

APPENDIX 4E Preliminary Final Report

Name of entity:	Pact Group Holdings Ltd
ABN:	55 145 989 644

Year ended (‘current period’)	Year ended (‘previous corresponding period’)
30 June 2022	30 June 2021

Results for announcement to the market

\$'000

Revenue and other income from ordinary activities	Up	4.4%	to	1,858,314
Net profit from ordinary activities after tax attributable to members	Down	86.1%	to	12,178
Net profit for the period attributable to members	Down	86.1%	to	12,178

Dividends	Amount per security	Franked amount per security	Total dividend amount (\$'000)
Current year to 30 June 2022			
Final Dividend (per ordinary share)	1.50 cents	0.98 cents	5,164
Interim Dividend (per ordinary share)	3.50 cents	2.28 cents	12,050
Prior year to 30 June 2021			
Final Dividend (per ordinary share)	6.00 cents	3.90 cents	20,657
Interim Dividend (per ordinary share)	5.00 cents	3.25 cents	17,200

Record date for determining entitlements to the dividend:	Ordinary shares	25 August 2022
Payment date of dividend:	Ordinary shares	6 October 2022

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security ⁽¹⁾	\$(0.01)	\$(0.08)

⁽¹⁾ Net tangible assets excludes goodwill and other intangible assets (refer to Note 2.2 in the Full Year Consolidated Financial Report).

For the profit commentary and any other significant information needed by an investor to make an informed assessment of the results for Pact Group Holdings Ltd ('Pact') please refer to the accompanying Full Year Consolidated Financial Report.



Kathryn de Bont
Company Secretary

Dated: 17 August 2022

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

PACT GROUP HOLDINGS LTD

FOR THE YEAR ENDED 30 JUNE 2022

The Group has reported revenue of \$1,837.7 million for the year ended 30 June 2022, up 4% compared to the prior corresponding period (pcp). The statutory net profit after tax (NPAT) for the year was \$12.2 million, compared to \$87.5 million in the pcp. Underlying NPAT³ for the year was \$70.2 million, down 25% compared to \$93.5 million in the pcp.

OVERVIEW

- Revenue up 4.3% to \$1,837.7 million (pcp: \$1,761.6 million)
- Statutory NPAT of \$12.2 million (pcp: \$87.5 million)
- Underlying EBITDA¹ down 8.0% to \$289.8 million (pcp: \$314.9 million)
- Underlying EBIT² down 14.6% to \$156.2 million (pcp: \$182.9 million)
- Underlying NPAT³ down 25.0% to \$70.2 million (pcp: \$93.5 million)
- Widespread and persistent supply chain challenges and labour shortages continue to be well managed
- Continued focus on recovering significant raw material and supply chain cost inflation
- Revenue growth of 4%
 - Volume growth in the Packaging & Sustainability segment and in crate pooling services
 - Disciplined price recovery in the Packaging & Sustainability and Materials Handling & Pooling segments largely offsetting higher input costs.
- Combined underlying earnings in the Packaging & Sustainability and Materials Handling & Pooling segments in line the pcp, with significant raw material, freight and labour cost inflation mitigated through pricing discipline and overhead reductions.
- Contract Manufacturing earnings significantly impacted by higher costs and lower volumes. Non-cash impairments of \$84 million before tax recognised in the period.
- Net debt⁶ reduced by \$24 million compared to the pcp despite increased supply chain disruption.
 - Cashflow from operating activities impacted by higher inventory holdings
 - o to mitigate raw material and customer supply chain disruption
 - o higher material and supply chain input costs
 - Cashflow from investing activities benefitted from a property sale in China and reduced acquisition activity
 - Gearing⁴ remains within target range at 2.7x (compared to 2.4x in the pcp)
- Execution of strategy to *Lead the Circular Economy* continues with several strategic milestones advanced in the period:
 - Acquisition of Synergy Packaging to accelerate growth in the Health and Personal Care segment
 - Continued momentum in building a national network of plastics recycling infrastructure
 - o new Circular Plastics Australia (PET) joint venture recycling facility in Albury commenced operations with food safe accreditation in place
 - o two additional facilities in Laverton and Altona, Victoria on track to be operational in 2023
 - o three further potential new facilities are being evaluated in WA (supported by Government funding), Queensland and New Zealand
 - o capacity potential of 120,000 tonnes when pipeline complete
 - Pact facilities now capable of producing with an average 10% recycled content and increasing
 - Funding grants totalling \$20 million awarded from the Federal Government's Modern Manufacturing Initiative supporting the upgrade of facilities to enable use of recycled materials
 - Firsts in sustainable packaging – producing 100% recycled content milk bottles and fully recyclable meat trays
 - A sustainability partnership with Woolworths to produce high quality recycled packaging for a range of own brand products
 - Site rationalisation in New Zealand fresh food segment announced, realising synergies from the Flight acquisition
 - Continued crate pooling penetration and conversion in the fresh produce sector
 - Major contract renewals won in hanger reuse services
- Final ordinary dividend of 1.5 cents per share (65% franked, to be paid in October 2022), taking total dividends for the year to 5.0 cents per share (pcp: 11.0 cents per share)

Key Financial Highlights - \$ millions	2022	2021	Change %
Revenue	1,837.7	1,761.6	4.3%
Underlying EBITDA¹	289.8	314.9	(8.0%)
Segment Underlying EBIT²			
<i>Packaging & Sustainability</i>	110.2	104.6	5.3%
<i>Materials Handling & Pooling</i>	49.9	54.4	(8.3%)
<i>Contract Manufacturing Services</i>	(4.0)	23.8	(116.7%)
Underlying EBIT²	156.2	182.9	(14.6%)
Underlying NPAT³	70.2	93.5	(25.0%)
Reported Net Profit After Tax	12.2	87.5	(86.1%)
Total Dividends – cents per share	5.0	11.0	(55.0%)

Note: Underlying EBITDA, Underlying EBIT and Underlying NPAT are non-IFRS financial measures and have not been subject to audit by the Company's external auditor. Refer to page 7 for definitions.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

GROUP RESULTS

\$'000	2022	2021	Change %
Revenue	1,837,697	1,761,572	4.3%
Other income (excluding interest revenue)	21,745	20,625	
Expenses	(1,569,622)	(1,467,309)	
Underlying EBITDA¹	289,820	314,888	(8.0%)
<i>EBITDA margin</i>	15.8%	17.9%	
Depreciation and amortisation	(133,657)	(132,013)	
Underlying EBIT²	156,163	182,875	(14.6%)
<i>EBIT margin</i>	8.5%	10.4%	
Underlying adjustments (before tax)	(77,172)	(8,414)	
Reported EBIT	78,991	174,461	(54.7%)
Net finance costs expense	(56,625)	(51,171)	
Income tax expense	(29,379)	(38,156)	
Tax on underlying adjustments	19,191	2,400	
Net profit after tax	12,178	87,534	(86.1%)

Revenue

Group revenue for the year was \$1,837.7 million, up 4.3% compared to \$1,761.6 million in the prior corresponding period (pcp).

Revenue was ahead in the Packaging and Sustainability segment by 6.9%, benefitting from volume growth and the pass through of significantly higher material and other input costs. Volume growth was delivered notably in Asia closures, the dairy and fresh food packaging sectors in New Zealand, and in recycling services.

The Materials Handling and Pooling segment was also 2.8% ahead due to supply chain recoveries and growth in pooling and infrastructure demand.

Contract Manufacturing revenue was 4.8% lower. Excluding the impact of significant one-off COVID-19 hand sanitiser sales and the impact of the fire at its automotive plant in 2021, revenue was broadly in line.

Underlying EBIT²

The Group delivered solid performance in an extremely challenging environment. Underlying EBIT for the year of \$156.2 million was \$26.7 million or 14.6% lower than the pcp, with the reduction largely due to lower earnings in the Contract Manufacturing segment. The Group delivered pleasing results in its Packaging & Sustainability and Materials Handling & Pooling segments, benefitting from volume growth in key sectors and outstanding management of COVID related disruption to operations and the supply chain. Overall combined underlying earnings in these two segments were slightly ahead of the pcp, with significant raw material, labour and freight cost inflation mitigated through strong pricing discipline and efficiency savings. The Contract Manufacturing segment was significantly impacted by lower volumes as noted above and lags in recovering sharply higher raw material costs.

Further detail on revenue and earnings in each of the Group's operating segments is contained in the Review of Operations below.

Underlying Adjustments

Pre-tax underlying adjustments for the year were an expense of \$77.2 million. This includes transaction costs of \$6.7 million, business restructuring costs of \$17.8 million (restructuring costs of \$10.7 million, asset write downs of \$4.4 million and a right of use asset impairment of \$2.7 million) related to the exit of sites in Australia, New Zealand and China, clean-up costs and other expenses arising from a factory fire in the prior year at a Contract Manufacturing site of \$1.7 million, inventory write downs and related disposal costs of \$17.8 million and impairment and write off expenses of \$72.3 million. The inventory write down primarily relates to hand sanitiser inventory with no realisable value, and the impairment and write off expenses includes \$67.6 million of non-cash impairments in the Contract Manufacturing segment (a tangible asset write off of \$37.6 million and intangible asset impairments of \$29.9 million) following an annual assessment of recoverable amounts and reflecting challenging trading conditions and a moderated medium-term outlook for this business. In addition, impairment and write off expenses include \$4.7 million for the write down of idle assets in the Packaging & Sustainability segment. Pre-tax underlying adjustments also contain income of \$7.0 million from settlements of insurance claims from events in prior periods, income of \$2.7 million for net gains on two lease modifications, a profit of \$20.5 million from the sale of land and vacating premises in China, and income of \$8.9 million relating to compensation for the closure of the business in China.

Pre-tax underlying adjustments in the prior year were an expense of \$8.4 million. This included transaction costs of \$1.7 million, business restructuring costs of \$6.2 million, clean-up costs and other expenses arising from a factory fire at a Contract Manufacturing site of \$4.0 million, and an expense of \$2.7 million for the write off of fixed assets and inventory as a result of the fire at that site. In addition, pre-tax underlying adjustments contained income of \$1.8 million from settlement of an insurance claim from events in prior periods and a profit of \$4.4 million from the sale of two properties in China.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Net Finance Expense

Net financing costs for the year were \$56.6 million, an increase of \$5.5 million compared to the pcp. The increase includes \$2.1 million relating to higher interest in lease liabilities. Interest on borrowings was also \$3.4 million higher through a combination of higher interest rates in the period and increased amortisation of borrowing costs due to a refinancing undertaken in the period.

Income Tax Expense and Significant Tax Items

The income tax expense for the year (excluding tax on underlying adjustments) was \$29.4 million, representing an average tax rate of 29.5% of underlying net profit before tax, slightly higher than the pcp (29.0%) due to profit mix, but consistent with the statutory tax rates payable by the Group across its main operating geographies. Tax on underlying adjustments was a benefit of \$19.2 million for the year, compared to a benefit of \$2.4 million in the pcp.

Net Profit after Tax

The reported net profit after tax for the year was \$12.2 million compared to \$87.5 million for the prior year. Excluding underlying adjustments, NPAT was \$70.2 million, a decrease of \$23.3 million or 25.0% compared to \$93.5 million in the pcp.

BALANCE SHEET

\$'000	2022	2021	Change %
Cash	101,513	62,152	63.3%
Other current assets	429,668	402,862	6.7%
Property plant & equipment	1,006,175	1,014,199	(0.8%)
Intangible assets	425,683	459,369	(7.3%)
Other assets	92,532	69,161	33.8%
Total Assets	2,055,571	2,007,743	2.4%
Lease liabilities	486,007	469,944	3.4%
Bank borrowings	662,286	647,163	2.3%
Other Liabilities payables & provisions	483,501	458,766	5.4%
Total Liabilities	1,631,794	1,575,873	3.5%
Net Assets	423,777	431,870	(1.9%)
Net Debt including lease liabilities⁶	1,046,780	1,054,955	(0.8%)
Net Debt⁶	560,773	585,011	(4.1%)

Net debt of \$560.8 million was \$24.2 million lower than 30 June 2021. The improvement was driven by solid operating cashflows, notwithstanding increased working capital requirements, and proceeds from the disposal of property in China. The reduction in net debt was also achieved despite lower earnings in the Contract Manufacturing segment and increased investment in strategic projects and initiatives. Net debt including lease liabilities at 30 June 2022 was \$1,046.8 million, a decrease of \$8.2 million compared to 30 June 2021.

The Group retains significant undrawn debt capacity, with \$326.0 million committed undrawn facilities.

The increase in other current assets of \$26.8 million includes a decrease in trade and other receivables of \$11.8 million and an increase in inventories of \$41.9 million. The increase in inventories was driven by higher resin and other raw material costs and the need to hold additional safety stock due to continued uncertainty and disruption in global supply chains and international freight.

The reduction in property plant and equipment (including right of use assets) of \$8.0 million primarily reflects additions of \$149.3 million (including right of use asset additions of \$46.3 million and capitalisation of work in progress of \$32.1 million), acquisition of subsidiaries and businesses of \$17.6 million and lease modifications of \$14.6 million, partly offset by depreciation of \$133.0 million, disposals of \$8.7 million and impairment and write off expenses of \$49.4 million. The net book value of right of use assets included within property, plant and equipment at 30 June 2022 was \$381.6 million compared to \$372.5 million at 30 June 2021.

The decrease in intangible assets of \$33.7 million mainly relates to the impairment of intangible assets in the Contract Manufacturing business of \$29.9 million and adverse foreign exchange translation of \$5.5 million, partly offset by increases of \$2.4 million related to acquisitions.

The increase in other liabilities, payables and provisions of \$24.7 million primarily relates to a payable for the acquisition of Synergy Packaging Pty Limited.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Financing Metrics	2022	2021	Change
Gearing ⁴	2.7x	2.4x	0.3
Gearing (including leasing) ⁴	3.6x	3.4x	0.2
Interest Cover ⁵	7.4x	9.6x	(2.2)
Interest Cover (including leasing) ⁵	5.1x	6.2x	(1.1)

At 30 June 2022 gearing was 2.7x, an increase of 0.3x compared to the pcp with the benefit of lower net debt more than offset by the impact of lower earnings. Including the impact of lease accounting, gearing was 3.6x (compared to 3.4x in the pcp). Interest cover at 7.4x was 2.2x lower than the pcp through a combination of lower earnings and higher interest expense as noted above. Including the impact of lease accounting, interest cover was 5.1x (compared to 6.2x in the pcp).

Gearing and interest cover both remain well within targeted levels.

CASHFLOW

Key Items - \$'000	2022	2021	Change %
Net cash flows provided by operating activities	174,614	221,034	(21.0%)
Payments for property, plant and equipment	(90,336)	(78,283)	15.4%
Payments for investments in associates and joint ventures	(12,602)	(9,009)	39.9%
Purchase of businesses and subsidiaries, net of cash acquired	785	(23,836)	n/a
Payments for deferred acquisition consideration	-	(23,307)	n/a
Proceeds from sale of property, plant and equipment	26,645	6,900	286.2%
Proceeds from Government grants	8,000	-	n/a
Repayment of lease liability principal	(52,087)	(47,413)	9.7%
Payment of dividends	(32,707)	(27,520)	18.8%

Statutory net cash flows provided by operating activities was \$174.6 million for the year, down \$46.4 million compared to the prior year. The inflow from securitisation of trade debtors was \$1.2 million for the year compared to an inflow of \$3.2 million in the pcp. Excluding securitisation cash flows, statutory operating cash flow was \$44.4 million lower than the pcp. The reduction was primarily due to lower earnings and higher working capital investment in response to continued supply chain challenges. Net finance costs and interest cash flows were \$7.5 million higher, but tax cash payments were \$3.5 million lower.

Payments for property, plant and equipment were \$90.3 million for the year, \$12.1 million higher than the pcp. The Group has continued to provide capital to support the turnaround of its Packaging business whilst also investing in initiatives aligned to the business strategy to Lead the Circular Economy. During the year, the Group has invested in projects supporting customer growth, automation, efficiency, light-weighting and the use of recycled content in both the Australian and New Zealand packaging businesses. Other projects have also been undertaken to support capacity initiatives in the Asian closures and recycling platforms, the systems integration of the hanger reuse business and the expansion of the crate pooling services. In addition, the Group is investing in a new liquids facility and high-speed line in the Contract Manufacturing business to increase capability and reduce cost.

Payments for investments in associates and joint ventures of \$12.6 million in the current year and \$9.0 million in the pcp relate to further investments in the joint ventures with key suppliers and customers that are building a national network of recycling infrastructure to supply high-quality food grade recycled resins.

Payments for the purchase of businesses and subsidiaries, net of cash acquired, of \$23.8 million in the pcp represents the acquisition of 100% of the net assets of Flight Plastics, a New Zealand based packaging manufacturer with integrated PET recycling capability operating in the fresh food segment.

Payments for deferred acquisition consideration of \$23.3 million in the pcp represents deferred consideration and post completion adjustments in respect of the acquisition of TIC (acquired in the first half of FY2019).

Proceeds from sale of property, plant and equipment of \$26.6 million represents cash disposal proceeds from the sale of land and vacating premises in China.

Proceeds from Government grants of \$8 million are grants received from the Federal Government's Modern Manufacturing Initiative.

Repayments of lease liability principal represents the payment of liabilities recognised after the adoption of AASB16 in FY2020. The increase of \$4.7 million compared to the pcp reflects lease asset additions.

The dividend payments of \$32.7 million reflect the 6 cents per share final dividend from FY2021 (paid in October 2021) and the 3.5 cents per share interim dividend from FY2022 (paid in April 2022). The \$27.5 million dividend payments in the pcp reflect the 3 cents per share final dividend from FY2020 (paid in October 2020) and the 5 cents per share interim dividend in respect of FY2021 (paid in April 2021).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

The Group's operating segments are:

- Packaging and Sustainability
- Materials Handling and Pooling
- Contract Manufacturing Services

Inter-segment revenue eliminations of \$30.7 million (pcp: \$35.4 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging and Sustainability segment is a market leader in rigid plastic packaging in Australia and New Zealand with a growing presence in Asia. The business is also a leader in select rigid metals packaging sectors in Australia and New Zealand and a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand. Packaging & Sustainability contributed 65% of the Group's revenue in FY2022.

\$'000	2022	2021	Change %
Revenue	1,208,575	1,131,088	6.9%
Underlying EBITDA¹	197,713	190,734	3.7%
<i>EBITDA Margin %</i>	16.4%	16.9%	(0.5%)
Underlying EBIT²	110,197	104,616	5.3%
<i>EBIT Margin %</i>	9.1%	9.2%	(0.1%)

Revenue for the Packaging and Sustainability segment of \$1,208.6 million for the year was \$77.5 million or 6.9% higher than the pcp. The segment delivered volume growth in the New Zealand dairy, agriculture and fresh food packaging sectors, including a first full year contribution from Flight Plastics. The closures business in Asia also delivered organic growth despite widespread supply chain disruptions and the impact of COVID-19 and lockdowns in the region. Volumes were resilient in other parts of the segment despite the ongoing pandemic and disruption to supplies of resin and pallets and labour shortages. Pact's Recycling business also delivered revenue growth with improved demand for sustainable packaging and recycled content. Segment revenue also benefitted from the pass through of significantly higher raw material and other input costs in the period.

Underlying EBIT for the year of \$110.2 million was \$5.6 million or 5.3% up on the pcp. Segment earnings benefitted from improved overall volumes, cost savings, efficiency benefits and favourable foreign exchange translation. Price recovery of higher input costs and challenges in the supply chain were well managed, but the result was impacted by lags in some recoveries, lower pricing to some customers in Asia and increased insurance and depreciation expenses.

Despite higher input costs, EBIT margins for the year were broadly in line with the pcp at 9.1%.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Materials Handling & Pooling

The Materials Handling and Pooling segment is a leading Australian supplier of polymer materials handling products and a leading supplier of custom moulded products for use in infrastructure and other projects. The business is also the largest supplier of returnable produce crate pooling services in Australia and New Zealand and includes TIC, a closed loop plastic garment hanger and accessories re-use business operating across several countries in Asia as well as in Australia, the USA and the UK. Materials Handling and Pooling contributed 19% of the Group's revenue in FY2022.

\$'000	2022	2021	Change %
Revenue	353,529	344,008	2.8%
Underlying EBITDA¹	83,433	85,579	(2.5%)
<i>EBITDA Margin %</i>	23.6%	24.9%	(1.3%)
Underlying EBIT²	49,939	54,446	(8.3%)
<i>EBIT Margin %</i>	14.1%	15.8%	(1.7%)

Revenue for the Materials Handling and Pooling segment of \$353.5 million for the year was \$9.5 million (2.8%) higher than the pcp. In the Reuse business, organic growth was delivered in crate pooling (excluding the \$4.8 million impact of the cessation of the crate wash contract with Coles), benefiting from increased penetration in fresh produce markets and the delivery of conversion opportunities, albeit slowing in the second half. Infrastructure volumes were also higher, supported by the completion of the supply of noisewalls to the Mordialloc Bypass project in Victoria, and revenue was favourably impacted by higher pricing to recover higher input costs. Partly offsetting these benefits, bin volumes were lower as limited council contracts were tendered in FY2022. Demand for hanger reuse services was solid, though volumes were slightly lower overall as post-lockdown related demand from the early part of the prior year period was cycled out and retail demand slowed towards the end of FY2022. Lower volumes were offset however by improved price recovery and favourable foreign exchange translation.

Underlying EBIT for the segment of \$49.9 million was \$4.5 million (8.3%) lower compared to the pcp. Earnings were impacted by lower retail volumes as noted above, additional COVID related labour costs and lags in recovering higher resin and freight costs that were incurred as a result of supply chain disruption. IT costs were also higher following the full systems integration of hanger reuse services, and depreciation expense was up on the pcp following investment in crate pooling assets and new hanger reuse facilities.

EBIT margins were 1.7% lower at 14.1%.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Contract Manufacturing Services

The Contract Manufacturing Services segment is a leading supplier of contract manufacturing services for the home, personal care and health and wellness categories in Australia. The business includes manufacturing capability for liquid, powder, aerosol and nutraceutical products. Contract Manufacturing Services contributed 16% of the Group's revenue in FY2022.

\$'000	2022	2021	Change %
Revenue	306,324	321,915	(4.8%)
Underlying EBITDA¹	8,674	38,575	(77.5%)
<i>EBITDA Margin %</i>	2.8%	12.0%	(9.2%)
Underlying EBIT²	(3,973)	23,813	(116.7%)
<i>EBIT Margin %</i>	(1.3%)	7.4%	(8.7%)

Revenue for the Contract Manufacturing Services segment of \$306.3 million for the year was \$15.6 million (4.8%) lower than the pcp.

Hand sanitiser and other hygiene product volumes were lower following elevated demand driven by the COVID-19 pandemic in the prior year, and automotive volumes were also lower following the factory fire in 2021. Excluding these impacts, revenue was slightly up on the prior year and ahead in the second half, reflecting new business growth, customer onshoring and the impact of price rises to recover higher input costs. Volumes improved in the homecare and personal care sectors, but remained volatile in health and wellness, with lower nutraceutical volumes.

Underlying EBIT for the year was a loss of \$4.0 million compared to earnings of \$23.8 million in the pcp. The loss was driven primarily by a combination of lower volumes (including hand sanitiser and automotive) and significantly higher raw material and supply chain costs, which were impacted by global freight market volatility, higher commodity prices and supply disruption and COVID-19 related lockdowns. These higher costs were unable to be fully recovered in the period with less than 50% of customers on contracts with rise and fall clauses. Increased input costs were partly offset by lower depreciation and amortisation expenses as a result of the impairment of tangible and intangible assets in the segment.

OUTLOOK

Pact expects ongoing supply chain disruption, cost increases across most spend categories and volatile labour availability. Despite these disruptions, we forecast underlying EBIT to grow slightly in FY23.

Consistent with our approach last year and given the uncertainties of the operating environment, the Group will provide an update on trading at the AGM.

OTHER EVENTS OF SIGNIFICANCE

Acquisition of Synergy Packaging Pty Ltd

On 31 May 2022, the Group purchased 100% of the shares of Synergy Packaging Pty Ltd for a provisional consideration of \$19.9 million with settlement deferred until 1 July 2022. Synergy Packaging is a Victoria based manufacturer of non-beverage rigid PET containers supplying mainly to small health and personal care businesses.

This report includes certain non-IFRS financial information which have not been subject to audit by the Group's external auditor. This information is used by Pact, the investment community and Pact's Australian peers with similar business portfolios. Pact uses this information for its internal management reporting as it better reflects what Pact considers to be its underlying performance.

- (1) Underlying EBITDA is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue), tax, depreciation and amortisation.
- (2) Underlying EBIT is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue) and tax.
- (3) Underlying NPAT is a non-IFRS financial measure which is calculated as net profit after tax before underlying adjustments.
- (4) Gearing is a non-IFRS financial measure which is calculated as net debt divided by rolling 12 months EBITDA. Gearing has been presented both excluding and including the impact of lease accounting since the adoption of AASB16
- (5) Interest cover is a non-IFRS financial measure which is calculated as rolling 12 months EBITDA divided by rolling 12 months net finance costs and losses on de-recognition of financial assets. Interest cover has been presented both excluding and including the impact of lease accounting since the adoption of AASB16
- (6) Net debt is a non-IFRS financial measure and is calculated as interest bearing liabilities (presented both including and excluding lease liabilities) less cash and cash equivalents

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF BUSINESS STRATEGY

Our Vision

Pact's vision is *To Lead the Circular Economy* through reuse, recycling and packaging solutions

Our Target

Our target is top quartile shareholder returns and 30% recycled content across the portfolio by 2025

Our Priorities

The Group will seek to deliver long term value focussing on three core areas, with six key priorities:

- Strengthen our core
 - Focus the portfolio and strengthen the balance sheet
 - Turnaround and defend our core Australia and New Zealand consumer packaging businesses
- Expand reuse and recycling capability
 - Lead plastics recycling in Australia and New Zealand
 - Scale up reuse solutions
 - Differentiate industrial and infrastructure businesses
- Leverage regional scale
 - Grow our Asian packaging platform

Key Enablers

The Group has identified the following key enablers to help achieve our vision:

- A safe, diverse and motivated workforce
- Competitive manufacturing
- A segment skilled sales capability
- Differentiated solutions through technical expertise and innovation
- Circular economy credentials and communication
- Disciplined capital management
- Data-driven decision making

Our Values

Strong values are the foundation of all successful organisations and at Pact we have values that focus on providing a safe, inclusive, and inspiring workplace for everyone and a high-performance culture:

- Safety - we will make safety our priority and take pride in our workplace
- Customer - we will win when our customer wins, and we will deliver when and what we say
- Integrity - we will strive for results with honesty and integrity
- Innovation - being innovative is in Pact's DNA and will drive the circular economy
- Respect - we will create a better workplace through respect and collaboration

Leadership and Capability

Strong leadership and capability will underpin the delivery of our strategy

- A customer centric operating model has been implemented, and key leadership positions are in place
- Capability has been enhanced through:
 - Supply chain excellence, driving efficiencies
 - The transformation of functional teams, driving standardisation, improved data analytics and operational excellence
 - Leadership development programs
 - External appointments to leadership positions, challenging the status quo
 - Strong employee alignment, supported by incentive and share ownership programs

Execution of Our Strategy

The Group has continued to make progress in the delivery of the strategy in FY2022.

- Turnaround and defend core Australia and New Zealand consumer packaging businesses

Operations in our Australian packaging business have stabilised, and margins are targeted to improve having been impacted in FY2022 by lags in recovering significantly higher input and freight cost as a result of global supply chain disruptions. Our new operating model and investment in projects to support platform capability, efficiency, light-weighting and use of recycled content are delivering improvements in operational performance, supporting our customers in achieving their sustainability targets and delivering innovative products for recycled content solutions. We have developed detailed segment strategies which are guiding our investment decisions and will drive growth in margins. We are targeting to return margins in our Australian packaging business to global industry standard by 2026. Our New Zealand business has delivered volume growth in FY2022, including a first full year contribution from Flight Plastics and has announced a site rationalisation in the fresh food segment, realising operational synergies from the Flight acquisition.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

- Lead plastics recycling in Australia and New Zealand

The Group has continued to progress the development of a national network of recycling infrastructure and is leading the industry in providing scaled, best in class facilities to provide high quality food grade recycled resins. Our new Circular Plastics Australia (PET) joint venture recycling facility in Albury NSW was commissioned during the year and two more joint venture facilities in Laverton and Altona Victoria are under construction and expected to be commissioned in 2023. In addition a further three potential sites are under evaluation in Australia and New Zealand. The completion of this pipeline would lift recycling capability in total up to a potential 120,000 tonnes per annum. Strong support has been received to date from both state and federal governments.

The Group has established a Demand Team and there has been strong demand for offtake from our new facilities, with offtake from our Albury and Laverton facilities almost fully committed. Pact is now well positioned to be the partner of choice for customers seeking strategic partnerships to access local recycled content that will be necessary to deliver ambitious 2025 sustainability targets. The Group has signed a partnership with Woolworths to exclusively supply recycled packaging for products across their own brand range, including milk bottles, meat trays, fruit and vegetable punnets and beverage bottles. More than 18,000 tonnes of recycled plastic resin sourced from our recycling facilities in Australia and other local facilities will be used to manufacture this high quality recycled and recyclable packaging.

Our joint recycling and manufacturing capability closes the loop and enables us to deliver change and sustainable solutions. In recycled content firsts we are producing at scale 100% recycled content PET milk bottles and 30% recycled HDPE milk bottles for customers and have developed fully recyclable meat trays in New Zealand.

In FY2022 Pact completed the acquisition of Synergy Packaging, a Victoria based manufacturer of non-beverage rigid PET and recycled PET packaging supplying mainly to small health and personal care businesses. Synergy's recycled PET capabilities align directly with Pact's strategy, complements our existing business and will assist in meeting the increasing demand for recycled packaging.

Pact also completed the acquisition of Flight Plastics NZ during FY2021, and this has provided access to quality, locally processed food-grade recycled PET for use in food packaging. Supply of recycled content solutions through Flight has been a key enabler to contract wins in the fresh food segment in Australia and New Zealand.

The Group is also planning an investment of \$75 million over 3 years to upgrade our manufacturing capability and to:

- Enable up to 50% recycled content in milk bottles
- Boost production of 100% rPET beverage bottles
- Upgrade mobile garbage bin manufacturing capability to meet growth from 4 bin waste collection initiatives and increase use recycled content, and
- Increase capability to use recycled content in industrial packaging

A \$20 million grant has been awarded from the Federal Government's Modern Manufacturing Initiative to support this investment.

- Scale-up reuse solutions

Pact's crate pooling services delivered organic growth in FY2022 and achieved increased penetration in the fresh produce sector and diversification into new produce categories. Pooling opportunities in other categories are also being evaluated.

In addition, Woolworth's is planning to scale up the use of Pact's reusable and recyclable produce crates to replace single traditional single use cardboard and polystyrene boxes, increasing usage from 50 million to 80 million crates per year. These reusable crates are designed to be used more than 140 times before being replaced.

Our hanger reuse services business was successful in winning major contract renewals in Australia and Europe.

We expect momentum in the growth of reuse solutions to continue as customers increasingly seek sustainable alternatives to single use packaging.

- Grow Asian packaging platform

The closures business delivered organic growth in FY2022 despite widespread supply chain disruption and the impact of COVID-19 and lockdowns in the region. Growth in the business has been supported by the consolidation of our regional platform and capital investment in capacity initiatives. The Group will continue to focus on accelerating growth in Asia and further leveraging capability in the region.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

BUSINESS RISKS

There are various internal and external risks that may have a material impact on the Group's future financial performance and economic sustainability. The Group makes every effort to identify material risks and to manage these effectively. Material risks that could adversely impact the Group's financial prospects are listed below. These risks are not to be interpreted as an exhaustive list of the risks Pact is exposed to, nor are they in order of significance. Details of the Group's environmental and social sustainability risks are reported in the Group's Sustainability Report.

Cyber risks

Data security is fundamental to protect privacy of information and to protect critical intellectual property. Advances in technology have resulted in an increased volume of data being stored electronically. There is an increasing risk of and sophistication to cyber-attacks and crime, which may lead to systems and data breaches, interruption to operations and an adverse effect on the Group's future financial performance. To manage this risk, Pact has adopted cyber security incident response policies, plans and procedures that align with the ISO27001 framework, mock data breach assessments, cyber security training and penetration testing.

Global Pandemics and Infectious Diseases

Pact Group has followed all local regulatory requirements relating to Covid-19. The business navigated through the year by adhering to site "Covid Safe Plans" to keep our manufacturing plants operating. Pact also ran a "Proud To Be Vaxxed" campaign to encourage employees to be vaccinated. The Group also offered free flu vaccination vouchers to all employees to mitigate the risk of influenza throughout our workforce.

People risks

Future financial and operational performance of the Group is significantly dependant on the performance and retention of key personnel, in particular Senior Management. The unplanned or unexpected loss of key personnel, or the inability to attract and retain high performing individuals to the business may adversely impact the Group's future financial performance. Pact has introduced and developed a number of initiatives to attract, develop and retain key people, including talent management and succession planning, recognition programs, implementation of a performance management system and equity acquisition plans. In line with the manufacturing industry, Pact has an exposure to health and safety management incidents in the manufacturing operations. Failure to comply with health and safety legislation and industry good practice may result in harm to a person or persons, which may lead to negative operational, reputational and financial impacts. Pact has adopted a comprehensive list of controls including a Zero Harm Framework, integrated WHSE management system and audit program, WHS Risk Register, systematic review of all incidents, real-time reporting of incidents and injuries and scheduled training. A significant focus has been on the identification and close out of WHS risks. Pact also recognises the importance of diversity in the workplace and has developed a framework that goes beyond the necessitated regulatory reporting, including an enhanced Diversity Policy and adherence to best practice according to the ASX Corporate Governance Council Principles and Recommendations on diversity.

Consumer demand

Changes in demand for Pact's products or adverse activities in key industry sectors which Pact and its customers service may be influenced by various factors. These industry sectors include consumer goods (e.g. food, dairy, beverages, personal care and other household consumables) and industrial (e.g. surface coatings, petrochemical, agriculture and chemicals) industry sectors. Factors which may influence these sectors include climate change, seasonality of foods and edible oils production, an increased focus in Australian and New Zealand supermarket chains on private brands and different substrates, and reputation of products, substrates (e.g. plastics, recycled and recyclable materials) or technology in the wider industry sector. Demand for Pact's products may materially be affected by any of these factors which could have an adverse effect on the Group's future financial performance. Pact closely monitors supply and demand which is especially important during COVID-19 times and has introduced a centralised procurement system for significant product to help manage this risk.

Interest rate risk

When variable debt is utilised, it exposes the Group to interest rate risk. Pact seeks to manage risks associated with interest rates and finance costs by assessing and, where appropriate, utilising a mix of fixed and variable rate debt and interest rate swaps or options when variable debt is in place.

Volatility of foreign exchange, commodity prices and economic environment

Pact's financial reports are prepared in Australian dollars. However, a substantial proportion of Pact's revenue, expenditures, cashflows, assets and liabilities are exposed to translation risk from offshore operations or operations in Australia that have a functional currency that is not the Australian dollar. The largest exposures are the New Zealand dollar from our New Zealand operations. Pact is also exposed to the US dollar, Chinese yuan, the Philippines peso, the Indonesian rupiah, the Thai baht, the South Korean won, the Indian rupee, the Nepalese rupee, the Hong Kong dollar, the UK pound and the Bangladesh Taka. To manage this exposure Pact utilises borrowing in the functional currency of the overseas entity to naturally hedge offshore entities, where considered appropriate. The foreign currency debt provides a balance sheet hedge of the asset, while the foreign currency interest cost provides a natural hedge of the offshore profit.

Pact also has exposure to foreign exchange risk through operating activities, mainly the purchases of raw materials that are denominated in a different currency from the entity's functional currency. US dollars are the main exposure. The Group manages these risks through customer pricing, including contractual rise and fall adjustments, and utilises forward foreign currency contracts to eliminate or reduce currency exposures on short-term commitments.

The Group is also exposed to commodity price risk from a number of commodities, including resin. The Group manages these risks through customer pricing, including contractual rise and fall adjustments. The Group also manages commodity price risk using resin forward contracts in circumstances where contractual rise and fall adjustments are not in place to minimise the variability of cash flows arising from price movements.

Any appreciation of the Australian dollar against the functional currencies of operations would have an adverse effect on the Group's future financial performance, while any appreciation of the Australian dollar against the transactional exposures (mainly US dollars) would have a positive effect on the Group's future financial performance.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Global supply chain disruptions

Global supply chains have experienced major disruptions over the last two year as a result of the pandemic, surges in product demand driven by Government stimulus, and reduced supply side capacity, including freight and shipping lines. Further disruptions have been caused by the war in Ukraine which has resulted in significantly higher oil and other commodity prices and COVID related lockdowns in China. To address supply chain risks, Pact built inventory buffers, qualified alternate resins and created multiple resin supply chains. Pact has also been impacted by higher detention cost due to supplier resin distribution capacity constraints. Additional costs are not always able to be passed through via increased sell prices. Management of supply chain risk also include close collaboration with Pact's key suppliers, regular scheduled forecasting, maintenance of contracts with preferred shipping lines, dual sourcing of major supplies and focussed coordination and communication with customers.

BCP and incident management

Pact operates across a diverse geographical footprint and situations may arise in which sites are not able to operate. Factors include emergency situations such as natural disasters, failure of information technology systems or security, or industrial disputes. Any of these factors may lead to disruptions in production or increase in costs and may have an adverse effect on the Group's financial performance. Pact recognises the importance and benefits of the implementation of an international business resilience program that is currently being implemented across all our sites.

Compliance risks

The diversity of Pact Group operations require compliance with extensive legislative requirements including modern slavery, competition and consumer law, health and safety, industrial relations, employment, anti-bribery and corruption, environment, customs and international trade, taxation, and corporation's law. Changes in Government policy may also have an adverse effect on the Group's financial performance. Pact has in place a Compliance Framework, which is based on ISO 37301:2021 Compliance Management Systems, and which sets out the standards, requirements, and accountability for managing regulatory compliance obligations across the Group. The Compliance Framework creates an integrated, strategic, consistent and risk informed approach to the management of Pact Group's compliance obligations and is subject to continual review and assurance.

Pact Group Holdings Ltd
ABN: 55 145 989 644

Full Year Consolidated Financial Report

For the year ended 30 June 2022



Introduction

This is the Consolidated Financial Report of Pact Group Holdings Ltd (“Pact” or the “Company”) and its subsidiaries (together referred to as the “Group”) and including the Group’s joint ventures at the end of, or during the year ended 30 June 2022. This Consolidated Financial Report was issued in accordance with a resolution of the Directors on 17 August 2022.

Information is only included in the Consolidated Financial Report to the extent the Directors consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the dollar amount is significant in size and / or by nature;
- the Group’s results cannot be understood without the specific disclosure;
- it is critical to allow a user to understand the impact of significant changes in the Group’s business during the year; and
- it relates to an aspect of the Group’s operations that is important to its future performance.

Preparing this financial report requires management to make a number of judgements, estimates and assumptions to apply the Group’s accounting policies. Actual results may differ from these judgements and estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Key judgements and estimates, which are material to this report, are highlighted in the following notes:

- Note 1.3 Taxation
- Note 2.2 Estimation of useful lives of assets
- Note 2.2 Recoverability of property, plant and equipment
- Note 2.2 Impairment of goodwill and other intangibles
- Note 2.4 Business restructuring
- Note 2.5 Incremental borrowing rate
- Note 2.5 Determining the lease term of contracts with renewal and termination options

To assist in identifying key accounting estimates and judgements, they have been highlighted as follows:



Contents

Directors’ Report	2
Auditor’s Independence Declaration	19
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Section 1: Our Performance	
1.1 Group results	24
1.2 Revenue from contracts with customers	26
1.3 Taxation	27
1.4 Dividends	28
Section 2: Our Operating Assets	
2.1 Working capital	29
2.2 Non-current assets	31
2.3 Capital expenditure commitments, contingencies and other liabilities	35
2.4 Other provisions	35
2.5 Leases	37
Section 3: Our Operational Footprint	
3.1 Business combinations	39
3.2 Controlled entities	40
3.3 Associates and joint ventures	42
Section 4: Our Capital Structure	
4.1 Net debt	45
4.2 Contributed equity and reserves	48
4.3 Managing our financial risks	49
4.4 Financial instruments	52
Section 5: Remunerating Our People	
5.1 Employee benefits expenses and provisions	55
5.2 Share based payments	55
5.3 Key management personnel	56
Section 6: Other Disclosures	
6.1 Basis of preparation	57
6.2 Other (losses) / gains	57
6.3 Pact Group Holdings Ltd – Parent entity financial statements summary	58
6.4 Deed of Cross Guarantee	59
6.5 Auditors remuneration	60
6.6 Segment assets and segment liabilities	60
6.7 Geographic revenue	61
6.8 Subsequent events	61
Directors’ Declaration	62
Independent Auditor’s Report	63

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" or the "Company") and the entities it controlled (collectively the "Group") at the end of, or during, the year ended 30 June 2022.

DIRECTORS

The following persons were directors of the Company during the year and up to the date of this report:

Non-Executive

Raphael Geminder **Non-Executive Chairman**

Member of the Board since 19 October 2010
Member of the Nomination and Remuneration Committee

Raphael founded Pact in 2002. Prior to this, Raphael was the co-founder and Chairman of Visy Recycling, growing it into the largest recycling company in Australia. Raphael was appointed Victoria's first Honorary Consul to the Republic of South Africa in July 2006. He also holds several other advisory and board positions.

Raphael holds a Master of Business Administration in Finance from Syracuse University, New York.

Other directorships

Director of several private companies.

Lyndsey Cattermole AM **Independent Non-Executive Director**

Member of the Board since 26 November 2013
Member of the Nomination and Remuneration Committee

Lyndsey founded Aspect Computing Pty Limited and remained as Managing Director from 1974 to 2001, before selling the business to KAZ Group Limited, where she served as a director from 2001 to 2004. Lyndsey has held many board and membership positions including with the Committee for Melbourne, the Prime Minister's Science and Engineering Council, the Australian Information Industries Association, the Victorian Premier's Round Table and the Women's and Children's Health Care Network.

Lyndsey holds a Bachelor of Science from the University of Melbourne and is a Fellow of the Australian Computer Society.

Other directorships

Non-executive director of Wellness and Beauty Solutions Ltd and Melbourne Rebels Rugby Union Ltd. Director of several private companies. Previously a non-executive director of Myer Holdings Limited (15 October 2018 - 29 October 2020).

Jonathan Ling **Independent Non-Executive Director**

Member of the Board since 28 April 2014
Chair of the Nomination and Remuneration Committee

Member of the Audit, Business Risk and Compliance Committee

Jonathan has extensive experience in complex manufacturing businesses. He was the Chief Executive Officer and Managing Director of GUD Holdings Limited from 2013 to 2018, and Chief Executive Officer and Managing Director of Fletcher Building Limited from 2006 to 2012. He also held leadership roles with Nylex, Visy and Pacifica.

Jonathan holds a Bachelor of Engineering (Mechanical) from the University of Melbourne and a Master of Business Administration from the Royal Melbourne Institute of Technology.

Other directorships

Executive chairman of Pro-Pac Packaging Limited, and a Non-executive director and chairman of Planet Innovation Ltd. Director of several private companies.

DIRECTORS' REPORT

Carmen Chua

Independent Non-Executive Director

Member of the Board since 1 September 2018
Member of the Audit, Business Risk and Compliance Committee

Carmen is based in Hong Kong and has broad base management experience in the packaging and material science industry. Carmen is currently the Corporate Vice President of Henkel, heading their global electronics SBU. Prior to that, Carmen led the global powder resins business of Covestro, was the Chief Marketing Officer of the Resins and Functional Material business for Royal DSM, President for Laird PLC and VP/GM of Materials Group at Avery Dennison. Carmen has also held leadership positions across sales, marketing and business development with organisations such as Worldmark and Dell Computer.

Carmen holds a Bachelor of Arts (Hons) from University Science Malaysia, a Master of Business Administration from the University of Portsmouth, UK and Advanced Management Program from Wharton School of Business.

Other directorships

Director of a private company.

Michael Wachtel

Independent Non-Executive Director

Member of the Board since 21 April 2020
Chair of the Audit, Business Risk and Compliance Committee

Michael brings a strong professional background and extensive global experience in governance, risk management, finance and complex international transactions to the role. Through his Future Fund Board role he has a deep involvement in global markets and monetary policy trends. Michael has previously held a number of leadership roles in professional services organisations, including as Chair (Asia Pacific and Oceania) of EY.

Michael has a Bachelor of Laws and Commerce from the University of Cape Town and a Master of Laws from the London School of Economics. Michael has completed the Harvard Business School Executive Program, is a Fellow of the Australian Institute of Company Directors and is a Certified Tax Advisor.

Other directorships

Director of Future Fund, SEEK Limited and St Vincent's Medical Research Institute.

Executive

Sanjay Dayal

Managing Director and Group Chief Executive Officer

Member of the Board since 3 April 2019

Sanjay joined Pact from BlueScope Steel where he held the position of Chief Executive, Building Products, Corporate Strategy and Innovation. This followed several other senior positions in Asia and Australia over a nine year period with the company. Prior to BlueScope, Sanjay had a very successful career with Orica and ICI, including Regional General Manager for Manufacturing and Supply Chain and General Manager for the DynoNobel Integration, based out of London.

Sanjay holds a Bachelor of Technology (Chemical Engineering) from Indian Institute of Technology – Delhi.

Company Secretary

Kathryn de Bont

General Counsel & Company Secretary

Kathryn was appointed to the positions of General Counsel and Company Secretary on 1 June 2022. Kathryn has been part of the legal team at Pact since November 2018. Prior to this, Kathryn worked in legal and governance roles in both private practice and industry, including with Sodexo, Programmed Maintenance Services Limited, Skilled Group Limited, Visy and Ashurst.

Kathryn holds a Bachelor of Arts and Bachelor of Laws (Hons) from Monash University.

DIRECTORS' REPORT

DIRECTORS' SHAREHOLDING

As at the date of this report, the relevant interests of the Directors in the shares of the Company or a related body corporate were as follows:

	Relevant Interest in Ordinary Shares
Raphael Geminder	160,982,256
Lyndsey Cattermole	586,476
Jonathan Ling	48,786
Carmen Chua	150,000
Michael Wachtel	41,925
Sanjay Dayal	40,000

DIRECTORS' MEETINGS

The table below shows the number of Directors' meetings (including meetings of Board committees), and the number of meetings attended by each Director in their capacity as a member during the year:

	Directors' Meetings		Audit, Business Risk & Compliance Committee		Nomination & Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Raphael Geminder	10	10	NM	NM	4	4
Lyndsey Cattermole	10	10	NM	NM	4	4
Jonathan Ling	10	10	7	7	4	4
Carmen Chua	10	10	7	6	NM	NM
Michael Wachtel	10	10	7	7	NM	NM
Sanjay Dayal	10	10	NM	NM	NM	NM

NM - Not a member of the relevant committee

PRINCIPAL ACTIVITIES

Pact is a leading provider of specialty packaging solutions, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing services and recycling and sustainability services.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

A review of the operations of the Group during the year and of the results of those operations is contained in the ASX announcement on 17 August 2022.

DIVIDENDS

The directors have determined to pay a final dividend of 1.50 cents after the end of the financial year (2021: 6.0 cents).

The table below shows dividends paid (or payable) during the year ended 30 June 2022 and the comparative year.

Dividends	Amount per security	Franked amount per security	Unfranked amount per security sourced from the conduit foreign income account	Date payable
Current year to 30 June 2022				
Final Dividend (per ordinary share)	1.50 cents	0.98 cents	0.52 cents	6 October 2022
Interim Dividend (per ordinary share)	3.50 cents	2.28 cents	1.22 cents	6 April 2022
Prior year to 30 June 2021				
Final Dividend (per ordinary share)	6.00 cents	3.90 cents	2.10 cents	7 October 2021
Interim Dividend (per ordinary share)	5.00 cents	3.25 cents	1.75 cents	7 April 2021

OTHER EVENTS OF SIGNIFICANCE

Please refer to the Review of Operations and Financial Performance in the ASX announcement on 17 August 2022.

SIGNIFICANT EVENTS AFTER BALANCE DATE

In the opinion of the Directors, other than the matters aforementioned, there have been no other material matters or circumstances which have arisen between 30 June 2022 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

WORKPLACE HEALTH, SAFETY AND ENVIRONMENTAL REGULATION

The Group operates under an integrated Workplace Health, Safety and Environment (WHSE) Management System, with a goal of Towards Zero Harm to both people and the planet. The system is aligned with ISO 14001 and operates under an Environmental Policy and a Workplace Health and Safety Policy. The system is fundamental to achieving compliance with WHSE regulations in all jurisdictions in which the Group operates and is implemented at all sites.

Where applicable, licences and consents are in place in respect of each site within the Group. An interactive database is used to ensure compliance and completion of all required actions.

On occasion, the Group receives notices from relevant authorities pursuant to local WHSE legislation and in relation to the Group's WHSE licences and consents. The Group takes all notices seriously, conducting a thorough investigation into the underlying causes and ensures it takes every opportunity to continuously improve systems. Pact works with the appropriate authorities to address any requirements and to proactively manage any obligations.

The Group is also subject to the reporting and compliance requirements of the *Australian National Greenhouse and Energy Reporting Act 2007* (Cth). The *National Greenhouse and Energy Reporting Act 2007* requires that Pact report its annual greenhouse gas emissions and energy use. Pact has submitted all annual reports and is due to submit its next report in September. As part of this process the Group engages a third party to provide limited assurance to its WHSE metrics as published in Pact's sustainability report.

DIRECTORS' REPORT

SHARE OPTIONS AND RIGHTS

The total number of performance rights on issue at the date of this report is 3,030,082. Refer to the Remuneration Report (Section 3) for further details of performance rights on issue.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company's Constitution requires the Company to indemnify current and former Directors, alternate Directors, executive officers and such other officers of the Company as the Board determines on a full indemnity basis and to the full extent permitted by law against all liabilities incurred as an officer of the Group. Further, the Company's Constitution permits the Company to maintain and pay insurance premiums for Director and Officer liability insurance, to the extent permitted by law.

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has provided deeds of access, indemnity and insurance to all Directors of the Company, the CFO and the Company Secretary which provide indemnities against losses incurred in their role as Directors, CFO or Company Secretary, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* (the Act) or any other applicable law.

During the financial year the Company paid insurance premiums for a Directors and Officers liability insurance policy that provides cover for the current and former Directors, alternate Directors, secretaries, executive officers and officers of the Group. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

INDEMNIFICATION OF AUDITORS

Pursuant to the terms of the Company's standard engagement letter with Ernst & Young (EY), it indemnifies EY against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable legal costs) arising out of, or relating to, the services provided by EY or a breach of the engagement letter. The indemnity does not apply in respect of any matters finally determined to have resulted from EY's negligent, wrongful or wilful acts or omissions nor to the extent prohibited by applicable law including the Act.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the Act.

NON-AUDIT SERVICES

During the year, EY, the Company's auditor, performed other assignments in addition to their statutory audit responsibilities.

Details of the amounts paid or payable to EY for non-audit services provided to the Group during the year are as follows:

\$	2022	2021
Tax services	362,000	231,000
Consulting services	971,000	824,000
Other assurance related services	84,000	250,000
Total	1,417,000	1,305,000

The Board has considered the position and, in accordance with the advice received from the Audit, Business Risk and Compliance Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Act.

The Directors are satisfied that the provision of non-audit services by EY, given the amounts paid and the type of work undertaken, did not compromise the auditor independence requirements of the Act for the following reasons:

- all non-audit services have been reviewed by the Audit, Business Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

DIRECTORS' REPORT– REMUNERATION REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2022 outlines the remuneration arrangements of the Group in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Governance
3. Executive remuneration arrangements
4. Executive remuneration outcomes for FY22
5. Non-Executive Directors' remuneration arrangements
6. Equity holdings of KMP
7. Related party transactions with KMP

1. Introduction

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term KMP includes all Non-Executive Directors of the Board, the Managing Director and Group Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Company and the Group.

Key Management Personnel

Name	Position	Term as KMP in 2022
Non-Executive Directors (NEDs)		
Raphael Geminder	Non-Executive Chairman	Full Year
Lyndsey Cattermole	Non-Executive Director	Full Year
Jonathan Ling	Non-Executive Director	Full Year
Carmen Chua	Non-Executive Director	Full Year
Michael Wachtel	Non-Executive Director	Full Year
Executive KMP		
Sanjay Dayal	Managing Director and Group CEO	Full Year
Paul Washer	CFO	Full Year

There have been no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Governance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) has been delegated responsibility by the Board for managing appropriate remuneration policy and governance procedures including to:

- review and recommend to the Board appropriate remuneration policies and arrangements including incentive plans for the CEO and CFO;
- review and approve short term incentive plans, long term incentive plans, performance targets and bonus payments for the CEO and CFO;
- review the performance of the CEO;
- review the Senior Executives' performance assessment processes to ensure they are structured and operate to realise business strategy; and
- review and recommend to the Board, remuneration arrangements for the Chairman and NEDs.

The Committee comprises three Non-Executive Directors and meet as often as the Committee members deem necessary to fulfil the Committee's obligations. It is intended they meet no less than three times a year. A copy of the Committee's charter is available at www.pactgroup.com.

DIRECTORS' REPORT– REMUNERATION REPORT

Use of remuneration consultants

The Nomination and Remuneration Committee may seek advice from independent remuneration advisors with respect to information and recommendations relevant to remuneration decisions.

Decisions to engage remuneration consultants are made by the Committee or the Board. Contractual engagements and briefing of the consultants are undertaken by the Chairman of the Committee and the remuneration recommendations of the consultants are to be provided directly to the Chairman of the Committee.

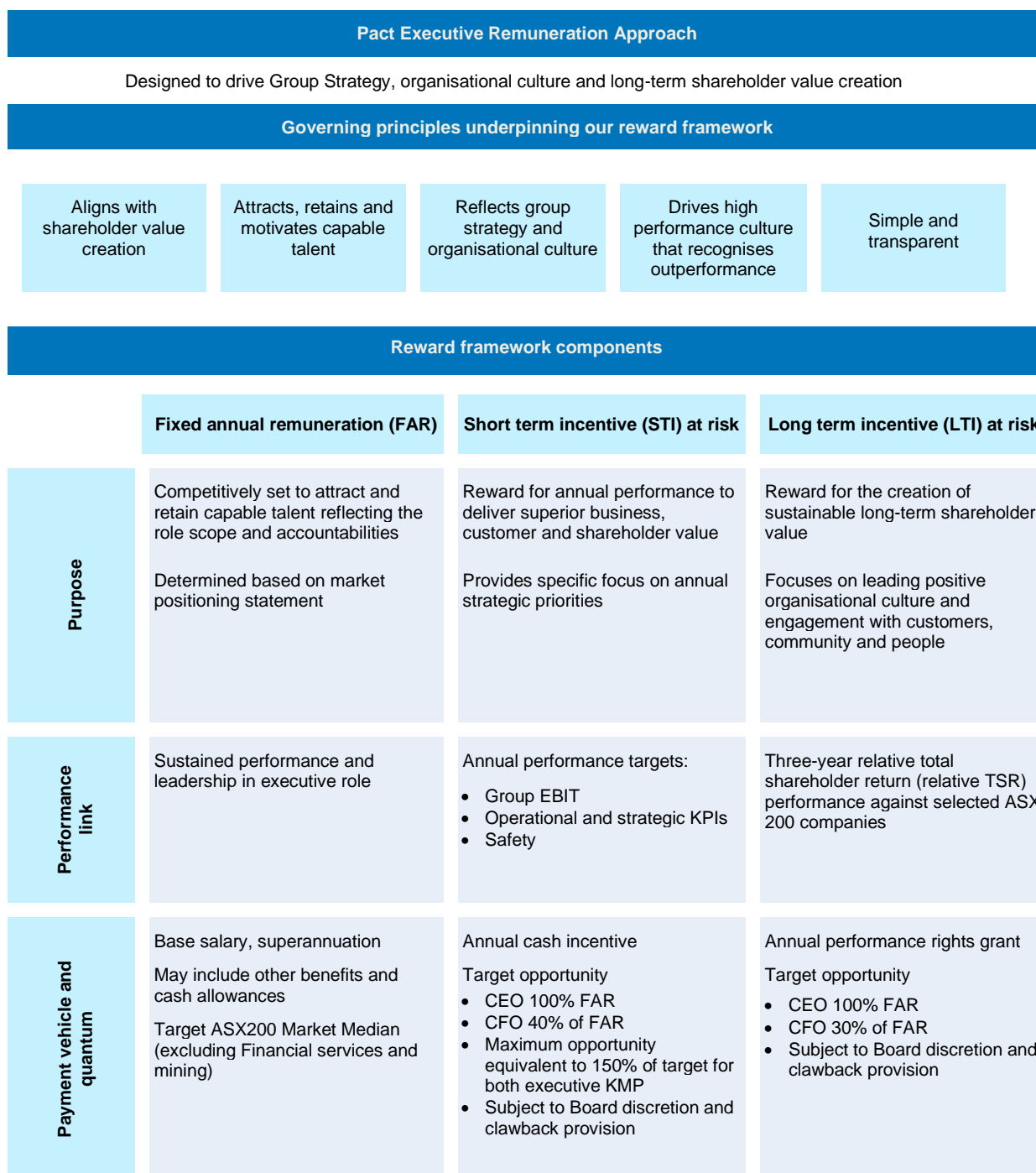
During the financial year ended 30 June 2022, the Nomination and Remuneration Committee did not obtain remuneration advice or recommendations from any external remuneration consultants.

3. Executive remuneration arrangements

Remuneration principles and strategy

Pact's executive remuneration framework is designed to drive Group Strategy, organisational culture and long-term shareholder value creation. It is underpinned by Pact's governing reward principles that articulate the intent and purpose of our executive reward framework.

The below diagram illustrates the remuneration framework for the CEO and CFO for the current year.

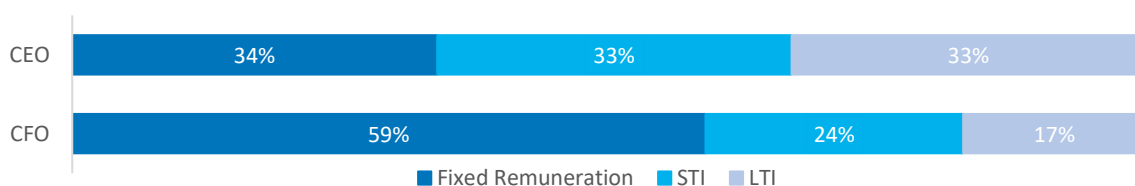


DIRECTORS' REPORT– REMUNERATION REPORT

Executive remuneration arrangements (continued)

Executive KMP remuneration mix

The Pact Executive Remuneration Approach on page 8 outlines the components of KMP remuneration, the following chart shows the target remuneration mix for each of those components for 2022⁽¹⁾



⁽¹⁾ Target remuneration is calculated as Fixed Remuneration, plus STI at target, plus long-term incentives at target (based on the fair value of performance rights at grant date).

Detail of incentive plans

FY22 Short term incentive plan											
Opportunity	<p>CEO: Target opportunity equivalent to 100% of FAR CFO: Target opportunity equivalent to 40% of FAR Maximum outcome for the CEO and CFO is capped at 150% of FAR</p>										
Performance measures & weighting	<p>STI is linked to Group EBIT, operational and strategic KPIs, and safety: CEO: Group EBIT (90%), Group safety (10%) CFO: Group EBIT (50%), operational and strategic KPI (40%), Group safety (10%)</p> <p>The Board considers these measures to be appropriate as they are strongly aligned with the interests of shareholders. Group EBIT is a key indicator of the underlying growth of the business, enabling the payment of dividends to shareholders.</p> <p>STI gateways For any STI award to be made, the Group must achieve a baseline Group financial performance as determined by the Board for the relevant performance period. This is known as the Financial Gateway.</p> <p>At an individual level, all STI participants must adhere to Pact Values, Code of Conduct and comply with the Group's mandatory risk and compliance training requirements. This is known as the Individual Gateway. In the event a participant does not satisfy the Individual Gateway, they will be automatically suspended from participating in the STI Plan in respect of the relevant Performance Period.</p> <p>The consequence of the Individual Gateway reinforces Pact's expectation of, and commitment to, the minimum standards of behaviour and conduct and demonstrates tangible consequences for behaviour that may not warrant termination of employment but still constitutes a breach of the Pact Values, Code of Conduct and Risk and Compliance standards.</p> <p>Payout Schedule Each performance measure will be assessed against a set target and will result in a STI payout in accordance with the payout schedule below:</p> <table border="1"> <thead> <tr> <th>Performance against Target</th> <th>% Payout against Target Opportunity</th> </tr> </thead> <tbody> <tr> <td>Below Target</td> <td>Nil</td> </tr> <tr> <td>Threshold (meets 95% of Target)</td> <td>50% of Target</td> </tr> <tr> <td>Target (meets 100% of Target)</td> <td>100% of Target</td> </tr> <tr> <td>Stretch (meets 120% of Target)</td> <td>150% of Target</td> </tr> </tbody> </table> <p>Straight line vesting applies between target and stretch.</p> <p>The table on page 11 provides additional information on these performance measures, including an overview of performance outcomes.</p>	Performance against Target	% Payout against Target Opportunity	Below Target	Nil	Threshold (meets 95% of Target)	50% of Target	Target (meets 100% of Target)	100% of Target	Stretch (meets 120% of Target)	150% of Target
Performance against Target	% Payout against Target Opportunity										
Below Target	Nil										
Threshold (meets 95% of Target)	50% of Target										
Target (meets 100% of Target)	100% of Target										
Stretch (meets 120% of Target)	150% of Target										

DIRECTORS' REPORT– REMUNERATION REPORT

Executive remuneration arrangements (continued)

FY22 Long-term incentive plan											
Opportunity	<p>CEO: Maximum opportunity equivalent to 100% of FAR CFO: Maximum opportunity equivalent to 30% of FAR Refer to LTI vesting schedule below</p>										
Instrument	Performance rights										
Performance period	The performance period commences on the first day of that fiscal year and is measured over 3 years.										
Allocation approach	The number of performance rights allocated to each KMP is based on their maximum LTI opportunity divided by the five-day volume weighted average price (VWAP) following the public announcement of the financial year results.										
Performance hurdle	<p>Vesting of rights is subject to relative Total Shareholder Return (rel. TSR[^]) hurdle over a three-year performance period.</p> <p>Peer Group: S&P/ASX 200 comparator group, excluding companies in the Financials, Metals and Mining sectors.</p> <p>LTI Vesting Schedule</p> <table border="1"> <thead> <tr> <th>TSR relative to peer group</th> <th>Vesting %</th> </tr> </thead> <tbody> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>pro rata vesting between 50% and 100%</td> </tr> <tr> <td>At 50th percentile</td> <td>50%</td> </tr> <tr> <td>Below 50th percentile</td> <td>Nil</td> </tr> </tbody> </table> <p>[^]TSR measures a company's share price movement, dividends paid and any return on capital over a specific period. Relative TSR compares the ranking of the Group TSR over the performance period with the TSR of other companies in a peer group.</p> <p>LTI is also subject to an Individual Gateway condition consistent with the STI Plan, linked to adherence to Pact Values, Code of Conduct and Risk and Compliance standards. In the event a participant does not satisfy the Individual Gateway, they will forfeit their LTI vesting entitlements for the relevant performance period, be suspended from participating in future LTI grant opportunities and/or be subject to clawback subject to Board discretion.</p>	TSR relative to peer group	Vesting %	At or above 75 th percentile	100%	Between 50 th and 75 th percentile	pro rata vesting between 50% and 100%	At 50 th percentile	50%	Below 50 th percentile	Nil
TSR relative to peer group	Vesting %										
At or above 75 th percentile	100%										
Between 50 th and 75 th percentile	pro rata vesting between 50% and 100%										
At 50 th percentile	50%										
Below 50 th percentile	Nil										
Cessation of Employment	If an executive resigns or is terminated for cause, any unvested LTI plan (LTIP) awards will be forfeited, unless otherwise determined by the Board. A "good leaver" will retain a pro rata number of performance rights based on time elapsed since the initial grant date. Any such performance rights will be subject to the original terms and conditions, and discretion of the Board.										
Rights attaching to performance rights	Performance rights do not carry any dividend or voting entitlements prior to vesting. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares.										
Clawback	In accordance with the Individual Gateway condition, 100% of the award can be forfeited where there has been any fraud, dishonesty, or breach of obligations, including a material misstatement of the financial statements.										
Change of Control Provisions	In the event of change of control, the performance period end date will be brought forward to the date of change of control, and awards will vest based on performance over this shortened period (subject to Board discretion).										

DIRECTORS' REPORT– REMUNERATION REPORT

Executive remuneration arrangements (continued)

Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. The material terms of the employment contracts for the Executive KMP are summarised in the table below.

Contractual terms	Conditions
Duration of contract	Permanent full-time employment contract until notice given by either party
Notice period	Three months' notice by either party
Termination clauses	If an Executive is terminated due to genuine redundancy, they will be paid a severance payment of the greater of three months annual base salary or three weeks annual base salary for each completed year of continuous service with the Group or a predecessor employing entity acquired by the Group. A pro rata severance payment entitlement may apply for any incomplete year of continued service. The severance payment is capped at a maximum of 52 weeks in total.

4. Executive remuneration outcomes for FY22

Business performance in FY22

The Group experienced adverse trading conditions with market lockdowns, rapid supply chain cost increases, supply chain disruptions and labour shortages throughout 2022 as pandemic measures and geopolitical conflicts impacted global supply chains. Despite these challenges the Packaging and Sustainability Segment and the Materials Handling and Pooling Segment delivered solid performance whilst the Contract Manufacturing segment was impacted by lower volumes and cost increases not fully recovered. The Group has continued to execute its Leading the Circular Economy strategy by delivering on the Albury joint venture recycling facility, with two further facilities currently under construction, and expanded its Health and Personal Care Segment through the acquisition of Synergy Packaging Pty Limited.

The table below summarises key indicators of the performance of the Company and relevant shareholder returns over the past 5 financial years. It is noted that Underlying EBIT is a performance measure linked to the STI Plan.

Performance measure	2018	2019	2020	2021	2022
Statutory net profit / (loss) after tax (\$000)	74,488	(289,587)	88,847	87,534	12,178
Underlying Net profit after tax (NPAT) ⁽¹⁾ (\$000)	94,661	77,307	73,245	93,544	70,159
Underlying NPAT growth % ⁽¹⁾	(5.3%)	(18.3%)	(5.3%)	27.7%	(24.9%)
Underlying EBIT ⁽¹⁾ (\$000)	164,506 ⁽²⁾	148,404 ⁽²⁾	166,263	182,875	156,163
Underlying EBIT growth %	(2.9%)	(9.8%)	12.0% ⁽³⁾	10.0%	(14.6%)
Dividends per ordinary share (cps)	23.0	-	3.0	11.0	5.0
Closing share price (30 June)	5.27	2.79	2.19	3.70	1.81
3 month average share price (1 April to 30 June)	5.57	2.51	2.01	3.70	2.13
Earnings per share ⁽¹⁾ (cps)	30	23	21	27	20
Earnings per share ⁽¹⁾ growth %	(9.1%)	(23.3%)	(8.7%)	28.6%	(25.9%)
Cumulative TSR % ⁽⁴⁾	14.0%	(39.9%)	(49.1%)	(16.7%)	(55.4%)

⁽¹⁾ Before underlying adjustments (refer to Note 1.1 in the Consolidated Financial Report).

⁽²⁾ EBIT before underlying adjustments from 2018 to 2019 exclude the impacts of AASB16.

⁽³⁾ EBIT before underlying adjustments growth in 2020 is 1.7% excluding the impacts of AASB16.

⁽⁴⁾ Cumulative TSR has been calculated using the same start date for each period (1 July 2017). The 3-month average share price has been used in all periods (the 3 month average share price for the starting period was \$6.44).

STI Outcomes

Performance of STI measures

In 2022 the Group did not achieve a baseline financial performance at or above the Financial Gateway.

STI outcome for 2022

The table below shows details of the Executive KMP STI opportunity and payment outcome for 2022.

	Total STI target opportunity \$	STI earned % of target
Sanjay Dayal	1,280,251	-
Paul Washer	245,140	-

DIRECTORS' REPORT– REMUNERATION REPORT

Executive remuneration outcomes for FY22 (continued)

LTIP Outcomes – CEO and CFO

LTIP allocations

The table below outlines the performance rights granted to the CEO for participating in the LTIP, and the relevant performance period for each fiscal year. Mr Paul Washer, the CFO, is eligible to participate in the LTIP commencing 1 July 2021.

Year	Grant date	Performance rights Granted	Fair value of rights at grant date	Value of rights included in compensation for the year	Performance period
Sanjay Dayal - CEO					
2022 LTIP	1 December 2021	289,351	\$312,499	\$104,166	1 July 2021 to 30 June 2024
2021 LTIP	1 December 2020	497,967	\$856,503	\$285,501	1 July 2020 to 30 June 2023
2020 LTIP	1 December 2019	538,189	\$721,173	\$240,391	1 July 2019 to 30 June 2022
				\$630,058	
Paul Washer - CFO					
2022 LTIP	1 December 2021	41,571	\$44,897	\$14,966	1 July 2021 to 30 June 2024

Executive KMP performance rights testing

The table below show the LTI plan awards tested at the end of the current financial year.

Year	Performance period	Outcome
Sanjay Dayal		
2020 LTIP	1 July 2019 to 30 June 2022	The 2020 grant was tested in July 2022. As the minimum relative TSR performance hurdle was not met, awards in relation to the 2020 grant have not vested.

Executive KMP performance rights holdings

The table below shows the movement in KMP performance rights holdings during the year, and the balance of vested and unvested rights at the end of the financial year.

KMP	Balance at 1 July 2021	Number granted	Number lapsed / forfeited	Balance at 30 June 2022	Vested at 30 June 2022	Unvested at 30 June 2022
Sanjay Dayal	1,105,940	289,351	(69,784)	1,325,507	-	1,325,507
Paul Washer	-	41,571	-	41,571	-	41,571

DIRECTORS' REPORT– REMUNERATION REPORT

Executive KMP remuneration for the year ended 30 June 2022

Executive	Year	Short term benefits			Post-employment benefits	Long term benefits	Share Based Payments (equity settled)		Termination Payments	Total	Performance Related %
		Salary & fees	STI & bonuses	Other benefits ⁽²⁾			Superannuation	Long service leave ⁽³⁾			
		\$	\$	\$	\$	\$	\$	\$	\$	%	
Mr Sanjay Dayal (CEO)	2022	1,252,751	-	54,280	27,500	-	630,058	-	-	1,964,589	32%
	2021	1,215,300	1,154,554	48,021	25,000	-	533,592	-	-	2,976,467	57%
Mr Paul Washer (CFO)	2022	585,350	-	25,649	27,500	-	14,966	-	-	653,465	2%
	2021	170,833 ⁽¹⁾	64,279	65,807 ⁽²⁾	7,428	-	-	25,000	-	333,347	19%
Former Executive KMP											
Mr Richard Betts (Former CFO)	2022	-	-	-	-	-	-	-	-	-	-
	2021	441,876 ⁽¹⁾	204,473	17,148	18,750 ⁽¹⁾	10,639	(61,224) ⁽⁶⁾	-	399,825	1,031,487	14%
Total Executive KMP remuneration	2022	1,838,101	-	79,929	55,000	-	645,024	-	-	2,618,054	25%
	2021	1,828,009	1,423,306	130,976	51,178	10,639	472,368	25,000	399,825	4,341,301	44%

⁽¹⁾ Salary & fees and superannuation disclosed for Mr. Betts is based on his period as a designated KMP until 31 March 2021, and for Mr Washer is based on his commencement date of 15 March 2021.

⁽²⁾ Other benefits include annual leave provision for Mr Dayal. In relation to Mr Washer this included annual leave provision plus a \$50,000 benefit in relation to relocation costs in 2021, and a \$75 Covid Vaccination Bonus in 2022.

⁽³⁾ Long term benefits include the movement in the long service leave provision in relation to long service leave entitlements after 5 years of continuous service.

⁽⁴⁾ An independent valuation of the performance rights was performed to establish the fair value in accordance with AASB2 *Share Based Payments*. Valuation of the rights was done using a Hybrid model with relative TSR hurdles.

⁽⁵⁾ Includes the Company's employee share ownership scheme. For Mr Washer a \$25,000 benefit has been included in 2021.

⁽⁶⁾ Following Mr Betts cessation of employment, 205,534 unvested LTIP rights were forfeited in the prior year. The negative amount of \$61,224 is due to the reversal of share-based payment expense in the prior year following the forfeiture of these rights.

DIRECTORS' REPORT– REMUNERATION REPORT

Executive KMP remuneration for the year ended 30 June 2022 (continued)

The table on the previous page shows KMP remuneration in accordance with statutory obligations and accounting standards. The following table, which is audited, provides additional voluntary disclosure as the Directors believe this information is helpful to assist shareholders in understanding the benefits that the Executive KMP received during the financial year ended 30 June 2022. The table below has not been prepared in accordance with Australian accounting standards. The benefits disclosed below excludes the expense for rights that are unvested.

	Fixed Remuneration ⁽¹⁾	STI and bonuses ⁽²⁾	Other benefits ⁽³⁾	Performance rights vested in 2022 ⁽⁴⁾	Employee share scheme ⁽⁵⁾	Total
	\$	\$	\$	\$	\$	\$
Mr Sanjay Dayal	1,280,251	-	54,280	-	-	1,334,531
Mr Paul Washer	612,850	-	25,649	-	-	638,499

⁽¹⁾ Fixed remuneration includes salary and fees, and superannuation contributions, calculated on the same basis as the remuneration table on page 13.

⁽²⁾ STI and bonuses attributable to the year ended 30 June 2022 are calculated on the same basis as the remuneration table on page 13.

⁽³⁾ Other benefits annual leave provision for Mr Dayal and Mr Washer shown on an accruals basis, and a \$75 Covid Vaccination Bonus in 2022 for Mr Washer.

⁽⁴⁾ The 2020 LTIP tranche was measured against the relative TSR hurdle as at 30 June 2022. The minimum TSR hurdle has not been reached, therefore no benefits were received during the current financial year.

⁽⁵⁾ The benefit arising from the employee share scheme is disclosed on the same basis as the remuneration table on page 13.

5. Non-Executive Directors' remuneration arrangements

Remuneration policy

The Committee seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors (NEDs) of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies (S&P/ASX 200 comparator group, excluding companies in the Financials, Metals and Mining sectors).

The Company's Constitution and the ASX Listing Rules specify that the NED fee pool shall be determined from time to time by a general meeting. Consistent with prior years, the total amount paid to NEDs must not exceed a fixed sum of \$1,000,000 per financial year in aggregate. Raphael Geminder does not receive a fee for his position as Chairman and a NED of the Company.

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee or being the Chair of a committee recognises the additional time commitment required by NEDs who serve on committees.

DIRECTORS' REPORT– REMUNERATION REPORT

5. Non-Executive Directors' remuneration arrangements (continued)

The table below sets out annual NED fees.

Responsibility	2022 ⁽¹⁾	2021
Board fees		
Non-Executive Directors (excluding the Chairman)	\$117,649	\$115,569
Audit, Business Risk and Compliance Committee		
Chair	\$32,086	\$31,519
Member	\$8,022	\$7,880
Nomination and Remuneration Committee		
Chair	\$32,086	\$31,519
Member	\$8,022	\$7,880

⁽¹⁾ 2022 NED fee schedule is effective from 1 September 2021

NEDs do not participate in any incentive programs.

The remuneration of NEDs for the year ended 30 June 2022 is detailed in the following table.

DIRECTORS' REPORT– REMUNERATION REPORT

Non-Executive KMP remuneration for the year ended 30 June 2022

Non-Executive KMP	Year	Short term benefits	Post-employment benefits	
		Fees	Superannuation	TOTAL
		\$	\$	\$
Ms Lyndsey Cattermole	2022	113,910	11,390	125,300
	2021	113,241	10,758	123,999
Mr Raphael Geminder	2022	-	-	-
	2021	-	-	-
Mr Jonathan Ling	2022	157,292	-	157,292
	2021	154,338	-	154,338
Ms Carmen Chua	2022	125,300	-	125,300
	2021	121,934	-	121,934
Mr Michael Wachtel	2022	149,294	-	149,294
	2021	146,171	254	146,425
Former Non-Executive KMP				
Mr Ray Horsburgh	2022	-	-	-
	2021	53,273	5,061	58,334
Total Non-Executive KMP remuneration	2022	545,796	11,390	557,186
	2021	588,957	16,073	605,030

DIRECTORS' REPORT – REMUNERATION REPORT

6. Equity holdings of KMP

The following table shows the respective shareholdings of KMP (directly and indirectly) including their related parties and any movements during the year ended 30 June 2022:

KMP	Balance 1 July 2021	Movements	Balance 30 June 2022
Raphael Geminder	152,252,175	8,730,081	160,982,256
Lyndsey Cattermole	541,433	45,043	586,476
Jonathan Ling	48,786	-	48,786
Carmen Chua	150,000	-	150,000
Michael Wachtel	41,925	-	41,925
Sanjay Dayal	40,000	-	40,000
Paul Washer	-	28,507	28,507

7. Capacity to control by KMP

Raphael Geminder is the Director of Kin Group Pty Ltd ("Kin Group") and Salvage Pty Ltd ("Salvage").

As at 30 June 2022 Kin Group held 157,346,327 shares in Pact Group Holdings Ltd ("Pact Group"), representing an ownership stake of 45.74%. Raphael Geminder's total ownership stake in Pact Group is 160,982,256 shares reflecting an ownership stake of 46.80%, including the investments held by Kin Group and Salvage.

Kin Group Pty Limited has assessed that it does have the capacity to control Pact Group Holdings Ltd as at 30 June 2022 through its share ownership of 46.8%. Therefore, notwithstanding that Pact Group Holdings Ltd currently operates with a majority independent Board of Directors, Kin Group Pty Ltd is considered to be the ultimate parent entity of Pact Group Holdings Ltd when the de facto control considerations contained under AASB 10 are assessed.

8. Related parties transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2022:

\$'000		Sales	Purchases	Other expenses	Net amounts receivable
Related parties – Director's interests ⁽¹⁾	2022	15,094	3,364	5,853	1,456
	2021	14,431	3,712	5,658	907

⁽¹⁾ Related parties – Director's interests include the following entities: Kin Group Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited, Albury Property Holdings Pty Ltd, Green's General Foods Pty Ltd, Remedy Kombucha Pty Ltd, The Reject Shop Limited, Propax Pty Ltd, Gem-Care Products Pty Ltd and The Hive (Australia) Pty Ltd.

Sales to related parties

The Group has sales of \$15.1 million (2021: \$14.4 million) to related parties including Green's General Foods Pty Ltd, The Reject Shop Limited, Remedy Kombucha Pty Ltd, Propax Pty Ltd, Gem-Care Products Pty Ltd and The Hive (Australia) Pty Ltd. Sales are for packaging and contract manufacturing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns 57.6% (2021: 51.6%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The Group's supply agreement with Pro-Pac expired on 31 December 2021 and is now continuing on a month-on-month basis. The total value of purchases by Pact under this arrangement is approximately \$3.3 million (2021: \$3.7 million). The supply arrangement is negotiated independently between Pact and Pro-Pac. Mr Jonathan Ling is also the Executive chairman of Pro-Pac Packaging Limited.

Property leases with related parties

The Group leased 11 properties (9 in Australia and 2 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2022 was \$5.9 million (June 2021: \$5.7 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were commercially agreed.

DIRECTOR'S REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Act is set out at page 19.

ROUNDING

Is presented in Australian dollars with all values rounded to the nearest \$1,000, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

Signed in accordance with a resolution of the Board of Directors:



Raphael Geminder
Chairman

17 August 2022



Sanjay Dayal
**Managing Director and Group Chief
Executive Officer**



**Building a better
working world**

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's independence declaration to the directors Pact Group Holdings Ltd

As lead auditor for the audit of the financial report of Pact Group Holdings Ltd for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pact Group Holdings Ltd and the entities it controlled during the financial year.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over a faint, larger version of the EY logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Shewring', written in a cursive style.

David Shewring
Partner
17 August 2022

FINANCIAL REPORT

Consolidated Statement of Comprehensive Income For the year ended 30 June 2022

\$'000	Notes	2022	2021
Revenue	1.1, 1.2	1,837,697	1,761,572
Raw materials and consumables used		(823,926)	(734,175)
Employee benefits expense	5.1	(441,800)	(438,079)
Occupancy, repair and maintenance, administration and selling expenses		(302,319)	(293,843)
Interest and other income		20,617	18,145
Other (losses)	6.2	(6,493)	(6,939)
Depreciation and amortisation expense	2.2	(133,657)	(132,013)
Impairment and write-off expense	1.1	(72,256)	(2,687)
Finance costs and loss on de-recognition of financial assets	4.1	(57,142)	(51,766)
Share of profit in associates	3.3	1,645	3,075
Profit before income tax expense		22,366	123,290
Income tax expense	1.3	(10,188)	(35,756)
Net Profit for the year		12,178	87,534
Net Profit attributable to equity holders of the parent entity		12,178	87,534
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on remeasurement of defined benefit liability		100	339
Items that will be reclassified subsequently to profit or loss			
Gain on cash flow hedges taken to equity		13,188	5,269
Foreign currency translation gains / (losses)		1,535	(6,429)
Income tax benefit / (expense) on items in other comprehensive income		(3,945)	(1,664)
Other comprehensive gain / (loss) for the year, net of tax		10,878	(2,485)
Total comprehensive income for the year		23,056	85,049
Attributable to:			
Equity holders of the parent entity		23,056	85,049
Total comprehensive income for the Group		23,056	85,049
cents			
Basic earnings per share	1.1	3.5	25.4
Diluted earnings per share	1.1	3.5	25.3

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

FINANCIAL REPORT

Consolidated Statement of Financial Position For the year ended 30 June 2022

\$'000	Notes	2022	2021
CURRENT ASSETS			
Cash and cash equivalents	4.1	101,513	62,152
Trade and other receivables	2.1	117,495	129,305
Inventories	2.1	284,603	242,706
Contract assets		13,391	13,397
Other current financial assets	4.4	4,239	1,714
Prepayments		9,940	15,740
TOTAL CURRENT ASSETS		531,181	465,014
NON-CURRENT ASSETS			
Trade and other receivables		-	7
Prepayments		2,038	2,015
Property, plant and equipment	2.2	1,006,175	1,014,199
Investments in associates and joint ventures	3.3	45,489	35,110
Intangible assets and goodwill	2.2	425,683	459,369
Other non-current financial assets	4.4	8,737	-
Deferred tax assets	1.3	36,268	32,029
TOTAL NON-CURRENT ASSETS		1,524,390	1,542,729
TOTAL ASSETS		2,055,571	2,007,743
CURRENT LIABILITIES			
Trade and other payables	2.1	389,439	351,207
Bank overdraft	4.1	2,384	-
Current tax liability	1.3	13,105	25,198
Employee benefits provisions	5.1	44,690	41,616
Other provisions	2.4	7,140	1,970
Lease liabilities	2.5,4.1	72,022	70,932
Other current financial liabilities	4.4	879	271
TOTAL CURRENT LIABILITIES		529,659	491,194
NON-CURRENT LIABILITIES			
Employee benefits provisions	5.1	8,777	8,928
Other provisions	2.4	12,754	11,923
Interest-bearing loans - bank borrowings	4.1	659,902	647,163
Lease liabilities	2.5,4.1	413,985	399,012
Other non-current financial liabilities		-	8,319
Deferred tax liabilities	1.3	6,717	9,334
TOTAL NON-CURRENT LIABILITIES		1,102,135	1,084,679
TOTAL LIABILITIES		1,631,794	1,575,873
NET ASSETS		423,777	431,870
EQUITY			
Contributed equity	4.2	1,751,706	1,750,476
Reserves	4.2	(891,277)	(902,383)
Retained earnings		(436,652)	(416,223)
TOTAL EQUITY		423,777	431,870

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

FINANCIAL REPORT

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

\$'000	Attributable to equity holders of the Parent entity						Total equity
	Contributed equity	Common control reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained Earnings	
Year ended 30 June 2022							
As at 1 July 2021	1,750,476	(928,385)	(3,172)	24,715	4,459	(416,223)	431,870
Profit for the year	-	-	-	-	-	12,178	12,178
Other comprehensive income	-	-	9,243	1,535	-	100	10,878
Total comprehensive income	-	-	9,243	1,535	-	12,278	23,056
Issuance of share capital	1,230	-	-	-	(1,230)	-	-
Dividends paid	-	-	-	-	-	(32,707)	(32,707)
Share based payments	-	-	-	-	1,558	-	1,558
Transactions with owners in their capacity as owners	1,230	-	-	-	328	(32,707)	(31,149)
Balance as at 30 June 2022	1,751,706	(928,385)	6,071	26,250	4,787	(436,652)	423,777
Year ended 30 June 2021							
As at 1 July 2020	1,750,476	(928,385)	(6,777)	31,144	2,767	(476,576)	372,649
Profit for the year	-	-	-	-	-	87,534	87,534
Other comprehensive income / (loss)	-	-	3,605	(6,429)	-	339	(2,485)
Total comprehensive income / (loss)	-	-	3,605	(6,429)	-	87,873	85,049
Dividends paid	-	-	-	-	-	(27,520)	(27,520)
Share based payments	-	-	-	-	1,692	-	1,692
Transactions with owners in their capacity as owners	-	-	-	-	1,692	(27,520)	(25,828)
Balance as at 30 June 2021	1,750,476	(928,385)	(3,172)	24,715	4,459	(416,223)	431,870

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

FINANCIAL REPORT

Consolidated Statement of Cash Flows For the year ended 30 June 2022

\$'000	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,011,271	1,153,783
Receipts from securitisation programs		1,089,156	855,898
Payments to suppliers and employees		(1,842,354)	(1,711,204)
Income tax paid		(27,588)	(31,065)
Interest received		695	588
Proceeds from securitisation of trade debtors		1,188	3,196
Borrowing, trade debtor securitisation and other finance costs paid		(57,754)	(50,162)
Net cash flows provided by operating activities	4.1	174,614	221,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(90,336)	(78,283)
Payments for investments in associates and joint ventures		(12,602)	(9,009)
Purchase of businesses and subsidiaries, net of cash acquired	3.1	785	(23,836)
Payments for deferred acquisition consideration		-	(23,307)
Proceeds from sale of property, plant and equipment		26,645	6,900
Proceeds from Government grants		8,000	-
Proceeds from joint venture loans		1,442	1,104
Sundry items		1,095	1,049
Net cash flows used in investing activities		(64,971)	(125,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		432,361	247,997
Repayment of borrowings		(422,165)	(280,722)
Repayment of lease liability principal		(52,087)	(47,413)
Payment of dividends		(32,707)	(27,520)
Net cash flows (used in) / provided by financing activities		(74,598)	(107,658)
Net (decrease) / increase in cash and cash equivalents		35,045	(12,006)
Cash and cash equivalents at the beginning of the year		62,152	76,004
Effect of exchange rate changes on cash and cash equivalents		1,932	(1,846)
Cash and cash equivalents at the end of the year	4.1	99,129	62,152

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 1 – Our Performance

A key element of Pact's strategy is to maximise long-term shareholder value. This section highlights the results and performance of the Group for the year ended 30 June 2022.

1.1 GROUP RESULTS

\$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Year ended 30 June 2022					
Revenue	1,208,575	353,529	306,324	(30,731)	1,837,697
Underlying EBITDA ⁽¹⁾	197,713	83,433	8,674	-	289,820
Underlying EBIT ⁽²⁾	110,197	49,939	(3,973)	-	156,163

\$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Year ended 30 June 2021					
Revenue	1,131,088	344,008	321,915	(35,439)	1,761,572
Underlying EBITDA ⁽¹⁾	190,734	85,579	38,575	-	314,888
Underlying EBIT ⁽²⁾	104,616	54,446	23,813	-	182,875

⁽¹⁾ Underlying EBITDA - Earnings before underlying adjustments, finance costs and loss on de-recognition of financial assets, net of interest income, tax, depreciation and amortisation. This is a non-IFRS measure.

⁽²⁾ Underlying EBIT - Earnings before underlying adjustments, finance costs and loss on de-recognition of financial assets, net of interest income, tax.

Pact's chief operating decision maker is the Managing Director and CEO, who has a focus on the financial measures reported in the above table. As required by AASB 8: *Operating Segments*, the results above have been reported on a consistent basis to that supplied to the Managing Director and CEO.

The Managing Director and CEO monitors results by reviewing the reportable segments based on a product perspective as outlined in the table below. The resource allocation to each segment, and the aggregation of reportable segments is based on that product portfolio.

Reportable segments	Products/services	Countries of Operation
<ul style="list-style-type: none"> Packaging and Sustainability 	<ul style="list-style-type: none"> Manufacture and supply of rigid plastic and metal packaging and associated services Recycling and sustainability services 	<ul style="list-style-type: none"> Australia New Zealand China Indonesia Philippines Singapore Thailand Hong Kong South Korea Nepal India
<ul style="list-style-type: none"> Materials Handling and Pooling 	<ul style="list-style-type: none"> Manufacture and supply of materials handling products and the provision of associated services Pooling services 	<ul style="list-style-type: none"> Australia New Zealand China Hong Kong United States of America India Bangladesh United Kingdom Sri Lanka
<ul style="list-style-type: none"> Contract Manufacturing Services 	<ul style="list-style-type: none"> Contract manufacturing and packing services 	<ul style="list-style-type: none"> Australia

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.1 GROUP RESULTS (CONTINUED)

Net profit after tax

The reconciliation of EBIT before underlying adjustments shown above and the net profit after tax disclosed in the Consolidated Statement of Comprehensive Income is as follows:

\$'000	Notes	2022	2021
Underlying EBIT		156,163	182,875
Underlying adjustments⁽¹⁾			
Transaction costs ⁽²⁾		(6,709)	(1,743)
Costs arising from factory fire ⁽³⁾		(1,712)	(3,983)
Inventory write downs and related disposal costs ⁽⁴⁾		(17,775)	-
Insurance settlements for events in prior periods		6,958	1,787
Profit on sale of properties ⁽⁵⁾		20,504	4,408
Net gain on lease modifications ⁽⁶⁾		2,698	-
Compensation for business closure ⁽⁹⁾		8,900	-
Business Restructuring Programs			
• Restructuring costs ⁽⁷⁾		(10,710)	(6,196)
• Asset write downs	2.2	(4,376)	-
• Right of use asset impairment	2.2	(2,694)	-
Underlying adjustments in other losses		(4,916)	(5,727)
Impairment and write-off expenses ⁽⁸⁾			
• Tangible assets write off	2.2	(42,313)	(2,687)
• Intangible assets impairment	2.2	(29,943)	-
Total underlying adjustments		(77,172)	(8,414)
Reported EBIT		78,991	174,461
Finance costs ⁽¹⁰⁾		(56,625)	(51,171)
Net profit before tax		22,366	123,290
Income tax expense ⁽¹¹⁾		(10,188)	(35,756)
Net profit after tax from continuing operations		12,178	87,534

⁽¹⁾ Underlying adjustments includes items that are individually material or do not relate to the operating business.

⁽²⁾ Transaction costs includes professional fees, stamp duty and all other costs associated with business acquisitions and divestments.

⁽³⁾ Clean-up and other miscellaneous expenses arising from a factory fire that occurred on 19 March 2021 at Lurnea plant in the Contract Manufacturing segment.

⁽⁴⁾ Write down of hand sanitiser inventory with no realisable value including related cost of disposal (\$17.5 million) and inventory write off as part of a business closure in China (\$0.3 million).

⁽⁵⁾ Profit recognised in China in the Packaging and Sustainability segment for the sale of land and vacating premises.

⁽⁶⁾ Net gain recognised on the modification of lease terms and conditions.

⁽⁷⁾ Business restructuring relates to the optimisation of business facilities across the Group.

⁽⁸⁾ The write-off of plant and equipment and impairment of goodwill and other intangibles.

⁽⁹⁾ Net compensation for business closure for a site in China not relating to land and buildings.

⁽¹⁰⁾ Net finance costs includes interest income of \$517,000 (2021: \$595,000).

⁽¹¹⁾ Included in income tax expense is a tax benefit on underlying adjustments of \$19.2 million (2021: \$2.4 million).

Basic and diluted earnings per share

	2022	2021
Earnings per share (EPS) (cents) - Basic	3.5	25.4
Earnings per share (EPS) (cents) - Diluted	3.5	25.3
Calculated using:		
• Net profit attributable to ordinary equity holders (\$'000)	12,178	87,534
• Weighted average of ordinary shares (shares) - Basic	344,244,569	343,993,595
• Weighted average of ordinary shares (shares) - Diluted	346,927,573	346,160,722

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of Pact by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to include the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive shares. This includes items such as performance rights as disclosed in Note 5.2.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

\$'000	Packaging and Sustainability ⁽¹⁾	Materials Handling and Pooling	Contract Manufacturing Services ⁽²⁾	Eliminations	Total
Year ended 30 June 2022					
Australia	633,995	166,597	306,299		1,106,891
New Zealand	342,173	767	-		342,940
Asia and others	203,560	103,469	-		307,029
Revenue from contracts with customers	1,179,728	270,833	306,299		1,756,860
Revenue from asset hire services ⁽³⁾	-	80,837	-		80,837
Inter-segment revenue	28,847	1,859	25	(30,731)	-
Revenue	1,208,575	353,529	306,324	(30,731)	1,837,697

⁽¹⁾ 0.2% of total revenue for Packaging and Sustainability is recognised over time.

⁽²⁾ 3.6% of total revenue for Contract Manufacturing Services is recognised over time.

⁽³⁾ Revenue from asset hire services is accounted for under AASB 16: *Leases*.

\$'000	Packaging and Sustainability ⁽¹⁾	Materials Handling and Pooling	Contract Manufacturing Services ⁽²⁾	Eliminations	Total
Year ended 30 June 2021					
Australia	611,006	161,733	321,838	-	1,094,577
New Zealand	303,820	646	-	-	304,466
Asia and others	183,485	97,157	-	-	280,642
Revenue from contracts with customers	1,098,311	259,536	321,838	-	1,679,685
Revenue from asset hire services ⁽³⁾	-	81,887	-	-	81,887
Inter-segment revenue	32,777	2,585	77	(35,439)	-
Revenue	1,131,088	344,008	321,915	(35,439)	1,761,572

⁽¹⁾ 0.2% of total revenue for Packaging and Sustainability is recognised over time.

⁽²⁾ 3.5% of total revenue for Contract Manufacturing Services is recognised over time.

⁽³⁾ Revenue from asset hire services is accounted for under AASB 16: *Leases*.

How Pact accounts for revenue

The core principle of AASB 15 *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods and services.

An assessment is made by management whether the goods or products manufactured have an alternate use to Pact, including whether these goods or products can be repurposed and sold without significant economic loss to the Group.

Pact recognises revenue on the following basis:

(a) Delivery of goods or products

Where the goods or products are not branded and can be sold to more than one specific customer, the performance obligation is the delivery of finished goods or product to the customer. The performance obligation is satisfied when control of the goods or products has transferred to the customer.

(b) Manufacture of goods or products

Where the goods or products are manufactured for a specific customer which have no alternate use and at all times throughout the contract Pact has the enforceable right to payment for performance completed to date, a performance obligation is the service of manufacturing the specific goods or products. This performance obligation is satisfied as the goods and products are manufactured. An output method has been adopted to recognise revenue for performance obligations satisfied over time. This method reflects Pact's short manufacturing period.

In addition, Pact has obligations to store and deliver manufactured goods or products. These obligations are satisfied as the goods or products are stored (on an over time basis) and when and as delivery occurs.

Contract assets are recognised for the manufacture and storage of goods or products as the performance obligations are satisfied. Upon completion of delivery of the goods or products and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Group allocates the transaction price to each performance obligation on a stand-alone selling price basis. The stand-alone selling price of the products is based on list prices or a cost-plus margin approach, which is determined by the Group's expertise in the market and also taking into consideration the length and size of contracts. Some contracts for sale of goods have variable consideration including items such as volume rebates. Variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is subject to the constraint on estimates. This estimate is reassessed at each reporting date.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.3 TAXATION

Reconciliation of tax expense

\$'000	2022	2021
Accounting profit before tax	22,366	123,290
Income tax calculated at 30% (2021: 30%)	6,710	36,987
Adjustments in respect of income tax of previous years	2,188	1,491
Research and development	(837)	-
Impairments of goodwill	5,781	-
Tax on unremitted foreign income	4,297	1,799
Non-assessable insurance proceeds	(1,092)	-
Overseas tax rate differential	(5,534)	(3,835)
Sundry items	(1,325)	(686)
Income tax expense / (benefit) reported in the Consolidated Statement of Comprehensive Income	10,188	35,756
Comprising of:		
• Current year income tax expense	19,217	33,662
• Deferred income tax expense / (benefit)	(11,217)	603
• Adjustments in respect of previous years income tax	2,188	1,491

Included in the above is a tax benefit on underlying adjustments of \$19.2 million for the year ended 30 June 2022 (2021: \$2.4 million).

Recognised current and deferred tax assets and liabilities

\$'000	2022 Current Income tax Asset / (Liability)	2022 Deferred Income tax	2021 Current Income tax Asset / (Liability)	2021 Deferred Income tax
Opening balance	(25,198)	22,695	(21,175)	23,351
Charged to income	(19,217)	11,217	(33,662)	(603)
Adjustments in respect of income tax of previous years	(687)	(1,501)	153	(1,644)
Charged to other comprehensive income	3,945	(3,945)	(1,644)	1,644
Net payments	27,588	-	31,065	-
Acquisitions	-	548	-	-
Foreign exchange translation movement	464	537	65	(53)
Closing balance	(13,105)	29,551	(25,198)	22,695
Comprises of:				
• Deferred tax assets				
▪ Employee entitlements provision		15,377		17,272
▪ Provisions		9,344		7,341
▪ Unutilised tax losses		1,104		1,468
▪ Lease liability		141,265		136,960
▪ Other		9,315		8,006
		176,405		171,047
Offset with deferred tax liability		(140,137)		(139,018)
Net deferred tax asset		36,268		32,029
• Deferred tax liabilities				
▪ Property, plant and equipment		(143,633)		(145,098)
▪ Intangibles		(141)		(3,496)
▪ Other		(3,080)		242
		(146,854)		(148,352)
Offset with deferred tax asset		140,137		139,018
Net deferred tax liability		(6,717)		(9,334)



Key Estimates and Judgements – Taxation

Pact is subject to income tax in Australia and foreign jurisdictions. The calculation of the Group's tax charge requires management to determine whether it is probable that there will be sufficient future taxable profits to recoup deferred tax assets. AASB Interpretation 23 *Uncertainty over Income Tax Treatment* addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of the recognition and measurement criteria in AASB 112 *Income Taxes*. Judgements and assumptions are subject to risk and uncertainty, hence if final tax determinations or future actual results do not align with current judgements, this may have an impact to the carrying value of deferred tax balances and corresponding credits or charges to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.3 TAXATION (CONTINUED)

How Pact accounts for taxation

Income tax charges:

- Comprise of current and deferred income tax charges and represent the amounts expected to be paid to and recovered from the taxation authorities in the jurisdictions that Pact operates.
- Are recorded in Equity when the underlying transaction that the tax is attributable to is recorded within Other Comprehensive Income.

Pact uses the tax laws in place or those that have been substantively enacted at reporting date to calculate income tax. For deferred income tax, Pact also considers whether these tax laws are expected to be in place when the related asset is realised or liability is settled. Management periodically re-evaluate their assessment of their tax positions, in particular where they relate to specific interpretations of applicable tax regulation.

Deferred tax assets and liabilities are recognised on all assets and liabilities that have different carrying values for tax and accounting, including those arising from a single transaction, except for:

- initial recognition of goodwill; and
- any undistributed profits of Pact's subsidiaries, associates or joint ventures where either the distribution of those profits would not give rise to a tax liability or the directors consider they have the ability to control the timing of the reversal of the temporary differences.

Specifically, for deferred tax assets:

- They are recognised only to the extent that it is probable that there are sufficient future taxable amounts to be utilised against. This assessment is reviewed at each reporting date.
- They are offset against deferred tax liabilities in the same tax jurisdiction, when there is a legally enforceable right to do so.
- If acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Consolidated Statement of Comprehensive Income.

Australian tax consolidated group

Pact Group Holdings Ltd (the head entity) and its wholly-owned Australian subsidiaries formed a tax consolidated group (Australian tax consolidated group), effective January 2014.

The Australian tax consolidated group continues to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current and deferred taxes to allocate to members of the tax consolidated group. The head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

A tax funding agreement is in place such that Pact Group Holdings Ltd pays/receives any taxes owed by/owed to the Group to/from the Australian Tax Office. Assets or liabilities arising under this tax funding agreement are recognised as amounts receivable from or payable to the head entity. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1.4 DIVIDENDS

\$'000	2022	2021
Dividends paid during the financial year	32,707	27,520
Proposed dividend ⁽¹⁾	5,164	20,640

⁽¹⁾ The directors have determined to pay a final dividend of 1.50 cents per ordinary share after the end of the financial year (2021: 6.0 cents). Dividends are franked at 65% (2021: 65%).

Franking credit balance⁽²⁾

Franking account balance as at the end of the financial year at 30% (2021: 30%)	8,405	9,800
Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(4,624)	10,700
Franking credits that will be utilised from the payment of dividends as at the end of the financial year	(1,438)	(5,755)
Total franking credit available for the subsequent financial year	2,343	14,745

⁽²⁾ Franking credits of \$9.1 million have been utilised during the financial year (2021: \$7.7 million).

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 2 – Our Operating Assets

This section highlights the primary operating assets used and liabilities incurred to support the Group's operating activities.

Liabilities relating to the Group's financing activities are disclosed in Note 4.1 *Net Debt*, Deferred tax assets and liabilities are disclosed in Note 1.3 *Taxation* and employee benefits provisions are disclosed in Note 5.2 *Employee Benefits Expenses and Provisions*.

2.1 WORKING CAPITAL

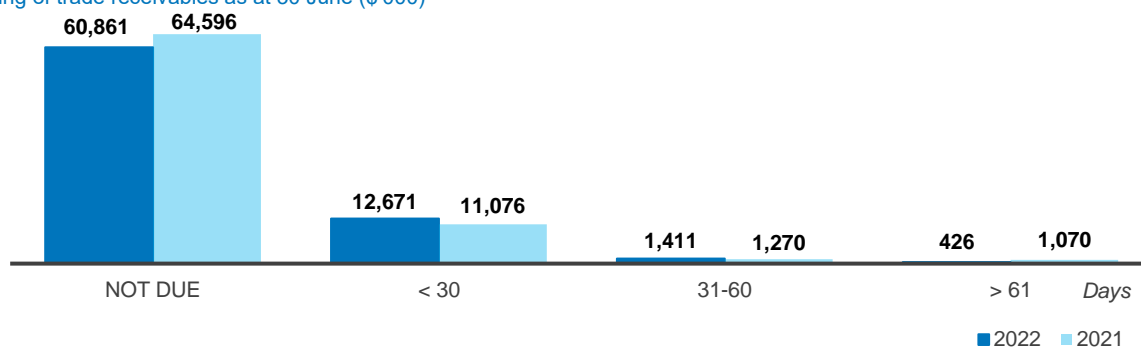
Trade and other receivables

Trade and other receivables at 30 June comprise of:

\$'000	2022	2021
Trade receivables ⁽¹⁾	75,601	78,357
Allowance for expected credit losses	(232)	(345)
Other receivables ⁽²⁾	42,126	51,293
Total current trade and other receivables	117,495	129,305

⁽¹⁾ Below is a breakdown of the ageing of trade receivables:

Ageing of trade receivables as at 30 June (\$'000)



⁽²⁾ At 30 June 2022 \$35.9 million (2021: \$27.7 million) has been recognised as part of other receivables representing the Group's participation in a securitisation program. The program requires the Group (or an entity other than the bank) to be a participant. Given the short-term nature of this financial asset, the carrying value of the associated receivable approximates its fair value and represents the Group's maximum exposure to the receivables derecognised as part of the program.

At 30 June 2022, the Group had expected credit losses of \$0.2 million (2021: \$0.3 million). The Group has a number of mechanisms in place which assist in minimising financial losses due to customer non-payment. These include:

- all customers who wish to trade on credit terms are subject to strict credit verification procedures, which may include an assessment of their independent credit rating, financial position, past experience and industry reputation;
- individual risks limits, which are regularly monitored in-line with set parameters;
- monitoring receivable balances on an ongoing basis;

Expected credit loss model

Information about the credit risk exposure on the Group's trade receivables using a provision matrix has not been disclosed due to the immaterial amount of expected credit losses as at 30 June 2022.

In assessing expected credit losses, the Group has considered current economic conditions. Management considers the credit risks associated with the pandemic to be sufficiently mitigated due to the diversity and credit standing of the Group's customers. Accordingly, the Group has not experienced a significant increase in expected credit losses.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.1 WORKING CAPITAL (CONTINUED)

Trade and other receivables (continued)

How Pact accounts for trade and other receivables

Pact's trade receivables are non-interest bearing, are recorded at the amount on the sales invoice and include Goods and Services Tax (GST). Trade receivables generally have 30 day terms from the end of the month.

For lease receivables, trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Under the Group's securitisation programs:

- The Group transfers substantially all the risks and rewards of receivables within the programs to a third party.
- Receivables are sold at a discount and at the date of sale the receivable is derecognised and the discount is included as part of the loss on derecognition of financial assets in the Consolidated Statement of Comprehensive Income. The costs associated with establishing the program are also recognised on a pro rata basis within the same account (refer Note 4.1).
- The Group may act as a servicer to the programs to facilitate the collection of receivables. Income received for being a servicer is recorded as an offset to the loss on derecognition of receivables.
- At balance date, a liability is recognised if received collections have not been paid to other participants of the programs.

Inventories

Inventories at 30 June comprise of:

\$'000	2022	2021
Raw materials and stores	155,899	125,626
Work in progress	25,883	23,709
Finished goods	102,821	93,371
Total inventories	284,603	242,706

How Pact accounts for inventories

Inventories are recorded at cost, which for Pact includes:

- Raw materials: the invoice price of the product, net of any discount, rebates, duties and taxes, as well as the cost of internal freight.
- Work in Progress and Finished Goods: cost of raw materials, direct labour and a proportion of manufacturing overheads based on a normal level of operating capacity, but excluding costs that relate to general administration, finance, marketing, selling and distribution.

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under IAS 2 Inventories. The Group has assessed there will be no material impact as a result of this decision on its current accounting policy.

Trade and other payables

Current trade and other payables at 30 June comprise of:

\$'000	2022	2021
Trade payables	311,900	273,154
Other payables	77,539	78,053
Total current trade and other payables	389,439	351,207

How Pact accounts for trade and other payables

Trade and other payables are carried at their principal amounts, are not discounted and include GST. They represent amounts owed for goods and services provided to the Group prior to, but were not paid for, at the end of the financial year. The amounts are generally unsecured and are usually paid within 30 – 90 days of recognition.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.2 NON-CURRENT ASSETS

The below outlines the geographical location of Pact's property, plant and equipment, intangible assets and goodwill:

\$'000	2022	2021
Australia	800,277	835,813
New Zealand	379,629	409,273
Asia and others	251,952	228,482
TOTAL	1,431,858	1,473,568

Property, plant and equipment

The key movements in property, plant and equipment over the year were:

\$'000	Property ⁽¹⁾	Plant and equipment	Assets for hire	Right of use asset	Capital work in progress	Total
Estimated useful life	Freehold: 40 – 50 years Leasehold improvements: 10 – 15 years	3 – 20 years	10 years	3 – 20 years	n/a	
Year ended 30 June 2022						
At 1 July 2021 net of accumulated depreciation	54,754	489,594	36,179	372,518	61,154	1,014,199
Additions and transfers	1,776	57,874	11,164	46,321	32,115	149,250
Acquisition of subsidiaries and businesses	-	8,838	-	8,572	153	17,563
Subsequent reassessment of lease liability	-	-	-	3,599	-	3,599
Disposals	(5,884)	(2,422)	(436)	-	-	(8,742)
Impairment and write-off expenses	(10,505)	(36,184)	-	(2,694)	-	(49,383)
Lease modification	-	-	-	10,990	-	10,990
Foreign exchange translation movement	1,481	(166)	(98)	782	(300)	1,699
Depreciation charge for the year	(962)	(68,142)	(5,385)	(58,511)	-	(133,000)
At 30 June 2022 net of accumulated depreciation	40,660	449,392	41,424	381,577	93,122	1,006,175
Represented by:						
• At cost	61,521	1,200,383	62,855	542,195	93,122	1,960,076
• Accumulated depreciation	(20,861)	(750,991)	(21,431)	(160,618)	-	(953,901)
Year ended 30 June 2021						
At 1 July 2020 net of accumulated depreciation	57,072	477,871	37,316	364,142	59,601	996,002
Additions and transfers	5,510	68,576	2,950	16,131	1,855	95,022
Acquisition of subsidiaries and businesses	-	13,831	-	27,303	-	41,134
Subsequent reassessment of lease liability	-	-	-	(1,607)	-	(1,607)
Disposals	(2,160)	(356)	(237)	-	-	(2,753)
Write-off expense	(95)	(753)	-	-	-	(848)
Lease modification	-	-	-	24,317	-	24,317
Foreign exchange translation movement	(965)	(3,170)	(13)	(2,119)	(302)	(6,569)
Depreciation charge for the year	(4,608)	(66,405)	(3,837)	(55,649)	-	(130,499)
At 30 June 2021 net of accumulated depreciation	54,754	489,594	36,179	372,518	61,154	1,014,199
Represented by:						
• At cost	85,142	1,243,020	53,592	474,625	61,154	1,917,533
• Accumulated depreciation	(30,388)	(753,426)	(17,413)	(102,107)	-	(903,334)

⁽¹⁾ Property consists of the following: leasehold improvements of \$31.5 million (2021: \$40.6 million) and accumulated depreciation of \$16.1 million (2021: \$16.8 million), and freehold property of \$30.1 million (2021: \$44.6 million) and accumulated depreciation of \$4.8 million (2021: \$13.6 million).



Key Estimates and Judgements – Estimation of useful lives of assets

The estimation of the useful lives of assets, excluding the ROU assets, is based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

The estimation of the useful lives of ROU assets is based on the non-cancellable period of the lease plus renewal options when the exercise of the option is considered to be reasonably certain.



Key Estimates and Judgements – Recoverability of property, plant and equipment

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, social, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined to assess if any impairment is required.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.2 NON-CURRENT ASSETS (CONTINUED)

Property, plant and equipment (continued)

How Pact accounts for property plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Where assets are in the course of construction at the reporting date they are classified as capital works in progress. Upon completion, capital works in progress are reclassified to plant and equipment and are depreciated from this date. Where a grant is received for the upgrade of plant and equipment, the amount received is offset against the cost of the plant and equipment. If a grant is received for plant and equipment where the Group has yet to commission, the amount received is recognised as deferred income and included as part of Trade and Other Payables.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset generates cash inflows that are largely dependent on those from other assets or groups of assets and the asset's value in use cannot be estimated to approximate its fair value. In such cases the asset is tested for impairment as part of the CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amounts are estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Goodwill and other intangibles

Intangible assets are comprised of the following:

\$'000	Notes	Customer contracts	Other intangibles ⁽¹⁾	Goodwill	Total
Year ended 30 June 2022					
At 1 July 2021 net of accumulated amortisation and impairment		4,746	7,211	447,412	459,369
Adjustment for prior period acquisition		-	-	(1,933)	(1,933)
Acquisition of subsidiaries and businesses		-	-	4,325	4,325
Impairment ⁽²⁾		(4,292)	(6,382)	(19,269)	(29,943)
Foreign exchange translation movements		-	(118)	(5,360)	(5,478)
Amortisation		(454)	(203)	-	(657)
At 30 June 2022 net of accumulated amortisation and impairment		-	508	425,175	425,683
Represented by:					
At cost		28,106	11,834	675,576	715,516
Accumulated amortisation and impairment		(28,106)	(11,326)	(250,401)	(289,833)

⁽¹⁾ Other intangibles are recognised at cost and amortised on a straight-line basis over 25 years.

⁽²⁾ Relates to Contract Manufacturing segment.

Year ended 30 June 2021

At 1 July 2020 net of accumulated amortisation and impairment		5,657	7,873	442,538	456,068
Additions		-	-	5,537	5,537
Transfer to Property, Plant & Equipment		-	(40)	-	(40)
Foreign exchange translation movements		-	(19)	(663)	(682)
Amortisation		(911)	(603)	-	(1,514)
At 30 June 2021 net of accumulated amortisation and impairment		4,746	7,211	447,412	459,369
Represented by:					
At cost		28,106	11,834	678,544	718,484
Accumulated amortisation and impairment		(23,360)	(4,623)	(231,132)	(259,115)

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.2 NON-CURRENT ASSETS (CONTINUED)

Goodwill and other intangibles (continued)

\$'000	2022	2021
Goodwill and intangible assets with indefinite lives are allocated to the following group of CGU's and segments⁽¹⁾:		
Packaging and Sustainability	259,349	261,870
Contract Manufacturing Services	-	21,030
Materials Handling and Pooling	165,826	166,274
	425,175	449,174

⁽¹⁾ This is the lowest level where goodwill is monitored.

How Pact accounts for goodwill

Goodwill is:

- initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities;
- subsequently measured at cost less any accumulated impairment losses; and
- reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGU's), to which the goodwill relates. When the recoverable amount of the CGU (or group of CGU's) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a CGU (or group of CGU's) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU's retained.



Key Estimate and Judgement – Impairment of goodwill and other intangibles

Value in Use (VIU) for Packaging and Sustainability and Materials Handling and Pooling

The recoverable amount of each of the CGU's (except for Contract Manufacturing Services) has been determined based on value in use calculations using cash flow projections contained within next year's financial budget approved by management and other forward projections up to a period of 5 years. Management have used their current expectations and what is considered reasonably achievable when assigning values to key assumptions in their value in use calculations. In the current period, Management's estimates and judgement also specifically considered the potential risks arising from the Covid-19 pandemic. Management considers the risks associated with the pandemic to be sufficiently mitigated due to the diversity of the Group's customers and products such that any prolonged impact from a pandemic will not result in a material change to any of the assumptions adopted for impairment testing purposes.

Fair Value less cost of disposal (FVLCOD) for Contract Manufacturing Services

In determining FVLCOD, a 5 year discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of the business strategies and maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

A \$67.6 million impairment was recognised in respect of its goodwill (\$19.3 million), intangibles (\$10.7 million) and plant and equipment (\$37.6 million) in 'impairment expenses'. Earnings in the Contract Manufacturing CGU have been materially impacted by COVID-19 and supply chain impacts, as well as volume losses in key categories.

Annual impairment testing

Impairment testing is undertaken annually.

The discount rates and terminal growth rates applied to cashflow projections are detailed below. The calculation of VIU and FVLCOD for the related segments below are sensitive to the following assumptions:

- **Gross margins and raw material price movement** – Gross margins reflect current gross margins adjusted for any expected (and likely) efficiency improvements or price changes.
- **Cash Flows** – For VIU Cash flows are forecast for a period of five years. Cash flows beyond the one-year period are extrapolated using growth rates which are a combination of expected volume growth and price growth. Rates are based on published industry research and economic forecasts relating to GDP growth rates, adjusted for management's view on customer performance.
- **Cash Flows** – For FVLCOD cash flows are based on the EBIT growth over the forecast period based on past experience, expectations of general market conditions and a program of business improvement strategies. Long term rates are based on published industry research and economic forecasts relating to GDP growth rates, adjusted for management's view on customer performance.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.2 NON-CURRENT ASSETS (CONTINUED)

Goodwill and other intangibles (continued)

- **Discount rates** – For both VIU and FVLCOD the discount rates are based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk factors specific to the CGUs within the operating segment.

	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services
2022			
Discount rate (pre-tax) ⁽¹⁾	9.4% - 16.0%	11.8% - 13.3%	14.0%
Terminal growth rate ⁽¹⁾	1.0% - 6.8%	1.0% - 1.2%	1.0%
2021			
Discount rate (pre-tax) ⁽¹⁾	9.4% - 15.4%	11.8% - 13.3%	12.9%
Terminal growth rate ⁽¹⁾	1.0% - 5.2%	1.0% - 1.2%	1.0%

⁽¹⁾ The % range of the discount rate and terminal growth rate is representative of the different countries within each CGU.

The below table shows the carrying amount and headroom analysis across the segments:

	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services
2022			
Carrying amount (at 30 April) (\$'000) ⁽¹⁾	1,157,414	428,424	145,471
Headroom (times)	1.12	1.26	1.06
Breakeven analysis ⁽²⁾			
Terminal growth rate; and	↓ 0.5%	↓ 1.0%	↓ 1.0%
Discount rate	↑ 1.0%	↑ 2.0%	0.0%

⁽¹⁾ Pact undertake annual impairment testing based on 30 April carrying values. This was reassessed at 30 June 2022 for any triggers of impairment.

⁽²⁾ This is the level at which the recoverable amount would be equal to the carrying amount.

	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services
2021			
Carrying amount (at 30 April) (\$'000) ⁽¹⁾	1,121,970	395,113	198,119
Headroom (times)	1.19	1.46	1.03
Breakeven analysis ⁽²⁾			
Terminal growth rate; and	↓ 1.0%	↓ 1.0%	↓ 0.5%
Discount rate	↑ 1.0%	↑ 5.0%	0.0%

⁽¹⁾ Pact undertake annual impairment testing based on 30 April carrying values. This was reassessed at 30 June 2021 for any triggers of impairment.

⁽²⁾ This is the level at which the recoverable amount would be equal to the carrying amount.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.3 CAPITAL EXPENDITURE COMMITMENTS, CONTINGENCIES AND OTHER LIABILITIES

Capital expenditure commitments

Capital expenditure commitments contracted for at reporting date, but not provided for are:

\$'000	2022	2021
Payable within one year	32,599	45,985
Payable after one year but not more than five years	1,438	7,870
Total	34,037	53,855

Contingent consideration dispute

During the 2020 financial year the Group reversed a contingent consideration obligation of \$30 million relating to the acquisition of TIC Retail Accessories, as specific financial hurdles required for payment were determined not to have been achieved.

In 2021 the Group received dispute notices in relation to this contingent consideration obligation. Pact Group Holdings Ltd and a number of its related bodies corporate ("Pact") have commenced legal proceedings against TIC Group Pty Ltd and various related parties ("TIC") in the Commercial Court of the Supreme Court of Victoria challenging the validity of the dispute notice, and TIC has brought a counterclaim seeking payment of \$30 million plus interests and costs. Pact is vigorously defending the counterclaim and is of the view that no earn out amount is payable. The proceeding is currently in the early stages of discovery and has not yet been listed for trial.

Contingencies

The Group is not party to any other legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial position, or operating results.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

Other Commitments and guarantees

At 30 June 2022, the Group had bank guarantees and other trade finance arrangements totalling \$32.5 million (2021: \$25.2 million) in respect of various property leases, material purchases and other contractual obligations

Government Grants

During the financial year, the Group received \$8 million from the Federal Government's Modern Manufacturing Initiative for the upgrade of plant and equipment. This grant is conditional upon the Group completing these projects

2.4 OTHER PROVISIONS

Total other provisions at 30 June comprise of:

\$'000	2022	2021
CURRENT		
Business restructuring	7,140	1,970
Total current provisions	7,140	1,970
NON-CURRENT		
Make good on leased premises	12,754	11,923
Total non-current provisions	12,754	11,923

Movement in provisions

Year ended 30 June 2022	Business restructuring ⁽¹⁾	Make good on leased premises ⁽²⁾	Total
At 1 July 2021	1,970	11,923	13,893
Provided for during the year	10,710	1,298	12,008
Transfer	32	(32)	-
Utilised	(5,408)	(464)	(5,872)
Foreign exchange translation movement	(164)	29	(135)
At 30 June 2022	7,140	12,754	19,894
Year ended 30 June 2021			
At 1 July 2020	-	9,967	9,967
Acquisition of subsidiaries and businesses	-	111	111
Provided for during the year	6,196	2,010	8,206
Utilised	(4,226)	(101)	(4,327)
Foreign exchange translation movement	-	(64)	(64)
At 30 June 2021	1,970	11,923	13,893

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.4 OTHER PROVISIONS (CONTINUED)

- (1) Business restructuring - The business restructuring programs relate to the optimisation of business facilities across the Group. This liability is expected to be settled in the next 12 months.
- (2) Make good on leased premises - In accordance with the form of lease agreements, the Group may be required to restore leased premises to their original condition at the end of the lease term and upon exiting the site. The provision is based on the costs which are expected to be incurred using historical costs as a guide. This liability is expected to be settled as the Group exits leased premises.



Key Estimates and Judgements – Business restructuring

Business restructuring provisions are only recognised when a detailed plan has been approved and the business restructuring has either commenced or been publicly announced, or contracts relating to the business restructuring have been entered into. Costs related to ongoing activities are not provided for.

How Pact accounts for other provisions

Provisions are recognised when the following three criteria are met:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.5 LEASES

Impacts on financial statements

The carrying amounts of the Group's right of use assets and lease liabilities and the movements during the period are as below:

\$'000	Right of Use Asset			Lease Liabilities
	Property	Plant and equipment	Total	Total
Balance as at 1 July 2021	363,116	9,402	372,518	469,944
Additions	43,407	2,914	46,321	45,567
Acquisition of subsidiaries and businesses	8,572	-	8,572	9,441
Subsequent remeasurement of lease liability	3,663	(64)	3,599	3,469
Depreciation expense	(54,192)	(4,319)	(58,511)	-
Impairment expense	(2,694)	-	(2,694)	-
Lease modification	10,775	215	10,990	9,326
Interest expense	-	-	-	28,256
Payments	-	-	-	(80,343)
Foreign exchange translation movement	801	(19)	782	347
Balance as at 30 June 2022	373,448	8,129	381,577	486,007
Balance as at 1 July 2020	353,525	10,617	364,142	454,859
Additions	13,143	2,988	16,131	15,866
Acquisition of subsidiaries and businesses	27,303	-	27,303	27,192
Subsequent remeasurement of lease liability	(1,407)	(200)	(1,607)	(1,683)
Depreciation expense	(51,472)	(4,177)	(55,649)	-
Lease modification	24,099	218	24,317	23,289
Interest expense	-	-	-	26,117
Payments	-	-	-	(73,530)
Foreign exchange translation movement	(2,075)	(44)	(2,119)	(2,166)
Balance as at 30 June 2021	363,116	9,402	372,518	469,944

In addition to the expenses detailed above, the consolidated statement of comprehensive income also includes the following lease related expenses:

\$'000	2022	2021
Expenses relating to short-term leases	1,661	1,510
Expenses relating to low-value leases	383	358
Variable lease payments	332	(62)
Property outgoings ⁽¹⁾	14,339	12,747

⁽¹⁾ Includes council rates, taxes, insurance and other lease related payments. Outgoings are 18.9% of the Group's property lease payments in the financial year (2021:18.6%).

The lease liabilities included in the consolidated statement of financial position are:

\$'000	2022	2021
Current	72,022	70,932
Non-current	413,985	399,012

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

2.5 LEASES (CONTINUED)

Impacts on financial statements (continued)

The maturity analysis of contractual undiscounted cash flows for lease liabilities are:

\$'000	2022	2021
Less than one year	74,632	72,990
One to five years	255,099	226,991
More than five years	384,459	388,749
Total undiscounted liabilities	714,190	688,730

The amounts recognised in the statement of cash flows are:

\$'000	2022	2021
Repayment of lease liability principal ⁽¹⁾	52,087	47,413
Interest payments ⁽¹⁾	28,256	26,117
Expenses relating to short-term leases	1,661	1,510
Expenses relating to low-value leases	383	358
Variable lease payments	332	(62)
Property outgoings	13,894	12,232

⁽¹⁾ Of the total lease payments, 16.6% (2021: 14.4%) relates to property leases that exclude renewal options in the assessment of the lease term. This includes warehouses, offices and shopfronts where the exercise of the option is not reasonably certain.



Key Estimate and Judgement – Incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, 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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available.



Key Estimate and Judgement – Determining the lease term of contracts with renewal and termination options

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

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 3 – Our Operational Footprint

This section provides details of acquisitions which the Group has made in the financial year, as well as details of controlled entities and interests in associates and joint ventures.

3.1 BUSINESS COMBINATIONS

Summary of 30 June 2022 acquisition

\$'000	Synergy Packaging Pty Ltd
Consideration paid or payable	
Comprising of:	
● Consideration payable	19,941
● Assets	
▫ Cash and cash equivalents	785
▫ Trade and other receivables	3,070
▫ Inventory	4,842
▫ Property, plant and equipment	8,838
▫ Right of use assets	8,572
▫ Deferred tax assets	548
▫ Prepayments	234
▫ Other assets	345
● Liabilities	
▫ Trade payables and accruals	1,125
▫ Lease liabilities	9,441
▫ Employee benefits provisions	407
▫ Other liabilities	645
Fair value of identifiable net assets	15,616
Provisional goodwill arising on acquisition	4,325

⁽¹⁾ On 31 May 2022, the Group purchased 100% of the shares of Synergy Packaging Pty Ltd for a consideration of \$19.9 million with settlement consideration payable on 1 July 2022. Synergy Packaging is a Victoria based manufacturer of non-beverage rigid PET containers supplying mainly to small health and personal care businesses. The acquisition of Synergy Packaging compliments the Groups strategy to lead the circular economy through reuse, recycling and packaging solutions.

Provisional goodwill of \$4.3 million has arisen as a result of the purchase consideration exceeding the fair value of identifiable net assets acquired, and represents the value attributed to Synergy Packaging Pty Ltd reputation for quality and service. Goodwill is allocated to the Packaging and Sustainability reportable segment. This goodwill will not be deductible for tax purposes. Due to the timing of the acquisition, the Group is still determining the fair value of identifiable net assets, in particular, property, plant and equipment and right of use assets and identifiable intangible assets.

From the date of acquisition to 30 June 2022, Synergy Packaging Pty Ltd contributed \$1.6 million of revenue and other income, and \$0.1 million to net profit before tax of the Group. If the combination had taken place at 1 July 2021, contributions to revenue for the period ended 30 June 2022 would have been \$19.0 million higher and the contribution to profit before tax for the Group would have been \$2.5 million higher.

Included within the Consolidated Statement of Comprehensive Income are acquisition-related costs of \$0.3 million.

Completion of prior year acquisition accounting

In the current period a decrease of \$1.9 million has been recognised in goodwill in relation to the fair value determination for property, plant and equipment as part of the finalisation of acquisition accounting for Flight Plastics.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.2 CONTROLLED ENTITIES

During the year, the Group deregistered Bidware Pty Ltd, Middleton Asset Financing and Leasing Pty Ltd, Plaspak (PET) Pty Ltd, Plaspak Contaplas Pty Ltd, Plaspak Minto Pty Ltd and Sustainapac Pty Ltd.

Australian incorporated entities that are party to the Deed of Cross Guarantee at 30 June 2022⁽¹⁾

-
- | | |
|---|--|
| • Pact Group Industries (ANZ) Pty Ltd | • Jalco Group Pty Ltd |
| • Australian Pharmaceutical Manufacturers Pty Ltd | • Jalco Automotive Pty Ltd |
| • Pact Group Holdings (Australia) Pty Ltd | • Jalco Powders Pty Ltd |
| • Pact Group Finance (Australia) Pty Ltd | • Jalco Plastics Pty Ltd |
| • Pascoes Pty Ltd | • Jalco Australia Pty Ltd |
| • Power Plastics Pty Ltd | • Jalco Care Products Pty Ltd |
| • Alto Packaging Australia Pty Ltd | • Packaging Employees Pty Ltd |
| • Summit Manufacturing Pty Ltd | • Jalco Cosmetics Pty Ltd |
| • Astron Plastics Pty Ltd | • Jalco Promotional Packaging Pty Ltd |
| • Sunrise Plastics Pty Ltd | • VIP Plastic Packaging Pty Ltd |
| • Inpact Innovation Pty Ltd | • Skyson Pty Ltd |
| • Cinqplast Plastop Australia Pty Ltd | • Brickwood (VIC) Pty Ltd |
| • Steri-Plas Pty Ltd | • Brickwood (Dandenong) Pty Ltd |
| • Sulo MGB Australia Pty Ltd | • Brickwood (NSW) Pty Ltd |
| • VIP Steel Packaging Pty Ltd | • Brickwood (QLD) Pty Ltd |
| • VIP Drum Reconditioners Pty Ltd | • Alto Manufacturing Pty Ltd |
| • Vmax Returnable Packaging Systems Pty Ltd | • Baroda Manufacturing Pty Ltd |
| • Viscount Plastics Pty Ltd | • Salient Asia Pacific Pty Ltd |
| • Viscount Plastics (Australia) Pty Ltd | • Plaspak Closures Pty Ltd |
| • Viscount Rotational Mouldings Pty Ltd | • Plaspak Pty Ltd |
| • Viscount Logistics Services Pty Ltd | • MTWO Pty Ltd |
| • Viscount Pooling Company Pty Ltd | • Snopak Manufacturing Pty Ltd |
| • Viscount Pooling Systems Pty Ltd* | • Pact Group Industries (Asia) Pty Ltd |
| • Pact Retail Accessories (Australia) Pty Ltd | • Viscount Plastics (China) Pty Ltd |
| • Ruffgar Holdings Pty Ltd | • Synergy Packaging Pty Ltd |
| • Davmar Investments Pty Ltd | |
-

*There is currently an option granted to a 3rd party to purchase 50% shares in this entity. This option has not been exercised.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.2 CONTROLLED ENTITIES (CONTINUED)

Entities that are not party to the Deed of Cross Guarantee, incorporated in the following jurisdictions⁽¹⁾

AUSTRALIA

- Plaspak Management Pty Ltd⁽²⁾

NEW ZEALAND

- Pact Group Holdings (NZ) Ltd⁽¹⁵⁾
- Pact Group Finance (NZ) Ltd⁽⁴⁾
- Pact Group (NZ) Ltd⁽⁴⁾
- VIP Steel Packaging (NZ) Ltd⁽¹⁶⁾
- VIP Plastic Packaging (NZ) Ltd⁽¹⁶⁾
- Alto Packaging Ltd⁽¹⁷⁾
- Auckland Drum Sustainability Services Ltd⁽¹⁶⁾
- Viscount FCC Ltd⁽¹⁶⁾
- Tecpak Industries Ltd⁽¹⁶⁾
- Astron Plastics Ltd⁽¹⁶⁾
- Pacific BBA Plastics (NZ) Ltd⁽¹⁶⁾
- Viscount Plastics (NZ) Ltd⁽¹⁸⁾
- Stowers Containment Solutions Ltd⁽¹⁶⁾
- Sulo NZ Ltd⁽³⁾
- Pact Retail Accessories (New Zealand) Ltd⁽⁴⁾

CHINA

- Guangzhou Viscount Plastics Co Ltd⁽⁵⁾
- Langfang Viscount Plastics Co Ltd⁽⁵⁾
- Changzhou Viscount Plastics Co Ltd⁽⁵⁾
- Pact Group Closure Systems (Guangzhou) Co. Ltd⁽⁶⁾
- Pact Group Closure Systems (Tianjin) Co. Ltd⁽⁶⁾
- Pact Group Packaging Systems (Guangzhou) Co. Ltd⁽⁸⁾
- Dongguan Top Rise Trading Co. Ltd⁽⁹⁾
- Regent Plastic Products Ltd⁽⁷⁾
- Ningbo Xunxing Trade Co. Ltd⁽¹⁰⁾

BANGLADESH

- TIC Trading (Bangladesh) Ltd⁽¹⁰⁾
- TIC Manufacturing (Bangladesh) Ltd⁽¹⁰⁾
- TIC Industries (Bangladesh) Pty Ltd⁽¹⁰⁾

HONG KONG

- Pact Group Holdings (Hong Kong) Limited⁽¹¹⁾
- Roots Investment Holding Private Limited⁽⁶⁾
- Pact Retail Accessories (Hong Kong) Limited⁽¹²⁾
- Pact Retail Accessories (Asia) Limited⁽¹²⁾
- Talent Group Development Ltd⁽¹²⁾
- Fast Star International Holdings Ltd⁽¹²⁾

INDIA

- Pact Closure Systems (India) Private Limited⁽¹¹⁾
- AMRS Business Services Private Limited⁽¹²⁾

INDONESIA

- PT Plastop Asia Indonesia⁽¹³⁾
- PT Plastop Indonesia Manufacturing Inc⁽¹³⁾

SOUTH KOREA

- Pact Group Closure Systems Korea Ltd⁽⁶⁾

NEPAL

- Closure Systems International Nepal Private Limited⁽¹¹⁾

PHILIPPINES

- Plastop Asia Inc⁽¹⁴⁾
- Pact Closure Systems (Philippines), Inc⁽¹¹⁾

SINGAPORE

- Asia Peak Pte Ltd⁽¹¹⁾

UNITED STATES OF AMERICA

- Pact Retail Accessories (USA) LLC⁽¹²⁾
- Pact Group (USA) Inc⁽¹⁵⁾

UNITED KINGDOM

- Pact Retail Accessories (UK) Ltd⁽¹⁵⁾

⁽¹⁾ All entities are wholly owned

⁽²⁾ Owned by Skyson Pty Ltd

⁽³⁾ Owned by Sulo MGB Australia Pty Ltd

⁽⁴⁾ Owned by Pact Group Holdings (NZ) Ltd

⁽⁵⁾ Owned by Viscount Plastics (China) Pty Ltd

⁽⁶⁾ Owned by Pact Group Holdings (Hong Kong) Limited

⁽⁷⁾ Owned by Talent Group Development Ltd

⁽⁸⁾ Owned by Roots Investment Holding Private Limited

⁽⁹⁾ Owned by TIC Group (Asia) Ltd

⁽¹⁰⁾ Owned by Fast Star International Ltd

⁽¹¹⁾ Owned by Pact Group Industries (Asia) Pty Ltd

⁽¹²⁾ Owned by Davmar Investments Pty Ltd

⁽¹³⁾ Owned by Asia Peak Pte Ltd

⁽¹⁴⁾ Owned by Ruffgar Holdings Pty Ltd

⁽¹⁵⁾ Owned by Pact Group Industries (ANZ) Pty Ltd

⁽¹⁶⁾ Owned by Pact Group (NZ) Ltd

⁽¹⁷⁾ Owned by VIP Plastic Packaging (NZ) Ltd

⁽¹⁸⁾ Owned by Pacific BBA Plastics (NZ) Ltd

How Pact accounts for controlled entities

Controlled entities are consolidated when the Group obtains control and cease to be consolidated when control is transferred out of the Group. The Group controls an entity when it:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the entity, for example has the ability to direct the relevant activities of the entity, which could affect the level of profit the entity makes.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.3 ASSOCIATES AND JOINT VENTURES

Pact has entered into a number of strategic partnering arrangements with third parties and / or associates and jointly controlled entities. The following are entities that Pact have significant influence or joint control over:

Entity	Principal place of operation	About	Pact's ownership interest	Carrying Value	
				2022	2021
\$'000					
Spraypac Products (NZ) Ltd (Spraypac) ⁽¹⁾	New Zealand	Is an associate company distributing plastic bottles and related spray products.	50%	686	776
Weener Plastop Asia Inc (Weener) ⁽¹⁾	Philippines	A joint venture with Weener Plastik GMBH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	2,189	1,861
Gempack Weener (Gempack) ⁽¹⁾	Thailand	A joint venture with Weener Plastik GMBH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	14,629	16,156
Weener Plastop Indonesia Inc ⁽¹⁾	Indonesia	A joint venture with Weener Plastik GMBH which manufactures closures and roll-on balls for the Personal Care and Home Care markets.	50%	3,087	3,273
Australian Recycled Plastics Pty Ltd ⁽¹⁾	Australia	A joint venture which processes kerbside collected recyclable plastic materials to produce PET flake and HDPE flake simultaneously.	50.8%	4,104	4,037
Circular Plastics Australia (PET) Pty Ltd ⁽²⁾	Australia	A joint venture that will recycle PET bottles to produce new bottles and food and beverage packaging.	-	-	9,007
Circular Plastics Australia (PET) Holdings Pty Ltd ⁽³⁾	Australia	A newly established holding company of Circular Plastics Australia (PET) Pty Ltd	33.3%	13,118	-
Circular Plastics Australia Pty Ltd ⁽⁴⁾	Australia	A joint venture which processes post consumer HDPE and PP into various forms of plastic resins and flakes for use as raw materials in the production of finished plastic products.	50.0%	7,676	-
				45,489	35,110

⁽¹⁾ Ownership interest at 30 June 2022 and 30 June 2021.

⁽²⁾ On the 3 August 2020 the Group entered into an agreement to acquire 40% of the shares in Circular Plastics Australia (PET) Pty Ltd (formerly called Circular Plastics Australia Pty Ltd), a Company that operates a plastics recycling plant in Albury (Australia). Following a transfer of shares during the period, Circular Plastics Australia (PET) Pty Ltd is 100% owned by Circular Plastics Australia (PET) Holdings Pty Ltd.

⁽³⁾ From 17 December 2021, the Group owns 33.33% of Circular Plastics Australia (PET) Holdings Pty Ltd. Circular Plastics Australia (PET) Holdings Pty Ltd is the holding company of Circular Plastics Australia (PET) Pty Ltd and Circular Plastics Australia (PET) Vic Pty Ltd.

⁽⁴⁾ During the period the Group entered into a new joint venture with Cleanaway Pty Ltd, of which the Group has 50% ownership. Circular Plastics Australia Pty Ltd owns 100% of Circular Plastics Australia (PE) Pty Ltd.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

In accordance with AASB 12: *Disclosure of Interests in Other Entities*, given the material carrying value of the Group's investment in Gempack and Circular Plastics joint ventures, the table below shows summarised financial information of the Group's investment:

\$'000	Gempack	Circular Plastics Australia (PET) Holdings Pty Ltd ⁽¹⁾	Circular Plastics Australia (PET) Pty Ltd ⁽²⁾	Circular Plastics Australia Pty Ltd ⁽³⁾	Other	Total
Year ended 30 June 2022						
Summarised Statement of financial position						
Cash and cash equivalents	5,353	7,522	-	3,472	1,154	17,501
Other current assets	10,396	3,430	-	-	14,154	27,980
Non current assets	18,786	77,056	-	17,676	8,570	122,088
Current liabilities	(4,960)	(11,756)	-	(1,474)	(2,778)	(20,968)
Non current liabilities	(316)	(36,894)	-	(4,323)	(1,797)	(43,330)
Net assets	29,259	39,358	-	15,351	19,303	103,271
Carrying amount of the Group's investment	14,629	13,118	-	7,676	10,066	45,489
Year ended 30 June 2021						
Summarised Statement of financial position						
Cash and Cash equivalents	7,922	-	565	-	2,956	11,443
Other current assets	11,656	-	82	-	12,969	24,707
Non current assets	19,602	-	32,965	-	9,062	61,629
Current liabilities	(5,651)	-	(11,096)	-	(4,214)	(20,961)
Non current liabilities	(1,217)	-	-	-	(1,510)	(2,727)
Net assets	32,312	-	22,516	-	19,263	74,091
Carrying amount of the Group's investment	16,156	-	9,007	-	9,947	35,110

⁽¹⁾ Incorporates the results of Circular Plastics Australia (PET) Holdings Pty Ltd, Circular Plastics Australia (PET) Pty Ltd and Circular Plastics Australia (PET) Vic Pty Ltd.

⁽²⁾ In the prior year, the balances represented the financial information of Circular Plastics Australia (PET) Pty Ltd.

⁽³⁾ Incorporates the results of Circular Plastics Australia Pty Ltd and Circular Plastics Australia (PE) Pty Ltd.

\$'000	Gempack	Circular Plastics Australia (PET) Holdings Pty Ltd ⁽¹⁾	Circular Plastics Australia (PET) Pty Ltd ⁽²⁾	Circular Plastics Australia Pty Ltd ⁽³⁾	Other	Total
Year ended 30 June 2022						
Summarised Statement of financial performance						
Revenue	25,875	5,527	-	-	21,013	52,415
Interest income	2	4	-	-	-	6
Interest expense	665	297	-	-	326	1,288
Depreciation and amortisation	2,232	1,114	-	-	994	4,340
Income tax (benefit) / expense	22	(1,049)	-	-	833	(194)
Net Profit / (loss) for the year	2,188	(2,449)	-	-	2,729	2,468
Other comprehensive gain / (loss) for the year	(123)	-	-	-	33	(90)
Total comprehensive income / (loss) for the year	2,065	(2,449)	-	-	2,762	2,378
Group's share of profit / (loss) for the year	1,094	(816)	-	-	1,367	1,645
Year ended 30 June 2021						
Summarised Statement of financial performance						
Revenue	27,314	-	-	-	19,494	46,808
Interest income	13	-	4	-	-	17
Interest expense	892	-	-	-	415	1,307
Depreciation and amortisation	2,294	-	-	-	1,283	3,577
Income tax expense / (benefit)	95	-	-	-	800	895
Net Profit / (loss) for the year	3,932	-	6	-	2,236	6,174
Other comprehensive loss for the year	(1,060)	-	-	-	(6)	(1,066)
Total comprehensive income / (loss) for the year	2,872	-	6	-	2,230	5,108
Group's share of profit for the year	1,966	-	2	-	1,107	3,075

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summary of associates and joint venture financial information at 30 June (continued)

Dividends received from associates and joint ventures during the year was \$1.1 million (2021: \$1.6 million). Total loans and borrowings including shareholder loans provided to the joint ventures and associates was \$11.6 million (2021: \$12.6 million). Guarantees and other securities provided to the joint ventures and associates was \$6.0 million (2021: \$2.2 million).

The joint ventures and associates had capital commitments at 30 June 2022 of \$3.6 million (2021: nil), out of which the Group's share of capital commitments was \$1.8 million (2021: nil). No contingent liabilities were noted at 30 June 2022 (2021: nil).

How Pact accounts for investment in associates and joint ventures and jointly controlled entities

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Generally significant influence is deemed if Pact has over 20% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group uses the equity method to account for their investments in associates and joint ventures.

Under the equity method:

- Investments in the associates are carried at cost plus post-acquisition changes in the Group's share of associates' net assets.
- Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment separately.
- The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves.
- When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit in associates' in the Consolidated Statement of Comprehensive Income.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 4 – Our Capital Structure

This section details specifics of the Groups' capital structure. When managing capital, Management's objective is to ensure that the entity continues as a going concern as well as to provide optimal returns to shareholders and other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Primary responsibility for identification and control of capital and financial risks rests with the Treasury Risk Management Committee.

4.1 NET DEBT

Debt profile

Pact has the following interest-bearing loans and borrowings as at 30 June 2022:

CURRENT

\$'000	Notes	2022	2021
Bank overdraft		2,384	-
Lease liabilities	2.5	72,022	70,932
Total current interest-bearing loans and borrowings		74,406	70,932

NON-CURRENT

\$'000	Notes	2022	2021
Syndicated Facility Agreements ⁽²⁾		589,690	604,611
Subordinated Debt Facility ⁽²⁾⁽³⁾		75,411	46,549
Capitalised borrowing costs		(5,199)	(3,997)
Total bank borrowings (including capitalised borrowing costs)		659,902	647,163
Lease liabilities	2.5	413,985	399,012
Total non-current interest-bearing loans and borrowings		1,073,887	1,046,175

\$'000	Notes	2022	2021
Total bank borrowings (including capitalised borrowing costs)		659,902	647,163
Bank overdraft		2,384	-
Cash and cash equivalents		(101,513)	(62,152)
Net debt before lease liabilities		560,773	585,011
Lease liabilities		486,007	469,944
Net debt⁽¹⁾		1,046,780	1,054,955

⁽¹⁾ This is a non-IFRS measure.

⁽²⁾ The Group syndicated facilities are as follows:

Debt Facilities

Facility	Maturity date	Total Facilities \$'000
Working capital facility	Revolving with an annual review	22,764
Loan facility	April 2025	235,819
Subordinated term debt facility ⁽³⁾	July 2025	74,833
Loan facility	January 2026	185,255
Loan facility	January 2027	274,274
Term facility	December 2027	200,000
Total facilities		992,945
Facilities utilised		666,907
Facilities unutilised		326,038

⁽³⁾ The Subordinated term debt facility is denominated in USD and was converted to AUD \$74.8 million of subordinated financing. This is fully hedged. The USD debt is translated to AUD using the AUD/USD spot rate as at 30 June 2022, and disclosed as a financial liability of \$75.4 million, while the fair value of the hedges at 30 June 2022 is \$0.6 million (2021: \$4.1 million) and is disclosed in other current financial assets.

The Group uses interest rate swaps to manage interest rate risk.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.1 NET DEBT (CONTINUED)

Fair values

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

The computation of the fair value of borrowings is derived using significant observable inputs (Fair Value Hierarchy Level 2).

The carrying amount and fair value of the Group's non-current borrowings are as follows:

	2022 \$'000		2021 \$'000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Syndicated Facility Agreements	589,690	589,690	604,611	604,611
Subordinated Debt Facility	75,411	75,411	46,549	46,549
Total bank borrowings	665,101	665,101	651,160	651,160

Defaults and breaches

During the year, there were no defaults or breaches on any of the loan terms and conditions.

Finance costs and loss on de-recognition of financial assets

Pact has incurred the following finance costs during the year ending 30 June:

\$'000	2022	2021
Interest expense on bank loans and borrowings	22,959	20,557
Borrowing costs amortisation	2,987	2,058
Amortisation of securitisation program costs	297	387
Sundry items	90	296
Total interest expense on borrowings	26,333	23,298
Interest expense on unwinding of provisions	481	511
Interest expense on lease liabilities	28,256	26,117
Total finance costs	55,070	49,926
Loss on de-recognition of financial assets	2,072	1,840
Total finance costs and loss on de-recognition of financial assets	57,142	51,766

How Pact accounts for loans and borrowings

All loans and borrowings are:

- Initially recognised at the fair value of the consideration received less directly attributable transaction costs.
- Subsequently measured at amortised cost using the effective interest method, which is calculated based on the principal borrowing amount less directly attributable transaction costs.
- Are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value of the Group's interest-bearing loans and borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. As the underlying debt has a floating interest rate (excluding the impact of the separate interest rate swaps), the Group's own performance risk at 30 June 2022 was assessed to be insignificant.

The carrying amount of the Group's current and non-current borrowings materially approximates fair value. The computation of the fair value of borrowings is derived using significant observable inputs (Fair Value Hierarchy Level 2).

Finance costs are recognised as an expense when incurred. Finance costs which are directly attributable to the acquisition of, or production of, a qualifying asset are capitalised as part of the cost of that asset using the weighted average cost of borrowings.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.1 NET DEBT (CONTINUED)

Reconciliation of net profit after tax to net cash flows from operations

\$'000	Notes	2022	2021
Net profit for the year		12,178	87,534
Non cash flows in operating profit:			
Depreciation and amortisation		133,657	132,013
(Profit) / loss on sale of property, plant and equipment		(20,504)	261
Share of net profit in associates		(1,645)	(3,075)
Share based payments expense		1,371	1,335
Impairment and write-off expenses		72,256	-
Inventory write downs and related disposal costs		17,775	-
Other		427	45
Changes in assets and liabilities:			
Decrease in trade and other receivables		13,155	15,825
(Increase) in inventory		(53,065)	(15,306)
(Increase) / decrease in net deferred tax assets and liabilities		(10,246)	712
Increase / (decrease) in trade and other payables		13,102	(11,520)
Increase in employee entitlement provisions		2,298	3,749
Increase in other provisions		6,126	3,972
(Decrease) / increase in current tax liabilities		(12,271)	5,489
Net cash flow provided by operating activities		174,614	221,034

Reconciliation to cash at the end of the year

The cash and cash equivalents balance in the Consolidated Statement of Financial Position is reconciled to cash as shown in the Consolidated Statement of Cash Flows at the end of the financial year as follows:

\$'000	2022	2021
Balance per Consolidated Statement of Financial Position	101,513	62,152
Bank overdraft	(2,384)	-
Balance per Consolidated Statement of Cash Flows	99,129	62,152

Non-Cash activities

Issue of shares via employee share purchase scheme	4.2	1,230	-
--	-----	-------	---

How Pact accounts for cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft balances. Bank overdrafts are included in current liabilities on the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated 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 are classified as operating cash flows.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.2 CONTRIBUTED EQUITY AND RESERVES

Terms, conditions and movements of contributed equity

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

	2022		2021	
	Number of shares	\$'000	Number of shares	\$'000
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	343,993,595	1,750,476	343,993,595	1,750,476
Issued during the period ⁽¹⁾	296,458	1,230	-	-
End of the year	344,290,053	1,751,706	343,993,595	1,750,476

⁽¹⁾ On 25 August 2021, 296,458 shares were issued in relation to the employee share plan.

How Pact accounts for contributed equity

Issued and paid up capital is classified as contributed equity and recognised at the fair value of the consideration received by the entity. Incremental costs directly attributable to the issue of new shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

Reserves

\$'000	2022	2021
Foreign currency translation reserve ⁽¹⁾	26,250	24,715
Cash flow hedge reserve ⁽²⁾	6,071	(3,172)
Common control transaction reserve ⁽³⁾	(928,385)	(928,385)
Share based payments reserve ⁽⁴⁾	4,787	4,459
Total reserves	(891,277)	(902,383)

⁽¹⁾ The foreign currency translation reserve is used to record foreign exchange fluctuations arising from the translation of the financial statements of foreign subsidiaries.

⁽²⁾ This reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be an effective relationship.

⁽³⁾ The common control reserve of \$928.4 million includes a balance of \$942.0 million that arose through a Group restructure in the financial year ended 30 June 2011, less \$13.6 million in relation to the acquisition of Viscount Plastics (China) Pty Ltd and Asia Peak Pte Ltd in the year ended 30 June 2014.

⁽⁴⁾ The share based payments reserve records items recognised as expenses representing the fair value of employee rights.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.3 MANAGING OUR FINANCIAL RISKS

There are a number of financial risks the Group is exposed to that could adversely affect the achievement of future business performance. The Group's risk management program seeks to mitigate risks and reduce volatility in the Group's financial performance. Financial risk management is managed centrally by the Treasury Risk Management Committee.

The Group's principal financial risks are:

- Interest rate risk;
- Foreign currency risk;
- Liquidity risk;
- Credit risk; and
- Commodity price risk.

Managing interest rate risk

Pact seeks to manage its finance costs by assessing and, where appropriate, utilising a mix of fixed and variable rate debt. When variable debt is utilised, it exposes the Group to interest rate risk.

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2022
Pact has variable interest rate debt, and therefore if interest rates increase, the amount of interest Pact is required to pay would also increase.	<ul style="list-style-type: none">• Utilises interest rate swaps to lock in the amount of interest that Pact will be required to pay.• Considers alternative financing and mix of fixed and variable debt, as appropriate.	<p>At 30 June 2022, the Group hedge cover is 37% (2021: 38%) of its variable debt facilities drawn excluding the Group exposure to the sale of receivables under securitisation facilities.</p> <p>Sensitivity analysis performed by the Group showed that a +1 percentage point movement in AUD interest rates would reduce net profit after tax by \$3.1 million and reduce equity by \$2.4 million (2021: \$2.9 million reduction in net profit after tax and reduce equity by \$0.6 million), including the impact on discount on sale of receivables.</p> <p>Sensitivity analysis performed by the Group showed that a +1 percentage point movement in NZD interest rates would reduce net profit after tax by \$1.2 million and reduce equity by \$1.1 million (2021: \$1.3 million reduction in net profit after tax and reduce equity by \$0.8 million), including the impact on the discount on sale of receivables.</p> <p>Sensitivity analysis performed by the Group showed that a +1 percentage point movement in USD interest rates would reduce net profit after tax and equity by \$0.4 million (2021: \$0.4 million).</p> <p>The total impact on net profit after tax from a +1 percentage point movement in interest rates is a reduction of \$4.7 million (2021: \$4.6 million).</p>

⁽¹⁾ The impact of a +/- 1% movement in interest rates was determined based on the Group's mix of debt, credit standing with finance institutions, the level of debt that is expected to be renewed and economic forecasters' expectations.

Managing foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's (i) operating activities which are denominated in a different currency from the entity's functional currency, (ii) financing activities, and (iii) net investments in foreign subsidiaries.

The Group currently operates in twelve countries outside of Australia, with the following functional currencies⁽¹⁾:

Country of domicile	Functional currency
• New Zealand	NZD
• Thailand	THB
• Singapore	USD
• China	RMB
• Philippines	PHP
• Indonesia	IDR
• Hong Kong	HKD/USD
• Nepal	NPR
• India	INR
• South Korea	KRW
• Bangladesh	BDT/USD
• United Kingdom	GBP

⁽¹⁾ Pact Retail Accessories (Australia) Pty Ltd is incorporated in Australia and has USD as its functional currency.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

As Pact has an Australian dollar (AUD) presentation currency, which is also the functional currency of its Australian entities, this exposes Pact to foreign exchange rate risk.

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2022
If transactions are denominated in currencies other than the functional currency of the operating entity, there is a risk of an unfavourable financial impact to earnings if there is an adverse currency movement.	Utilises forward foreign currency contracts to eliminate or reduce currency exposures of the net Group exposure once the Group has entered into a firm commitment for a purchase.	<p>The Group has a significant exposure to the USD against the AUD and NZD from USD purchase commitments, while the Group's exposure to sales denominated in currencies other than the functional currency of the operating entity is less than 1%.</p> <p>At 30 June 2022, the Group has the majority of its foreign currency committed purchase orders hedged.</p> <p>Sensitivity analysis of the foreign currency net transactional exposures (including hedges) was performed to movements in the Australian dollar against the relevant foreign currencies, with all other variables held constant, taking into account all underlying exposures and related hedges.</p> <p>This analysis showed that a 10% movement in its major trading currencies would not materially impact net profit after tax and would have the following impact on equity for the largest hedging position AUD/USD (\$1.2) million to \$1.5 million.</p>
As Pact has entities that do not have an Australian dollar (AUD) functional currency, if currency rates move adversely compared to the AUD, then the amount of AUD-equivalent profit would decrease, and the balance sheet net investment value would decline.	Pact utilises borrowing in the functional currency of the overseas entity to naturally hedge offshore entities where considered appropriate. The foreign currency debt provides a balance sheet hedge of the asset, while the foreign currency interest cost provides a natural hedge of the offshore profit.	<p>Sensitivity analysis performed by management showed that a 10% +/- movement in its major translational currencies as at 30 June 2022 would have the following impact on equity:</p> <p>AUD/NZD (\$6.6) million to \$8.1 million AUD/CNY (\$15.7) million to \$19.1 million AUD/USD (\$4.1) million to \$5.0 million AUD/PHP (\$2.3) million to \$2.8 million</p> <p>Sensitivity analysis performed by management showed that a 10% +/- movement in its major translational currencies during the year, would have the following impact on net profit after tax:</p> <p>AUD/NZD (\$2.1) million to \$2.5 million AUD/CNY (\$1.9) million to \$2.3 million AUD/USD (\$2.0) million to \$2.5 million</p>

Managing liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's ability to meet its obligations to repay these financial liabilities as and when they fall due. Pact has a range of liabilities at 30 June that will be required to be settled at some future date.

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2022
The risk that Pact cannot meet its obligations to repay its financial liabilities as and when they fall due.	<ul style="list-style-type: none"> Having access to an adequate amount of committed credit facilities. Maintains a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and debtor securitisation. 	The Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future they will be able to pay their debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

The maturity profile of the Group's assets and liabilities based on contractual undiscounted receipt / payments terms is as follows:

\$'000	≤ 6 months	6–12 months	1–5 years	> 5 years	Total
Year ended 30 June 2022					
Financial assets⁽¹⁾					
Cash and cash equivalents	101,513	-	-	-	101,513
Trade and other receivables	117,495	-	-	-	117,495
Interest rate swaps	1,054	2,376	5,555	-	8,985
Foreign exchange forward contracts ⁽²⁾	145,601	7,920	333	-	153,854
Total inflows	365,663	10,296	5,888	-	381,847
Financial liabilities⁽¹⁾					
Trade and other payables	(389,439)	-	-	-	(389,439)
Foreign exchange forward contracts ⁽²⁾	(142,792)	(8,025)	(341)	-	(151,158)
Interest bearing loans and bank borrowings ⁽³⁾⁽⁴⁾	(14,137)	(13,907)	(544,256)	(205,275)	(777,575)
Total outflows	(546,368)	(21,932)	(544,597)	(205,275)	(1,318,172)
Net outflow	(180,705)	(11,636)	(538,709)	(205,275)	(936,325)
Year ended 30 June 2021					
Financial assets⁽¹⁾					
Cash and cash equivalents	62,152	-	-	-	62,152
Trade and other receivables	129,305	-	7	-	129,312
Foreign exchange forward contracts ⁽²⁾	74,685	4,380	2,800	-	81,865
Total inflows	266,142	4,380	2,807	-	273,329
Financial liabilities⁽¹⁾					
Trade and other payables	(351,207)	-	-	-	(351,207)
Foreign exchange forward contracts ⁽²⁾	(73,154)	(4,464)	(2,804)	-	(80,422)
Interest rate swaps	(1,594)	(1,487)	(1,170)	-	(4,251)
Interest bearing loans and bank borrowings ⁽³⁾⁽⁴⁾	(8,029)	(7,898)	(681,920)	-	(697,847)
Total outflows	(433,984)	(13,849)	(685,894)	-	(1,133,727)
Net outflow	(167,842)	(9,469)	(683,087)	-	(860,398)

(1) The Group's principal financial instruments comprise cash, receivables, payables, bank loans, bank overdrafts, finance leases and derivative instruments.

(2) Foreign exchange forward contracts are recorded as a net balance in the Consolidated Statement of Financial Position, where in this table the contractual maturities are the gross undiscounted cash flows.

(3) When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. These commitments include cashflows associated with the cross currency swap.

(4) Refer Note 2.5 for details on lease maturity analysis.

The following table represents the changes in financial liabilities arising from financing activities:

\$'000	1 July 2021	Cash flows	Non-cash changes	Foreign exchange movement	30 June 2022
Lease liabilities	(469,944)	80,343	(96,059)	(347)	(486,007)
Non-current interest-bearing loans and bank borrowings	(651,160)	(10,196)	-	(3,745)	(665,101)
Total liabilities from financing activities	(1,121,104)	70,147	(96,059)	(4,092)	(1,151,108)

Managing credit risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their obligations under a contract or arrangement. The Group is exposed to credit risk arising from its operating activities (primarily from customer receivables) and financing activities. The Group manages this risk through the following measures:

- Operating activities: The Group has in place a number of mechanisms to manage its exposure to customer credit risk, discussed in Note 2.1, including debtor's securitisation programs where substantially all the risks and rewards of the receivables within the program are transferred to a third party.
- Financial activities: Restricting dealings to counterparties with low credit ratings and limiting concentration of credit risk.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount as presented in the Consolidated Statement of Financial Position.

Commodity price risk

The Group is exposed to commodity price risk from a number of commodities, including resin. The Group manages these risks through customer pricing, including contractual rise and fall adjustments. The Group also manages commodity price risk using resin forward contracts in circumstances where contractual rise and fall adjustments are not in place to minimise the variability of cash flows arising from price movements. This will be mitigated through use of recycled content.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.4 FINANCIAL INSTRUMENTS

Utilising hedging contracts to manage risk

As discussed above, the Group utilises interest rate swaps, foreign exchange forward contracts and resin forward contracts to hedge its risks associated with fluctuations in interest rates, foreign currency and resin prices. All of Pact's hedging instruments are designated in cash flow hedging relationships, providing increased certainty over future cash flows associated with foreign currency purchases or interest payments on variable interest rate debt facilities.

How Pact accounts for derivative financial instruments in a cash flow hedge relationship

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes:

- identification of the hedging instruments;
- the hedged items or transactions; and
- the nature of the risks being hedged; and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting period for which they were designated.

Derivative financial instruments are:

- Recorded at fair value at inception and every subsequent reporting date.
- Classified as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair value of:

- Forward currency contracts are calculated by using valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs, which are not considered to be significant (Fair value hierarchy level 2).
- Cross currency interest rate swaps and interest rate swap contracts is determined by reference to market values for similar instruments (Fair value hierarchy level 2).

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Consolidated Statement of Comprehensive Income.

Amounts taken to equity are transferred to the Consolidated Statement of Comprehensive Income when the hedge transaction affects the Consolidated Statement of Comprehensive Income, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Consolidated Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction to which the hedging instrument relates is not expected to occur, the amount is taken to the Consolidated Statement of Comprehensive Income.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.4 FINANCIAL INSTRUMENTS (CONTINUED)

Effect on financial position and performance – hedging instruments

The impact of each hedging instrument and hedged item on the consolidated statement of financial position of the Group is as follows:

\$'000	Hedged item	Notional amount	Carrying amount Asset / (Liability)	Change in fair value ⁽⁵⁾	Cash flow hedge reserve
Year ended 30 June 2022					
Foreign exchange forward contracts ⁽⁶⁾⁽⁷⁾	Committed purchases & FX component of Debt	151,209	3,581 ⁽¹⁾ (879) ⁽³⁾	1,251	(24)
Cross currency swaps ⁽⁶⁾	FX component of debt	50,287	446 ⁽²⁾	4,592	(15)
Interest rate swaps ⁽⁶⁾	Floating component of debt	245,098	8,949 ⁽⁴⁾	13,121	6,311
Year ended 30 June 2021					
Foreign exchange forward contracts ⁽⁶⁾⁽⁷⁾	Committed purchases	82,570	1,715 ⁽¹⁾ (271) ⁽³⁾	(2,783)	273
Cross currency swaps ⁽⁶⁾	FX component of debt	50,287	(4,147) ⁽²⁾	(4,961)	(286)
Interest rate swaps ⁽⁶⁾	Floating component of debt	246,542	(4,172) ⁽⁴⁾	4,285	(2,921)

⁽¹⁾ The carrying amount is included in Other current financial assets in the consolidated statement of financial position.

⁽²⁾ The carrying amount is included in Other current financial assets in the consolidated statement of financial position. The carrying amount recognised is the fair value of the cross currency swap, which is used to hedge a tranche of the USD loan. The impact from movements in foreign currency rates was an favourable \$0.5 million. This amount fully offsets the translation of the tranche of the USD loan, with the other tranche hedged through a FX swap.

⁽³⁾ The carrying amount is included in Other current financial liabilities in the consolidated statement of financial position.

⁽⁴⁾ The carrying amount of \$8.7 million is included in Other non-current financial assets, \$0.2 million is included in Other current financial assets in the consolidated statement of financial position.

⁽⁵⁾ The change in fair value represents the difference between the current and previous period carrying amount of hedge assets and hedge liabilities. The Group notes no ineffectiveness for the hedges undertaken.

⁽⁶⁾ The fair value measurement of the hedging instruments represent level 2 of the fair value hierarchy.

⁽⁷⁾ A gain of \$2.6 million (2021: \$1.1 million gain) is included in Other (losses) / gains in the consolidated statement of comprehensive income.

The effect of cash flow hedge noted in Other gains / (losses) line item in the consolidated statement of comprehensive income is as follows:

\$'000	Total hedging gain/(loss) recognised in OCI	Amount reclassified to profit or loss
Year ended 30 June 2022		
Committed purchases	(24)	-
Cross currency swaps	(15)	-
Floating component of debt	6,311	(3,023)
Year ended 30 June 2021		
Committed purchases	273	-
Cross currency swaps	(286)	-
Floating component of debt	(2,921)	1,696

The impact of hedging on cash flow hedge reserve contained within the other comprehensive income/(loss) is as follows:

\$'000	2022	2021
Opening balance of cash flow hedge reserve	(3,172)	(6,777)
Effective portion of changes in fair value arising from:		
- Foreign exchange forward contracts	(424)	1,360
- Cross currency swaps	387	(519)
- Interest rate swaps	13,189	4,319
FX impact	36	109
Tax effect	(3,945)	(1,664)
Closing balance of cash flow hedge reserve	6,071	(3,172)

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.4 FINANCIAL INSTRUMENTS (CONTINUED)

How Pact accounts for foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the individual entity by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at reporting date.

Non-monetary items that are measured at:

- Historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.
- Fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of the controlled entities with non-Australian dollar functional currencies are translated into the presentation currency of Pact at the rate of exchange at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rate for the year (where appropriate).

The exchange rate differences arising on the translation to presentation currency are taken directly to the foreign currency translation reserve, in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Consolidated Statement of Comprehensive Income.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 5 – Remunerating Our People

This section provides financial insight into employee reward and recognition designed to attract, retain, reward and motivate high performing individuals so as to achieve the objectives of the company, in alignment with the interests of the Group and its shareholders.

This section should be read in conjunction with the Remuneration Report, contained within the Directors Report, which provides specific details on the setting of remuneration for Key Management Personnel.

5.1 EMPLOYEE BENEFITS EXPENSES AND PROVISIONS

The Group's employee benefits expenses for the year ended 30 June were as follows:

\$'000	2022	2021
Wages and salaries	392,246	393,273
Defined contribution superannuation expense	22,688	19,599
Other employee benefits expense	25,308	23,515
Share based payments expense	1,558	1,692
Total employee benefits expense	441,800	438,079
The current employee benefits provisions as at 30 June comprise of the following:		
Annual leave	26,102	24,123
Long service leave	18,588	17,493
Total current provisions	44,690	41,616

The Group's non-current employee benefits provisions of \$8.8 million relate to long service leave entitlements of \$6.6 million (2021: \$6.9 million), and a defined benefit net liability of \$2.2 million (2021: \$2.0 million). The defined benefit net liability resides in six foreign jurisdictions.

How Pact accounts for employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Benefits vested within twelve months of the reporting date are classified as current and are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Under this 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 on national government bonds (except for Australia where high quality corporate bond rates are used in accordance with the standards) with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

5.2 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2022 LTIP scheme 289,351 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 29 November 2021), and 569,265 performance rights were granted to senior executives and employees. These performance rights have performance hurdles and vesting conditions consistent with those outlined in the 2022 Remuneration Report. The rights were independently valued to establish the fair value in accordance with AASB 2: *Share Based Payments*. The fair value of each right at the valuation date of 29 November 2021 is \$1.08.

The key assumptions in the independent valuation in relation to the 2022 LTIP were as follows:

Share price at valuation date	\$2.56
Annualised volatility	40.0%
Annual dividend yield	4.8%
Risk free rate	0.8%
Expected life of performance right	36 months
Model used	Hybrid Model with relative TSR hurdles

Under the Plan, all participants receive an allocation of shares equal in value to the chosen participation amount. For each share allocated, the participant has the right to acquire one ordinary share that will automatically exercise on the conversion date in accordance with the terms of the Plan. For some participants Pact contributes 25% and the employee contributes 75% via salary sacrifice arrangements. The Pact contribution has been recognised as a share based payment expense in the current period.

Total share based payments expense recognised in the current period was \$1,558,000 (2021: \$1,692,000).

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

5.3 KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel (KMP) of the Group

The amounts disclosed in the table below are the amounts recognised as an expense during the year relating to KMP:

\$'000	2022	2021
Short-term employee benefits	2,464	3,971
Post-employment benefits	66	67
Long-term employee benefits	-	11
Share based payments expense	645	497
Termination payments	-	400
Total compensation	3,175	4,946

The following table provides the total amount of transactions with related parties for the year ended 30 June 2022:

\$'000		Sales	Purchases	Other expenses	Net amounts receivable
Related parties – Director's interests⁽¹⁾	2022	15,094	3,364	5,853	1,456
	2021	14,431	3,712	5,658	907

⁽¹⁾ Related parties – Director's interests include the following entities: Kin Group Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited, Albury Property Holdings Pty Ltd, Green's General Foods Pty Ltd, Remedy Kombucha Pty Ltd, The Reject Shop Limited, Propax Pty Ltd, Gem-Care Products Pty Ltd and The Hive (Australia) Pty Ltd.

Sales to related parties

The Group has sales of \$15.1 million (2021: \$14.4 million) to related parties including Green's General Foods Pty Ltd, The Reject Shop Limited, Remedy Kombucha Pty Ltd, Propax Pty Ltd, Gem-Care Products Pty Ltd and The Hive (Australia) Pty Ltd. Sales are for packaging and contract manufacturing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns 57.6% (2021: 51.6%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The Group's supply agreement with Pro-Pac expired on 31 December 2021 and is now continuing on a month-on-month basis. The total value of purchases by Pact under this arrangement is approximately \$3.3 million (2021: \$3.7 million). The supply arrangement is negotiated independently between Pact and Pro-Pac. Mr Jonathan Ling is also the Executive chairman of Pro-Pac Packaging Limited.

Property leases with related parties

The Group leased 11 properties (9 in Australia and 2 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2022 was \$5.9 million (June 2021: \$5.7 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were commercially agreed.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

Section 6 – Other Disclosures

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001*.

6.1 BASIS OF PREPARATION

Basis of preparation and compliance

This financial report:

- Comprises the financial statements of Pact Group Holdings Ltd, being the parent entity, and its controlled entities as specified in Note 3.2.
- Is a general purpose financial report.
- Has been prepared in accordance and complies with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.
- Complies with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board.
- Has been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value.
- Has revenues, expenses and assets recognised net of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or as part of the expense item to which it relates. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.
- Is presented in Australian dollars with all values rounded to the nearest \$1,000, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.
- Has all intercompany balances, transactions, income and expenses and profit and losses resulting from intra-group transactions eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The Group will adopt the new and amended standards and interpretations that are issued, but not yet effective, at the date they become effective. The Groups results and disclosures will not be materially impacted by these standards.

Comparatives

Comparative figures can be adjusted to conform to changes in presentation for the current financial period where required by accounting standards or as a result of changes in accounting policy.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosure. No material reclassifications have been made to prior period disclosures.

6.2 OTHER (LOSSES) / GAINS

The amounts disclosed in the table below are the amounts recognised in the Statement of Comprehensive Income:

\$'000	2022	2021
Underlying adjustments		
Transaction costs	(6,709)	(1,743)
Costs arising from factory fire	(1,712)	(3,983)
Inventory write downs and related disposal costs	(17,775)	-
Insurance settlements for events in prior periods	6,958	1,787
Profit on sale of properties	20,504	4,408
Net gain on lease modification	2,698	-
Compensation for business closure	8,900	-
Business Restructuring Programs		
Restructuring costs	(10,710)	(6,196)
Asset write downs	(4,376)	-
Right of use asset impairment	(2,694)	-
Underlying adjustments in other losses	(4,916)	(5,727)
Other (losses) / gains		
Unrealised gains / (losses) on revaluation of foreign exchange forward contracts	976	(1,538)
Loss on sale of property, plant and equipment	(1,001)	(261)
Realised net foreign exchange (losses) / gains	(1,552)	587
Total other losses	(1,577)	(1,212)
Total (losses) before tax	(6,493)	(6,939)

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

6.3 PACT GROUP HOLDINGS LTD – PARENT ENTITY FINANCIAL STATEMENTS SUMMARY

\$'000	2022	2021
Current assets	76,586	107,369
Total assets	1,748,259	1,778,826
Net assets	1,748,259	1,778,825
Issued capital	1,571,706	1,570,476
Reserves	4,670	3,760
Retained earnings	64	64
Profit reserve	171,818	204,525
Total equity	1,748,259	1,778,825
Profit of the Parent entity	-	125,000
Total comprehensive income of the Parent entity	-	125,000

The above is a summary of the individual financial statements for Pact Group Holdings Ltd at 30 June. Pact Group Holdings Ltd:

- is the parent of the Group;
- is a for-profit company limited by shares;
- is incorporated and domiciled in Australia;
- has its registered office at Level 5, Building 1, 658 Church Street, Cremorne, Victoria, Australia; and
- is listed on the Australian Stock Exchange (ASX) and its shares are publicly traded.

Kin Group Pty Limited has assessed that it does have the capacity to control Pact Group Holdings Ltd as at 30 June 2022 through its share ownership of 46.8%. Therefore, notwithstanding that Pact Group Holdings Ltd currently operates with a majority independent Board of Directors, Kin Group Pty Ltd is considered to be the ultimate parent entity of Pact Group Holdings Ltd when the de facto control considerations contained under AASB 10 are assessed.

[How Pact accounted for information within parent entity financial statements](#)

The financial information for the Company has been prepared on the same basis as the consolidated financial statements, except as set out below:

- Investments in subsidiaries are accounted for at cost in the financial statements of Pact Group Holdings Ltd.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

6.4 DEED OF CROSS GUARANTEE

\$'000	2022	2021
Closed group consolidated income statement		
(Loss) / Profit before income tax	(77,717)	41,967
Income tax benefit / (expense)	11,077	(12,376)
Net (loss) / profit for the year	(66,640)	29,591
Retained earnings at beginning of the year	(175,629)	(230,202)
Net (loss) / profit for the year	(66,640)	29,591
Dividends provided for	3,466	24,982
Retained earnings at end of the year	(238,803)	(175,629)
Closed group consolidated balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	17,405	5,226
Trade and other receivables	43,832	52,973
Inventories	153,721	142,119
Contract assets	11,680	12,168
Loans to related parties	126,899	90,750
Current tax assets	4,624	-
Other current financial assets	3,154	1,265
Prepayments	5,076	7,971
TOTAL CURRENT ASSETS	366,391	312,472
NON-CURRENT ASSETS		
Prepayments	1,910	1,797
Property, plant and equipment	609,073	618,353
Investments in subsidiaries	518,686	509,486
Investments in associates and joint ventures	40,734	30,827
Intangible assets and goodwill	203,757	230,014
Other non-current financial assets	6,393	-
Deferred tax assets	35,639	31,843
TOTAL NON-CURRENT ASSETS	1,416,192	1,422,320
TOTAL ASSETS	1,782,583	1,734,792
CURRENT LIABILITIES		
Trade and other payables	208,388	195,983
Loans from related parties	124,068	89,122
Current tax liability	-	10,046
Employee benefits provisions	37,820	35,609
Other provisions	1,330	1,970
Lease liabilities	48,489	49,247
Other current financial liabilities	832	267
TOTAL CURRENT LIABILITIES	420,927	382,244
NON-CURRENT LIABILITIES		
Employee benefits provisions	6,143	6,496
Other provisions	8,907	8,535
Interest bearing loans - bank borrowings	522,018	446,779
Lease liabilities	284,940	283,371
Other non-current financial liabilities	-	8,306
TOTAL NON-CURRENT LIABILITIES	822,008	753,487
TOTAL LIABILITIES	1,242,935	1,135,731
NET ASSETS	539,648	599,061
EQUITY		
Contributed equity	1,751,706	1,750,476
Reserves	(973,255)	(975,786)
Retained earnings	(238,803)	(175,629)
TOTAL EQUITY	539,648	599,061

Pact has a number of Australian entities that are party to a Deed of Cross Guarantee (Deed), representing the 'Closed Group', entered into in accordance with ASIC Class Order 98/1418. This Deed grants these entities relief from preparing and lodging audited financial statements under the *Corporations Act 2001*.

The Closed Group is in a net current asset deficiency at balance date, however the Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future they will be able to pay their debts as and when they fall due (refer 'Managing our liquidity risk' at Note 4.3).

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

6.5 AUDITORS REMUNERATION

During the year, the following fees were paid or payable for services provided by Pact Group Holdings Ltd's external auditors Ernst & Young:

\$	2022	2021
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	1,433,500	1,380,281
Fees for other assurance and agreed upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	84,480	235,587
Fees for other services:		
Tax compliance	186,785	99,050
Tax advisory	168,948	31,452
Remuneration services	-	13,500
Consulting fees	971,051	823,778
Total fees to Ernst & Young (Australia)	2,844,764	2,583,648
Fees to other overseas member firms of Ernst & Young		
Fees for auditing the financial report of any controlled entities	646,661	588,528
Fees for other assurance and agreed upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
Fees for other services:		
Tax compliance	6,591	36,353
Tax advisory	-	65,923
Total Fees to other overseas member firms of Ernst & Young	653,252	690,804
Total auditor's remuneration	3,498,016	3,274,452

6.6 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

\$'000	2022	2021
Packaging and Sustainability	1,505,552	1,420,901
Materials Handling and Pooling	504,567	466,193
Contract Manufacturing Services	154,870	234,047
Total Segment Assets	2,164,989	2,121,141
Reconciliation to total assets⁽¹⁾:		
Receivables included in securitisation programs	(145,354)	(145,105)
Deferred tax assets	36,268	32,029
Inter-segment eliminations	(332)	(322)
TOTAL ASSETS	2,055,571	2,007,743

Segment liabilities

\$'000	2022	2021
Packaging and Sustainability	657,636	637,348
Materials Handling and Pooling	172,648	154,175
Contract Manufacturing Services	119,734	102,977
Total Segment Liabilities	950,018	894,500
Reconciliation to total liabilities⁽¹⁾:		
Interest-bearing liabilities	662,286	647,163
Income tax payable	13,105	25,198
Deferred tax liabilities	6,717	9,334
Inter-segment eliminations	(332)	(322)
TOTAL LIABILITIES	1,631,794	1,575,873

⁽¹⁾ These reconciling items are managed centrally and not allocated to reportable segments.

FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

6.7 GEOGRAPHIC REVENUE

The table below shows revenue recognised in each geographic region that Pact operates in.

\$'000	2022	2021
Australia	1,189,943	1,179,013
New Zealand	338,754	299,996
Asia and others	309,000	282,563
TOTAL	1,837,697	1,761,572

6.8 SUBSEQUENT EVENTS

In the opinion of the Directors, other than the matters aforementioned, there have been no other material matters or circumstances which have arisen between 30 June 2022 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

1. The consolidated financial statements and notes, and the remuneration report included in the Directors' report are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date;
 - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (c) complying with International Financial Reporting Standards as disclosed in Note 6.1;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. As at the date of this Declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee described in Note 6.4.

This declaration has been made after receiving the declarations required to be made to the Directors by the Group Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

This Declaration is made in accordance with a resolution of the Directors.



.....
Raphael Geminder
Chairman



.....
Sanjay Dayal
Managing Director and Group Chief Executive Officer

Dated 17 August 2022



**Building a better
working world**

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Pact Group Holdings Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Recoverability of property, plant and equipment, intangible assets and goodwill

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2022, the Group's consolidated statement of financial position includes property, plant and equipment of \$1,006.2 million and intangible assets and goodwill of \$425.7 million, collectively representing 70% of total assets.</p> <p>The Group performs an annual impairment test of its property, plant and equipment, intangible assets and goodwill. During the financial year, an impairment expense totalling \$72.3 million was recognised against these assets.</p> <p>The carrying value of property, plant and equipment, intangible assets and goodwill was considered a key audit matter due to the significance of these balances and the complexity of the impairment assessment process due to the judgements in estimating future market conditions.</p> <p>Judgements that are inherently subjective include:</p> <ul style="list-style-type: none"> ▶ Future cash flow assumptions; ▶ Discount rate and terminal growth rate assumptions; and ▶ Sensitivities applied to the impairment test. <p>The Group's disclosures regarding property, plant and equipment, intangible assets and goodwill are included in Note 2.2.</p>	<p>We examined the Group's forecast cash flows used in the impairment models, which underpin the Group's impairment assessment. We assessed the basis of preparing those forecasts considering the historic evidence supporting underlying assumptions.</p> <p>In considering future cash flow assumptions, we:</p> <ul style="list-style-type: none"> ▶ Performed a comparison to the Group's historic trading performance ▶ Assessed the continuity of customer contracts underlying revenue assumptions and where relevant, obtained signed contracts for new customers. <p>In addition, we:</p> <ul style="list-style-type: none"> ▶ Assessed the identification of the Cash Generating Units where impairment testing is performed, taking into consideration the levels at which Management monitors business performance and the interdependency of cash flows ▶ Assessed the other key assumptions such as discount rates and growth rates with reference to publicly available information on comparable companies in the industry and markets in which the Group operates ▶ Assessed the mathematical accuracy of the impairment models ▶ Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards ▶ Evaluated the Group's sensitivity calculations, including evaluating the Group's assessment of whether any reasonably possible change in these key assumptions would result in an impairment to property, plant and equipment, intangible assets or goodwill ▶ We assessed the adequacy of disclosures in relation to property, plant and equipment, intangible assets and goodwill. <p>Where required, we involved our valuation specialists in performing these procedures.</p>

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 18 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Pact Group Holdings Ltd for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over a faint, larger version of the company logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Shewring'.

David Shewring
Partner

A handwritten signature in black ink, appearing to read 'Wilfred Liew'.

Wilfred Liew
Partner

Melbourne
17 August 2022