extensions of time. The Government will monitor the implementation of this proposal carefully to ensure it does not result in a blow out of investigation periods, and that the Branch is seeking extensions only in complex cases, not routinely.

This will enable the Branch to undertake robust analysis where investigations involve particularly complex arrangements, or involve large numbers of countries or interested parties. It will also allow consideration of a response to critical new information that could not reasonably have been provided earlier.

The Branch will notify parties of these extensions through the issue of an Australian Customs Dumping Notice.

The Government expects that increasing the resources available to the Branch (see 2.1) and the new process for providing evidence in anti-dumping cases (see 2.2) will reduce the number of cases that are not able to be resolved within 155 days.

The Branch will continue to provide in its annual report a consolidated summary of the timeliness of each of its investigations in the preceding 12 months.

3.6 Greater transparency

3.6.1 Criteria and methodology used to evaluate applications

Sections 269TB and 269TC of the Customs Act set out the requirements for making an application for publishing a dumping or countervailing duty notice. The Guidelines for Applicants provide further detail on the information that applicants must provide in an application and the circumstances in which an application will not lead to initiation of an investigation. In addition, the Branch has developed internal guidance for staff to assist in the evaluation of applications.

One of the consistent themes in consultation was the need for greater transparency in the Branch processes and decision-making. The Branch will amend the Manual to incorporate the criteria and methodologies that the Branch uses to evaluate applications. This may be of additional value to industry in determining whether to make an application, and how best to make that application.

3.6.2 Reporting on applications

The Branch does not currently report on the applications for measures that it receives.

The Branch will report on the number of applications for measures that do not proceed to investigation. This information will appear in the Customs and Border Protection Annual Report.

This will provide greater transparency about the Branch workload, and incorporates an important aspect of the approach recommended by the Productivity Commission (recommendation 7.7).

However, information about the exporter, country or industry sub-sector involved in an anti-dumping application that did not proceed to investigation will not be included. The WTO ADAs require the Branch not to publicise applications that do not proceed beyond the application stage.

This is to avoid unwarranted market disruption caused by publication of dumping and subsidisation claims and the prospect of the Minister imposing measures in a particular market.

3.6.3 Reporting on measures

Presently the Branch reports the magnitude of dumping and subsidy margins found during its investigations. However it has not usually reported the level of measures imposed, as the values which underpin those measures are based on commercially sensitive information.

A range of views have been expressed regarding whether the Government should provide more information about the magnitude of measures and the values that underpin those measures.

On the one hand, the release of such information can damage the commercial interests of the exporter. On the other, not releasing information can undermine confidence in the outcome of an investigation because of the inability to explain or understand the decision.

The Branch will publish the effective rate of duties for the measures imposed, (that is, the *ad valorem* equivalent of the measure). Consistent with the confidentiality requirements of the WTO ADAs, further information, such as the normal value of $X per kilogram, may only be published with the consent of the party concerned. This level of disclosure accords with the approach recommended by the Productivity Commission (recommendation 7.8).

The Branch will also report publicly on the outcomes of duty assessments and accelerated exporter reviews. This will cover information permitted to be publicly reported by the ADAs and will be included in the existing Branch monthly status report, which is published as an Australian Customs Dumping Notice on the Customs and Border Protection website.

The Government has also considered whether to allow lawyers and accountants to access commercial-in-confidence information under an “administrative protection order” or similar confidentiality agreement. However, it has been decided that this would add substantially to the costs for parties to anti-dumping actions, without commensurate benefits.

4. Consistency with other countries

4.1 Amending subsidies provisions

Provisions in the WTO ASCM specify the types of government subsidies that can be actioned by another country. The Howard Government failed to establish appropriate sunsetting arrangements in Australian law, for certain previously non-actionable subsidies that are now actionable under WTO rules. As a result, Australian companies cannot currently seek remedies in relation to these subsidies.

The Government will amend the Customs Act to reflect all countervailable subsidies including certain assistance:

- for research activities conducted by firms or by higher education and research establishments
- for disadvantaged regions pursuant to a general framework of regional development
- to enable firms to adapt to new environmental requirements, and
- for a variety of government programs that provide services or benefits to agriculture.

The Government will make further legislative amendments to better reflect other aspects of the ASCM.

This proposal addresses the Productivity Commission's recommendation 6.8.

4.2 Uncooperative parties

The Branch obtains information necessary to make determinations about the existence of injury, and dumping or subsidies through interested party questionnaires.

Consistent with the WTO ADAs, where a party refuses access to, or otherwise does not provide necessary information within a reasonable period or significantly impedes the investigation, determinations may be made on the basis of all relevant information. This may include information provided by the domestic industry and information from surrogate countries.

Presently, there is a perception that comparable jurisdictions take a firmer view than Australia in determining whether an importer, exporter or government is non-cooperative.

The Government will strengthen and clarify the approach to determining interested party cooperation.

The Branch will revise the Manual to clarify the circumstances in which a finding of non-cooperation may apply, and the consequences that may follow. In doing so, the Branch will take into account Australia's international obligations.

This will deter the selective provision of information and provide a fairer basis for assessing whether dumping or subsidisation is occurring. It does not affect the process for determining a dumping margin for a cooperating exporter.

The Branch will also examine the approach that the European Union (EU) applies to determine dumping margins depending on whether cooperating exporters from a particular country account for a high or low proportion of the total export volume to the EU from that country. In general terms, where cooperating exporters represent 80 per cent or more of the volume, information from those exporters will be used when working out a margin for the non-cooperating exporters in that country.

Where the cooperating exporters account for less than 80 per cent of the volume of exports, the margin for non-cooperative exporters will be determined using all relevant available information.

The Branch will consult with the Forum and recommend to Government whether a similar approach should apply in Australia.

4.3 Non-injurious price and the lesser duty rule

In applying anti-dumping and countervailing duties, the amount of duty is normally determined after applying the lesser duty rule. Application of the lesser duty rule means that duties are applied at the level adequate to remove the injury caused by dumping or subsidies, which may be a level less than the full dumping or subsidy margin. The Branch determines the lesser duty by calculating a "non-injurious price".

The Manual currently outlines a hierarchy of options, developed in 2004, for determining the non-injurious price. Initially, the Branch will look to the selling prices at a time unaffected by dumping. If there are sound reasons for not taking this approach, the Branch will construct a price based on the domestic industry's cost to make and sell, with an allowance for profit. Finally, if that is not appropriate, the selling price of any imports that have not been dumped in the Australian market will be used.

Concerns have been raised that the Australian approach to determining the non-injurious price, upon which the lesser duty is based, should be improved to ensure injury to Australian industry is adequately addressed. Injury to Australian industry can take different forms. It could have effects on volume, price, profits or a range of other economic factors.

Before finalising the details of an approach to calculating non-injurious prices the Branch will consult with the Forum and advise Government of factors relevant to the determination of non-injurious prices. Revised guidelines will be developed for assessment of such prices and appropriate amendments will be made to the Manual.

Provided the non-injurious price is properly determined, routine application of the lesser duty rule ensures Australia's anti-dumping and countervailing system is effective in remedying injurious dumping or subsidisation, while minimising the impact of measures on the wider economy. The Government believes that this approach is appropriate and economically responsible, and does not propose to change the application of the lesser duty rule.

To improve transparency, the Branch will also report annually on the number of cases where the lesser duty rule has resulted in the imposition of duties less than the full dumping or subsidy margin.

Once duties have been imposed, importers of goods subject to duties have the right to periodically apply for refunds where duty has been paid in excess of the amount of duty payable.

The Branch currently considers the lesser rate of duty at the refund stage. Other jurisdictions provide a refund only where the duty paid is in excess of the full margin of dumping, even where the original duty was imposed based upon the lesser duty rule. The Branch will examine the practices of other jurisdictions and Australia's international trade obligations, and consult with the Forum in determining whether Australia should adopt a similar approach. Such a change would require legislative amendment.

A revised approach to determining the non-injurious price would permit more flexible consideration of relevant factors, tailored to provide a more effective remedy for the injury caused by dumping that has been found in a particular case. This could include, for example, Australian industry's costs, prices, profits and returns on investment.

4.4 Parties to proceedings

An "interested party" to an investigation is currently defined in section 269T of the Customs Act to comprise, in broad terms, domestic manufacturers and producers, importers, exporters, trade organisations and foreign governments.

Some submissions to Government have made the point that in the present system certain stakeholder groups are not properly engaged in anti-dumping investigations.

The Government will amend the current definition to clarify that industry associations, trade unions and downstream industry (whether or not they are an importer) who have a direct interest in a particular matter should be treated as interested parties and confirm that these parties can formally participate in an investigation.

This change will not affect the present standing requirements. The Branch will only be able to initiate investigations in the same way that it can now. Usually, the application must meet the "25 per cent of domestic producers of like goods" and "more support than opposition" thresholds for applications required by the WTO ADAs. Alternatively, the Minister may initiate an investigation. Consistent with the WTO ADAs, the Minister may initiate an investigation only if there are "special circumstances", and only where there is *prima facie* evidence of dumping causing material injury to the domestic industry as a whole.

The Government will consider further amendments to allow these parties to participate in reviews as part of the reforms of the appeals process (see 3.3).

4.5 Setting the form of duty

The WTO ADA does not prescribe what form a duty should take. It could be for example an *ad valorem* (percentage) duty, a fixed amount of duty, a combination duty (having fixed and variable components), or a floor price.

Presently, Australia's dumping duty is a combination duty. The effect is to impose an up-front duty that is never less than the fixed component of the duty regardless of the level of the actual export price (the variable component of the duty applies where the actual export price falls below the floor price).

While a combination duty has certain benefits it will not suit all circumstances. This is especially the case where export prices are subject to frequent variation, which may result in the amounts ascertained at the conclusion of an investigation becoming outdated.

Further, where prices are rising, the protective effect of the fixed duty component can be eroded. Where a large number of types and models are subject to an investigation, ascertaining amounts for each type increases administrative costs and complexity.

Other jurisdictions (including Canada, the EU, and the USA) commonly apply *ad valorem* dumping duties. They also retain the right to vary the type of dumping duty, recognising that a particular case may require a different type of duty.

The Productivity Commission recommended a rigid approach based upon a floor price in all cases (recommendation 6.6).

The Government is proposing that the Australian ADS will take a more flexible approach to the form a duty can take, to increase the effectiveness of anti-dumping duties. Depending on the facts of the particular case, the Branch will be able to apply, for example, an *ad valorem* duty, a fixed amount of duty, a combination duty, or a floor price. This will reflect the range of options available under the WTO Agreements.

The Branch will also re-calculate the level of measures when conducting a continuation inquiry. This will remove the need for separate review and continuation inquiries occurring in close proximity.

The above changes will require legislative amendment.

The Government will retain a duty assessment system consistent with our obligations under the WTO Agreements. Abolishing the provisions for importers to apply for a determination of their final duty liability and a refund of any overpaid duties would be inconsistent with mandatory provisions of the WTO ADAs.

4.6 Consideration of cases and practices in other jurisdictions

Some stakeholders have expressed the view that the Branch does not adequately consider the findings of other dumping administrations in conducting its investigations. The Branch is required to conduct its own investigation to determine whether dumping or subsidies are causing material injury to Australian industry. Outcomes of investigations undertaken in other jurisdictions may not align with an investigation conducted under the ADS for a range of reasons, including differences in the legal frameworks, domestic markets, goods being investigated, parties involved in the investigation and periods examined in determining whether goods have been dumped.

However, in particular cases, it is sensible to consider relevant information from other jurisdictions, for example:

- subsidies found to be operative on particular industries in particular countries, and
- the existence of measures in other jurisdictions as a factor that may indicate the likelihood of dumping recurring should measures be removed in Australia.

While this has generally been the practice of the Branch to some degree, it will in future specifically consider details of relevant cases in comparable jurisdictions, and include this information in investigation reports to the Minister. This reflects an approach recommended by the Productivity Commission (recommendation 7.6).

It is also important that the Branch is conducting investigations and reviews of measures consistent with practice in comparable jurisdictions. The Branch will undertake regular reviews of anti-dumping practices in comparable jurisdictions to inform future policy and practice changes, including through technical exchanges with dumping administrations overseas.

5. Stronger compliance

5.1 Compliance monitoring

Non-compliance with anti-dumping and countervailing duties undermines the effectiveness of trade remedies. Anti-dumping and countervailing duties are applied in order to offset injurious dumped or subsidised imports. However, such measures are rendered meaningless if importers are allowed to avoid paying applicable duties.

An importer may try to avoid paying duties by deliberately misdescribing goods on import or claiming that the goods have been supplied by an exporter with a lower rate of duty. The Branch has a range of powers under the Customs Act to address this behaviour and ensure that goods have been correctly reported to Customs and Border Protection and the correct amount of duty paid.

Presently, the Branch reacts to market feedback about possible non-compliance and conducts a limited number of proactive compliance monitoring programs.

Stakeholders have indicated that the degree of compliance monitoring conducted by the Branch could be improved.

A dedicated position will be created within the Branch to develop and implement an improved program of monitoring compliance with anti-dumping and countervailing measures.

The program will strengthen the existing compliance function by proactively:

- identifying, assessing and responding to non-compliance (such as not paying duties or the right amount of duty) with anti-dumping and countervailing measures
- monitoring key indicators (such as import data, commercial documentation) for anomalies that could indicate non-compliance, and
- assisting importers and others to comply with border laws regarding anti-dumping and countervailing measures and encouraging compliance across industry groups.

The Government intends that the compliance-monitoring program will include initial monitoring of measures shortly after their imposition to ensure early compliance and assist importers meet their obligations, followed by periodic monitoring throughout the life of the measures.

5.2 Anti-circumvention framework

Presently, where importers change their behaviour following the imposition of measures in an attempt to circumvent those measures, the Branch will use existing powers to address non-compliant behaviour insofar as it may breach the current legal framework as described in the previous section (see 5.1).

However, the present system does not contain a meaningful framework for identifying and taking action in respect of circumvention where an importer or exporter:

- makes a slight modification to a product to make it fall outside of the description of the goods subject to the measures
- imports a consignment of the product subject to measures via a third country
- reorganises export sales through exporters benefiting from a lower individual duty rate, or

- purchases parts and assembles them in Australia or a third country.

Some stakeholders have expressed concern about the current ability of importers to circumvent anti-dumping and countervailing duties in this way.

The Government will introduce a framework to specifically prevent the circumvention of duties, which could include measures to address the circumstances described above.

This framework will be developed by the Government in consultation with the Forum and informed by a consideration of the anti-circumvention regulations of comparable overseas administrations. Implementation will most likely require legislative amendment, and will be consistent with Australia's international trade obligations.

6. Other matters

6.1 "Bounded" public interest test

The Productivity Commission's proposed "bounded" public interest test (recommendation 5.1) provided that anti-dumping or countervailing measures would automatically not be imposed where one of five criteria was met.

The Government will not adopt this proposal. It is a costly and disproportionate response to the possible consequences that might arise from the small number of anti-dumping and countervailing cases brought in Australia each year.

The purpose of the ADS is to provide redress for manufacturers and producers injured by dumping or subsidisation. A public interest test could unfairly remove the remedy available to those manufacturers and producers.

The Government did consider a number of other options for taking account of the wider impact of measures. However, any such approach would undermine the purpose of the ADS for Australian manufacturers and producers. It would increase the cost and complexity of the ADS, and the Government believes it would increase business uncertainty, affecting investment decisions.

The Minister currently has an unfettered discretion not to impose measures. The Government believes this is adequate for the Minister to take account of the public interest when circumstances warrant broader matters be considered, subject to the changes outlined in 6.2.

6.2 Minister's discretion

As indicated in 6.1, the Minister has an unfettered discretion not to impose measures. In reporting its findings to the Minister, the Branch will now include an assessment of the expected effect that any measures might have on the Australian market for the goods subject to those measures, and like goods manufactured in Australia, and in particular any potential for significant impacts on this market.

Potential market impacts and relevant factors are likely to differ in each case. However, the additional assessment that Customs and Border Protection will provide the Minister may include matters such as an assessment of the expected effect of any measures on market concentration and domestic prices. Customs and Border Protection will also report on any claims regarding impacts on downstream industries.

This is not expected to affect current investigation processes or timeframes, or the information requirements on business.

The Branch already examines the effect on the market in determining the causes of injury to the industry and in determining the non-injurious price, and it is now proposed the Branch will provide the Minister with information specifically on these matters.

The Minister will provide a direction to the CEO of Customs and Border Protection to give effect to this approach, which is intended to better inform the Minister prior to making a decision whether to impose anti-dumping or countervailing measures.

6.3 Continuation of measures

Where anti-dumping or countervailing measures have been imposed they remain in force for five years unless earlier revoked. After five years there is an opportunity for Australian industry to apply to have the measures continued for a further five years. There is no restriction on the number of times measures can be continued.

The Productivity Commission's recommended that continuation of measures be limited to one three-year term (recommendation 6.4).

The Government considers that current arrangements relating to the continuation of measures are appropriate. They are the same as all of our major trading partners and are consistent with the WTO ADAs. Measures are not intended to be long-term protection for industry. Rather they are to combat unfair trading practices.

Under the WTO ADAs, measures may only remain in force as long, and to the extent necessary to counteract injurious dumping or subsidisation. Measures should not cease where injurious dumping or subsidisation is occurring, or likely to recur, if measures are removed.

The Government does not consider it appropriate to introduce an arbitrary limit on the duration of measures and therefore does not support the Productivity Commission's recommendation. If industry is required to bring a new application, even if dumping or subsidisation is still occurring, then Australian manufacturers would be vulnerable to material injury caused by dumping or subsidisation for a period of up to two years before measures could be imposed again.

Successful applications for the continuation of measures are infrequent. Over the past five years, 46 measures were due to expire. Applications for continuation were made in 20 cases, and only eight of these cases resulted in continuation of the measures.

While the average duration of measures has risen recently, it is not attributable to being lax in granting extensions. It is a result of the falling number of new measures in recent years. If the number of new measures falls continuously, as it has since the 1980s, the sample from which the average duration is measured will come to be dominated by older measures, so that average duration rises without there being any change in the expected duration of measures at their introduction.

6.4 Zeroing

Zeroing refers to a particular method to calculate dumping margins in which a negative (less than zero) dumping margin for a particular model or transaction is discounted and instead allocated a "zero margin". This practice inflates the dumping margin, thereby increasing the likelihood of a finding of dumping.

Australia has a long-standing practice of not zeroing in calculating dumping margins and, consistent with the recommendation of the Productivity Commission (recommendation 6.2), the Government does not propose to change this approach.

6.5 Onus of proof

Some members of the Senate Economics Legislation Committee have supported further consideration of a reversal of the onus of proof in determining whether dumping is occurring, and whether dumping is the cause of injury, as proposed in the Customs Amendment (Anti-Dumping) Bill.

This proposal cannot be supported by the Government. It is not compliant with our WTO obligations, particularly the WTO requirements for objective examination and positive determinations by the investigating authorities.

However, the Government has recognised the concerns raised by industry about the information provided by parties, and is proposing changes accordingly (see 4.2).

Similarly, the Government understands the desire for clarification of how the Branch determines whether injury is caused by dumping or other factors (see 3.4).

7. Implementation

7.1 International Trade Remedies Forum

There is currently no stakeholder body to provide feedback to Government on the operation of the ADS.

The Government will establish the International Trade Remedies Forum to provide strategic advice and feedback to the Government on the implementation and monitoring of the proposed reforms. It will also play an ongoing advisory role, including reporting to Government on options for further improvements.

The Forum will comprise representatives of manufacturers, producers, and importers, as well as industry associations, trade unions and relevant Government agencies.

The Forum and its role will be established in legislation.

7.2 New case management system

The Branch will introduce an integrated case management system and electronic public record to enable faster dissemination of case information to parties, improving the timeliness of anti-dumping decisions.

The new case management system will replace the current Electronic Public Record and Customs and Border Protection's anti-dumping webpage with a single source of information for policies, procedures, and individual cases. It will also improve the consistency of the Branch decision-making by making information about all cases readily accessible.

7.3 Timing

Many of these proposed reforms can be achieved through an alteration of the Branch practice, and corresponding changes to practice guidelines (primarily in the form of the Manual). These proposed reforms should take effect as soon as practically possible, consistent with the views of the Productivity Commission (recommendation 7.10), allowing for consultation and feedback from interested businesses, industry associations and trade unions.

Other reforms will require legislative amendment. Priority legislative changes will be introduced as soon as possible, while others will be introduced following consultation through the Forum.

The Government will ensure that these reforms are implemented consistent with Australia's international trade obligations.

The Forum (see 7.1) will be consulted on implementation.

7.4 Independent review

There will be a broad and independent public review of the ADS five years after the reform package is fully operative to examine, among other things:

- whether experience reveals any gaps or deficiencies in the tests applied in determining applications for anti-dumping and countervailing measures
- the need for any further changes to the legislative architecture of the ADS

- the administrative efficiency of the Branch, the appeals mechanism and the Minister in administering the ADS, and whether any change to their responsibilities is warranted in the light of experience
- whether resourcing of the assessment and appeals procedure is adequate and appropriate
- what changes, if any, are required to the statutory timeframes for the conduct of investigations, or to the related provisions governing extensions to those timeframes
- the effectiveness of the changes to the public reporting requirements in promoting more transparent decision-making and outcomes, while continuing to provide appropriate protection for commercially sensitive material submitted by the parties, and what more can be done in this regard
- whether there have been changes to overseas anti-dumping regimes that are relevant to the Australian system, and
- any unintended consequences of the reform package.

The proposed review accords with the approach recommended by the Productivity Commission (recommendation 7.11). It is anticipated that it will be conducted by an independent and highly respected person with extensive experience of the ADS.

Response to Productivity Commission recommendations

Recommendation		Response	Ref
5.1	Introduce a public interest test	Not accept	6.1
6.1	Establish a working group to examine the close processed agricultural goods provisions	Agree	1.5
6.2	Not adopt the practice of zeroing	Agree	6.3
6.3	Earlier consideration of provisional measures	Agree in principle	2.3
6.4	Change arrangements for continuation of measures	Not accept	6.2
6.5	Replace the current review of measures and administrative review provisions with an automatic annual review	Not accept	1.4
6.6	Modify the basis for collecting anti-dumping and countervailing duties	Not accept	4.5
6.7	Replace the current arrangements for revocation of measures with the annual review provisions	Not accept	1.4
6.8	Update Australia's actionable subsidies to align with the latest relevant World Trade Organization agreements	Agree	4.1
7.1	Retain the broad administrative and decision-making roles of Customs, the Minister and the Trade Measures Review Officer	Agree in part	3.3
7.2	Make changes to the current appeal arrangements for anti-dumping decisions	Agree in part	3.3
7.3	Allow Customs to seek extensions of the investigation period at any time during an investigation	Agree	3.5
7.4	Introduce a 30 day time-limit for the Minister to make decisions	Agree	2.4
7.5	Provide adequate resourcing for Customs and Border Protection and the Trade Measures Review Officer	Agree	2.1 3.1
7.6	Advise the Minister in investigation reports of the details of comparable recent cases in other countries	Agree	4.6
7.7	Improve reporting on applications for anti-dumping measures	Agree in part	3.6.2
7.8	Publish the maximum amount of information on the magnitude of individual anti-dumping and countervailing measures	Agree	3.6.3
7.9	Consult with the Australian Bureau of Statistics regarding better access to import data	Agree	1.2
7.10	Implement reforms of the anti-dumping system as soon as practically possible	Agree	7.3
7.11	Review these reforms five years after implementation	Agree	7.4

Glossary

ABS	Australian Bureau of Statistics
Actionable subsidy	A subsidy as defined in the ASCM in respect of goods exported to Australia
***Ad valorem* duty**	A percentage rate of dumping or countervailing duty, for example X per cent of the export price
ADA	WTO Anti-Dumping Agreement
ADAs	Anti-Dumping Agreements – refers to the WTO ADA and the WTO ASCM
ADS	Anti-dumping system – refers to the anti-dumping and countervailing system
All relevant information	All facts available to Customs and Border Protection upon which it can base a particular finding
Applications	Anti-dumping or countervailing applications
ASCM	WTO Agreement on Subsidies and Countervailing Measures
Branch, the	Trade Measures Branch – to be renamed the International Trade Remedies Branch
Customs	Australian Customs and Border Protection Service
Combination duty	Dumping duty with both fixed and variable components
CPAG	Close Processed Agricultural Goods
Countervailing	The remedy taken in response to actionable subsidies, usually in the form of a duty
Dumping	Where the export price of goods exported to Australia is less than their normal value
Export price	The price at which goods are exported to Australia
Fixed duty	A fixed amount of dumping or countervailing duty, for example $X per kg
Floor price	The minimum price at which exporters can export goods to Australia before incurring a variable component of dumping duty

Forum, the	International Trade Remedies Forum
Investigations	Anti-dumping or countervailing investigations
Lesser duty rule	Applying an amount of dumping or countervailing duty (based on the non-injurious price) less than the full dumping or subsidy margin, where the lesser amount is considered sufficient to remove the material injury caused by the dumping or subsidisation
Like goods	Goods that are identical or closely resemble the allegedly dumped or subsidised goods
Manual, the	Customs and Border Protection Dumping and Subsidy Manual
Measures	Anti-dumping or countervailing measures
Minister	Minister for Home Affairs
Non-injurious price	The minimum export price necessary to prevent the material injury caused by dumping or subsidisation
Normal value	In relation to goods exported to Australia, the normal value is the comparable price for like goods sold in the country of export – can be based on an actual selling price or a constructed price
PAD	Preliminary Affirmative Determination
Particular market situation	A particular situation in the market of the country of export that renders actual selling prices unsuitable for normal value
SEF	Statement of Essential Facts
SMEs	Small and medium enterprises
SSO	SME Support Officer
Variable component of duty	The amount by which the actual export price of goods exported to Australia is less than the floor price
WTO	World Trade Organization
Zeroing	The practice of setting a negative dumping margin to zero, the effective result of which is to disregard undumped goods in determining the dumping margin on a weighted average basis