

ASX ANNOUNCEMENT

DATE: 17 February 2021

Pact Group Holdings Ltd 2021 Half-Year Report and Accounts

In accordance with the Listing Rules, enclosed for release is the following information:

1. Appendix 4D
2. Half-Year Report and Accounts

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Company Secretary

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This document has been authorised for release by the Board of Directors.

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APPENDIX 4D Half-Year Report

Name of entity:

Pact Group Holdings Ltd

ABN:

55 145 989 644

Half-year ended

Half-year ended

('current period')

('previous corresponding period')

31 December 2020

31 December 2019

Results for announcement to the market

\$'000

Revenue and other income from ordinary activities	Up	1.1%	to	902,693
Net profit from ordinary activities after tax attributable to members	Up	43.5%	to	49,898
Net profit for the period attributable to members	Up	43.5%	to	49,898

Dividends	Amount per security	Franked amount per security	Total dividend amount (\$'000)
Current year to 31 December 2020			
Interim Dividend (per ordinary share) ⁽¹⁾	5.00 cents	3.25 cents	17,200
Prior year to 30 June 2020			
Final Dividend (per ordinary share)	3.00 cents	1.95 cents	10,320
Interim Dividend (per ordinary share)	-	-	-

Record date for determining entitlements to the dividend:

Ordinary shares

26 February 2021

Payment date of dividend:

Ordinary shares

7 April 2021

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security ⁽²⁾	\$(0.15)	\$(0.44)

⁽¹⁾ The Directors have determined that there will be an interim dividend of 5 cents in the current period.

⁽²⁾ Net tangible assets excludes intangible assets and goodwill (refer to the Consolidated Statement of Financial Position in the Half-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 Half-year Consolidated Financial Report.



Jonathon West
Company Secretary

Dated: 17 February 2021

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Pact Group Holdings Ltd

For the half-year ended 31 December 2020

The Group has reported revenue of \$894.4 million for the half year ended 31 December 2020, up 1% compared to the prior corresponding period (pcp). Reported net profit after tax (NPAT) for the half year was \$49.9 million, compared to \$34.8 million in the pcp. Underlying NPAT³ for the half year was \$52.1 million compared to \$32.7 million in the pcp.

OVERVIEW

- Revenue up 1.1% to \$894.4 million (pcp: \$885.1 million)
- Underlying EBITDA¹ up 13.0% to \$164.2 million (pcp: \$145.4 million)
- Underlying EBIT² up 25.3% to \$98.6 million (pcp: \$78.6 million)
- Underlying NPAT³ up 59.3% to \$52.1 million (pcp: \$32.7 million)
- Strong operating performance with solid organic volume growth, improved profit mix and higher margins
 - Strong growth in reuse and crate pooling services
 - Stable demand for packaging products in Australia, New Zealand and Asia
 - Higher demand for hygiene products and nutraceuticals in Contract Manufacturing
 - Group EBITDA, EBIT and margins substantially improved
- Net debt⁶ further reduced and leverage improved
 - Reduction in net debt of \$68 million compared to December 2019 through disciplined balance sheet and working capital management
 - Gearing⁴ at 2.4x (3.2x including lease accounting under AASB16) significantly improved and well within targeted range
- ROIC⁷ improved to 12.1% (pcp 10.8%)
- Execution of strategy to *Lead the Circular Economy* on track
 - Phase two of the Australian packaging turnaround progressing well
 - Market segment strategies developed and execution underway
 - Operational efficiency accelerated by new operating model
 - Improvements in safety, quality, and delivery
 - Recycling capability further enhanced
 - Acquisition of Flight Plastics Ltd in New Zealand completed in January
 - New plastic recycling facilities being evaluated in Victoria and WA and supported by Government funding
 - Albury PET recycling facility on track for commissioning in late CY 2021
 - Strong growth in reuse volumes with new USA contract performing well and increased penetration of crate pooling services
 - Contract wins in packaging and infrastructure sectors, enabled by access to recycled raw materials
 - Consolidation of the closures business into Asia progressing
 - Sale process in respect of Contract Manufacturing businesses is ongoing
- Interim ordinary dividend of 5.0 cents per share (65% franked)

Key Financial Highlights - \$ millions	Dec 2020	Dec 2019	Change %
Revenue	894.4	885.1	1.1%
Segment EBITDA¹			
<i>Packaging & Sustainability</i>	96.7	96.1	0.6%
<i>Materials Handling & Pooling</i>	46.8	38.4	21.9%
<i>Contract Manufacturing Services</i>	20.7	10.9	90.5%
Underlying EBITDA¹	164.2	145.4	13.0%
Underlying EBIT²	98.6	78.6	25.3%
Underlying NPAT³	52.1	32.7	59.3%
Reported Net Profit After Tax	49.9	34.8	43.5%
Interim Dividend – cents per share	5.0	-	n/a

Note: Underlying EBITDA, EBIT and NPAT are non-IFRS financial measures and have not been subject to review by the Company's external auditor. Refer to page 9 for definitions.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

COVID-19

The Group's COVID-19 response plan has protected the health and safety of employees, supported customers and the community, and safeguarded the balance sheet.

Protecting our people

- Strict health and safety protocols have been maintained at all facilities to manage risk and protect employees, customers, and the community
- All known and potential cases have been managed within strict guidelines, with no material impact to operations

Supporting our customers and the community

- Comprehensive business continuity plans supporting demand and supply planning
- Close regulatory engagement to reduce the impact of government enforced lockdowns
- Investment in resources and capacity to meet changing customer needs

Safeguarding the balance sheet

- Disciplined management of discretionary spend
- Robust controls to manage working capital
- Strong liquidity and debt capacity to support new business opportunities

The Group's strong local manufacturing and service capability has enabled it to provide security of supply to its customers and respond rapidly to any changing needs, notably the supply of hand sanitiser and other hygiene products.

In the period the Group received \$0.3 million in relation to the JobKeeper program in Australia.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

GROUP RESULTS

\$'000	Dec 2020	Dec 2019	Change %
Revenue	894,440	885,114	1.1%
Other income (excluding interest revenue)	9,163	9,091	
Expenses	(739,391)	(748,848)	
Underlying EBITDA¹	164,212	145,357	13.0%
<i>EBITDA margin</i>	18.4%	16.4%	
Depreciation and amortisation	(65,641)	(66,719)	
Underlying EBIT²	98,571	78,638	25.3%
<i>EBIT margin</i>	11.0%	8.9%	
Underlying adjustments (before tax)	(2,554)	1,060	
Reported EBIT	96,017	79,698	20.5%
Net finance costs expense	(25,643)	(33,105)	
Income tax expense	(20,826)	(12,817)	
Tax on underlying adjustments	350	1,000	
Net profit after tax	49,898	34,776	43.5%

Revenue

Group revenue for the half year of \$894.4 million was \$9.3 million or 1.1% higher than the pcg of \$885.1 million.

Organic growth of 4% (\$31.7 million) was delivered in the period, driven by strong growth in reuse and pooling services, higher demand for hygiene products and improved demand in the health and wellness, agricultural and industrial sectors. Packaging volumes were stable. The impact of volume growth was partly offset by the pass through of lower raw material input costs (\$15.2 million) and foreign exchange movements (\$7.2 million).

Underlying EBIT²

Volume growth and favourable mix has delivered a solid improvement in earnings, with EBIT (before underlying adjustments) for the half year up \$19.9 million, or 25.3%, to \$98.6 million. Margins were well managed, with EBIT margins strongly improved to 11.0%, up from 8.9% in the pcg. Increased spend associated with the turnaround in Australian packaging, was offset by improved efficiency. Depreciation and amortisation were also lower.

Further details 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 to earnings in the half year were an expense of \$2.6 million. This included transaction costs of \$0.8 million and \$1.8 million of costs associated with business restructuring.

Pre-tax underlying adjustments for the prior half year were net income of \$1.1 million. This included \$4.5 million of income relating to a net gain on lease modification (following the adoption of AASB 16). It also included an expense of \$1.8 million relating to transactions costs and \$1.7 million of costs associated with business restructuring.

Net Finance Expense

Net financing costs for the half year were \$25.6 million, a reduction of \$7.5 million compared to the pcg. The reduction primarily relates to lower interest on bank loans and borrowings driven by lower net debt levels during the period and benefits from lower market interest rates.

Income Tax Expense and Tax on Underlying Adjustments

The income tax expense for the half year (excluding tax on underlying adjustments) was \$20.8 million, representing an average tax rate of 28.6% of underlying net profit before tax, consistent with the statutory tax rates payable by the Group across its main operating geographies. The tax rate is slightly higher than the pcg (28.1%) due to profit mix, with a larger proportion of taxable profits in Australia. Tax on underlying adjustments was a benefit of \$0.4 million for the half year, compared to a benefit of \$1.0 million in the pcg.

Net Profit after Tax

The reported net profit after tax for the year was \$49.9 million compared to \$34.8 million for the prior half year. Excluding underlying adjustments, NPAT was \$52.1 million, an increase of \$19.4 million or 59.3% compared to \$32.7 million in the pcg.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

BALANCE SHEET

\$'000	Dec 2020	June 2020	Change %
Cash	57,841	76,004	(23.9%)
Other current assets	389,403	400,495	(2.8%)
Property plant & equipment	978,544	996,002	(1.8%)
Intangible assets	455,834	456,068	(0.1%)
Other assets	66,774	67,066	(0.4%)
Total Assets	1,948,396	1,995,635	(2.4%)
Lease liabilities	441,298	454,859	(3.0%)
Bank borrowings	656,595	689,530	(4.8%)
Other Liabilities payables & provisions	446,412	478,597	(6.7%)
Total Liabilities	1,544,305	1,622,986	(4.8%)
Net Assets	404,091	372,649	8.4%
Net Debt including lease liabilities⁶	1,040,052	1,068,385	(2.7%)
Net Debt⁸	598,754	613,526	(2.4%)

Net debt including lease liabilities at 31 December 2020 was \$1,040.1 million, a decrease of \$28.3 million from 30 June 2020. Excluding lease liabilities, net debt of \$598.8 million was \$14.8 million lower than 30 June 2020, despite the seasonally higher working capital requirements in the first half of the year, the resumption of dividend payments and deferred acquisition consideration paid in the period. The improvement was driven by increased earnings and disciplined working capital management delivering a strong operating cash flow performance. Compared to 31 December 2019 net debt including lease liabilities was \$102.3 million lower. Excluding lease liabilities, net debt was \$68.2 million improved, similarly reflecting robust cash generation over the twelve-month period.

The Group has significant undrawn debt capacity, with \$308.0 million committed undrawn facilities. Average tenor of debt facilities is three years.

The decrease in other current assets of \$11.1 million relates largely to lower inventory driven by reduced sanitiser inventory in Contract Manufacturing and targeted reductions across the Group.

The reduction in property plant and equipment (including right of use assets) of \$17.5 million primarily reflects additions of \$54.8 million offset by depreciation of \$64.8 million and a reduction due to foreign exchange translation of \$9.0 million. The net book value of right of use assets included within property, plant and equipment at 31 December 2020 was \$347.3 million compared to \$364.1 million at 30 June 2020.

There were no material movements in intangible assets from 30 June 2020 to 31 December 2020.

There were also no materials movements in other assets during the half year.

The decrease in other liabilities, payables and provisions of \$32.2 million mainly relates to \$50.1 million in lower trade and other payables partly offset by \$9.3 million in higher tax liabilities and \$5.5 million in increased provisions.

Financing metrics	Dec 2020	Dec 2019	Change
Gearing⁴	2.4x	2.9x	(0.5)
Gearing (including leasing)⁴	3.2x	3.8x	(0.6)
Interest Cover⁵	8.5x	5.9x	2.6
Interest Cover (including leasing)⁵	5.8x	4.5x	1.3

At 31 December 2020 gearing on a 12-month rolling basis (excluding the impact of lease accounting under AASB16) was 2.4x, a significant reduction from 2.9x in the pcg as a result of the strong cash flow performance and disciplined balance sheet management. Including the impact of lease accounting, gearing was 3.2x (compared to 3.8x in the pcg). Interest cover (excluding lease accounting) at 8.5x also improved substantially from 5.9x in the prior year on increased earnings and lower net finance costs. Including the impact of lease accounting, interest cover was 5.8x (compared to 4.5x in the pcg). Gearing and interest cover remain well within targeted levels.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

CASHFLOW

Key Items - \$'000	Dec 2020	Dec 2019	Change %
Net cash flows provided by operating activities	100,097	66,166	51.3%
Payments for property, plant and equipment	(35,095)	(29,607)	18.5%
Payments for investments in associates and joint ventures	(5,698)	(3,558)	60.1%
Payments for deferred acquisition consideration	(23,307)	-	n/a
Repayment of lease liability principal (net of incentive received)	(22,988)	(16,533)	39.0%
Payment of dividend	(10,320)	-	n/a

Statutory operating cash flow including proceeds from securitisation was \$100.1 million for the half year, \$33.9 million up on the pcp. The outflow from securitisation of trade debtors was \$1.2 million for the half year compared to an inflow of \$0.7 million in the pcp. Excluding securitisation inflows, statutory operating cash flow was \$35.8 million higher than the pcp. Net receipts and payments were \$40.0 million higher than the pcp and net finance cost and interest cash flows \$10.5 million lower. These improvements were partly offset by \$13.7 million in higher tax cash payments (with a tax refund received in the prior half year).

Payments for property, plant and equipment were \$35.1 million for the half year compared to \$29.6 million in the pcp, an increase of \$5.5 million. Whilst maintaining a disciplined approach to capital expenditure the Group has continued to invest in capacity initiatives in the Asian platform, automation and efficiency programs in Australian packaging and Contract Manufacturing, projects supporting the use of recycled content in New Zealand and the continued consolidation of the Group's closures footprint. These initiatives are strongly aligned with the business strategy to "Lead the Circular Economy" and to support the turnaround in the Australian packaging business.

Payments for investments in associates and joint ventures of \$5.7 million relate to the purchase of shares in Circular Plastics Australia Pty Ltd, the Company that will develop and operate a post-consumer recycling plastics plant in Australia through a joint venture between Pact, Cleanaway and Asahi.

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

Repayments of lease liability principal (net of incentive received) represents payment of liabilities recognised after the adoption of AASB16 in FY2020. The increase of \$6.5 million compared to the pcp reflect an incentive received in the first half of FY2020 and lease asset additions in the current half year.

The dividend payment of \$10.3 million reflects the three cents per share final dividend from FY2020 following the resumption of dividend payments.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

The Group's three operating segments are:

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

Inter-segment revenue eliminations of \$15.8 million (pcp: \$18.2 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 63% of the Group's revenue in the first half of FY2021.

\$'000	Dec 2020	Dec 2019	Change %
Revenue	565,680	585,226	(3.3%)
Underlying EBITDA¹	96,690	96,104	0.6%
EBITDA Margin %	17.1%	16.4%	0.7%
Underlying EBIT²	53,948	50,597	6.6%
EBIT Margin %	9.5%	8.6%	0.9%

Revenue for the Packaging and Sustainability segment of \$565.7 million for the half year was \$19.5 million (3.3%) lower than the pcp. Volumes were stable with the reduction in revenue primarily due to the pass through of lower material input costs (\$14.2 million, largely in Australia and Asia), and the impact of adverse foreign exchange translation (\$4.8 million, primarily Asia related). Underlying volumes were flat. Demand in the agricultural, health and wellness and some industrial sectors was improved on the pcp. However, demand for industrial dairy packaging in New Zealand was lower, and volumes in Asia were slightly weaker due to the impact of COVID-19 related lockdowns in some markets.

EBIT for the half year of \$53.9 million was \$3.4 million up on the pcp. Earnings benefitted from disciplined margin management, favourable product mix, a property sale in China and lower depreciation. These benefits more than offset increased spend in Australia to support the Australian packaging turnaround and adverse foreign exchange translation.

EBIT margins for the half year were strongly improved at 9.5%, 0.9% higher than the pcp.

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 reuse business operating across several countries in Asia as well as in Australia, the USA and the UK. Materials Handling and Pooling contributed 20% of the Group's revenue in the first half of FY2021.

\$'000	Dec 2020	Dec 2019	Change %
Revenue	175,843	160,695	9.4%
Underlying EBITDA¹	46,778	38,364	21.9%
EBITDA Margin %	26.6%	23.9%	2.7%
Underlying EBIT²	31,202	24,753	26.1%
EBIT Margin %	17.7%	15.4%	2.3%

Revenue for the Materials Handling and Pooling segment of \$175.8 million for the half year was \$15.1 million (9.4%) higher than the pcg. The increase was driven by strong organic volume growth in the TIC hanger and clothing accessory reuse business, supported by a recovery in clothing retail demand and the ramp up of the new contract in the USA, and higher pooling volumes, with solid underlying demand for fresh produce through supermarkets in Australia and increased market penetration through the delivery of crate conversion opportunities and product diversification. These benefits were offset partly by the cessation of the pooling management contract with Coles, weaker infrastructure demand, with few available projects and the wind down of the NBN roll-out, and adverse impacts from foreign exchange translation. Bin volumes were generally in line with the pcg.

EBIT for the segment was strongly improved at \$31.2 million, \$6.4 million higher than the pcg, driven by higher volumes, disciplined margin management and efficiency. This was partly offset by higher depreciation and amortisation, due to growth in the pooling and reuse platforms, and adverse foreign exchange translation.

EBIT margins were strong at 17.7%, 2.3% higher than the pcg.

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 19% of the Group's revenue in the first half of FY2021. The Group has announced its intention to divest the business and the sale process has recommenced.

\$'000	Dec 2020	Dec 2019	Change %
Revenue	168,676	157,421	7.1%
Underlying EBITDA ¹	20,744	10,889	90.5%
EBITDA Margin %	12.3%	6.9%	5.4%
Underlying EBIT ²	13,421	3,288	308.2%
EBIT Margin %	8.0%	2.1%	5.9%

Revenue for the Contract Manufacturing Services segment of \$168.7 million for the half year was \$11.3 million (7.1%) up on the pc. The business delivered strong organic growth in the hygiene category, with solid demand for hand sanitisers and other cleaning products continuing in the first quarter but moderating towards the end of the half. Demand in the health and wellness sector for nutraceutical products was also improved and the business continues to see benefits from the ongoing diversification of its customer portfolio.

EBIT for the half year of \$13.4 million was strongly improved, \$10.1 million higher than the pc. The significant improvement was driven by higher volumes, disciplined margin management and manufacturing efficiency. Depreciation and amortisation expenses were slightly lower with reduced amortisation resulting from the write off of customer contract intangibles in FY2020 largely offset by increased depreciation on capital investment in efficiency and automation projects.

EBIT margins were significantly improved, up 5.9% to 8.0%.

OUTLOOK

The business continues to demonstrate sustainable momentum and earnings resilience. In a seasonally softer second half we forecast similar underlying trends to that which we enjoyed in the first half, but anticipate a weaker hygiene category.

We expect underlying EBIT for the full year to be better than last year, subject to the duration and economic impact of uncertainty related to Covid-19 and other global conditions.

OTHER EVENTS OF SIGNIFICANCE

Divestment of Contract Manufacturing segment

The Group is continuing to pursue its options to sell the businesses in the Contract Manufacturing segment. The process has recommenced following a suspension during FY2020 due to COVID-19.

Joint Venture with Cleanaway and Asahi Holdings

Pact, Cleanaway and Asahi Holdings (Australia) have formalised a joint arrangement to develop recycling capability in Australia, with a new PET recycling facility expected to be operational by 2022.

Acquisition of Flight Plastics Ltd

On 29 January 2021, the Group acquired the assets of Flight Plastics NZ, for a provisional consideration of \$20.5 million. Flight Plastics NZ is a leading recycler and provider of plastic packaging for the fresh food segment.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

This report includes certain non-IFRS financial information which have not been subject to review 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
- (7) ROIC is a non-IFRS financial measure which represents return on invested capital and is defined as rolling 12 months underlying EBIT divided by rolling 12 months average total assets (excluding cash, cash equivalents and deferred tax) less current liabilities (excluding interest bearing liabilities and tax liabilities)

Pact Group Holdings Ltd
ABN: 55 145 989 644

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Half-Year Consolidated Financial Report

For the period ended 31 December 2020



HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial Report For the period ended 31 December 2020

Introduction

This is the Consolidated Half-Year Financial Report of Pact Group Holdings Ltd ("Pact" or the "Company") and its subsidiaries (together referred to as the "Group") including the Group's interest in associates and jointly controlled entities at the end of, or during the period ended 31 December 2020. This Consolidated Half-Year Financial Report was issued in accordance with a resolution of the Directors on 17 February 2021.

This Consolidated Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by Pact during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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HALF-YEAR FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2020

\$'000	Notes	Dec 2020	Dec 2019
Revenue	1.1	894,440	885,114
Raw materials and consumables used		(368,513)	(386,931)
Employee benefits expense		(220,426)	(214,049)
Occupancy, repair and maintenance, administration and selling expenses		(151,802)	(146,080)
Interest and other income		8,253	8,018
Other losses	1.3	(1,204)	(728)
Depreciation and amortisation expense		(65,641)	(66,719)
Finance costs and loss on de-recognition of financial assets	3.1	(25,931)	(33,485)
Share of profit in associates		1,198	1,453
Profit before income tax expense		70,374	46,593
Income tax expense	1.4	(20,476)	(11,817)
Net profit for the period		49,898	34,776
Net profit for the period attributable to equity holders of the parent entity		49,898	34,776
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability		(15)	10
Items that will be reclassified subsequently to profit or loss			
Cash flow hedge gains taken to equity		622	875
Foreign currency translation (losses) / gains		(9,344)	357
Other comprehensive (loss) / income for the period, net of tax		(8,737)	1,242
Total comprehensive income for the period		41,161	36,018
Attributable to:			
Equity holders of the parent entity		41,161	36,018
Total comprehensive income for the Group		41,161	36,018
cents			
Basic earnings per share		14.5	10.1
Diluted earnings per share		14.4	10.1

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

HALF-YEAR FINANCIAL REPORT

Consolidated Statement of Financial Position As at 31 December 2020

\$'000	Notes	Dec 2020	June 2020
CURRENT ASSETS			
Cash and cash equivalents	3.1	57,841	76,004
Trade and other receivables		146,224	149,679
Inventories		212,749	223,698
Contract assets		12,351	12,349
Other current financial assets		4	784
Prepayments		18,075	13,985
TOTAL CURRENT ASSETS		447,244	476,499
NON-CURRENT ASSETS			
Trade and other receivables		5	7
Prepayments		2,478	2,925
Property, plant and equipment		978,544	996,002
Investments in associates and joint ventures		34,168	30,876
Intangible assets and goodwill		455,834	456,068
Other non-current financial assets		-	111
Deferred tax assets		30,123	33,147
TOTAL NON-CURRENT ASSETS		1,501,152	1,519,136
TOTAL ASSETS		1,948,396	1,995,635
CURRENT LIABILITIES			
Trade and other payables		328,021	378,124
Current tax liability		37,077	21,175
Employee benefits provisions		42,163	38,638
Lease liabilities		68,572	69,203
Other current financial liabilities		3,666	4,313
TOTAL CURRENT LIABILITIES		479,499	511,453
NON-CURRENT LIABILITIES			
Employee benefits provisions		8,492	8,127
Other provisions		11,618	9,967
Bank borrowings	3.1	656,595	689,530
Lease liabilities		372,726	385,656
Other non-current financial liabilities		12,202	8,457
Deferred tax liabilities		3,173	9,796
TOTAL NON-CURRENT LIABILITIES		1,064,806	1,111,533
TOTAL LIABILITIES		1,544,305	1,622,986
NET ASSETS		404,091	372,649
EQUITY			
Contributed equity	3.2	1,750,476	1,750,476
Reserves		(909,372)	(901,251)
Retained earnings		(437,013)	(476,576)
TOTAL EQUITY		404,091	372,649

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

HALF-YEAR FINANCIAL REPORT

Consolidated Statement of Changes in Equity For the period ended 31 December 2020

\$'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	
Half-Year ended 31 December 2020							
As at 1 July 2020	1,750,476	(928,385)	(6,777)	31,144	2,767	(476,576)	372,649
Profit for the period	-	-	-	-	-	49,898	49,898
Other comprehensive income / (loss)	-	-	622	(9,344)	-	(15)	(8,737)
Total comprehensive income	-	-	622	(9,344)	-	49,883	41,161
Dividends paid	-	-	-	-	-	(10,320)	(10,320)
Share based payments expense	-	-	-	-	601	-	601
Transactions with owners in their capacity as owners	-	-	-	-	601	(10,320)	(9,719)
Balance as at 31 December 2020	1,750,476	(928,385)	(6,155)	21,800	3,368	(437,013)	404,091
Half-Year ended 31 December 2019							
As at 1 July 2019	1,750,476	(928,385)	(4,580)	33,897	2,157	(530,970)	322,595
Adjustment on adoption of AASB 16	-	-	-	-	-	(34,309)	(34,309)
Restated balance as at 1 July 2019	1,750,476	(928,385)	(4,580)	33,897	2,157	(565,279)	288,286
Profit for the period	-	-	-	-	-	34,776	34,776
Other comprehensive income / (loss)	-	-	875	357	-	10	1,242
Total comprehensive income	-	-	875	357	-	34,786	36,018
Share based payments expense	-	-	-	-	442	-	442
Transactions with owners in their capacity as owners	-	-	-	-	442	-	442
Balance as at 31 December 2019	1,750,476	(928,385)	(3,705)	34,254	2,599	(530,493)	324,746

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

HALF-YEAR FINANCIAL REPORT

Consolidated Statement of Cash Flows For the period ended 31 December 2020

\$'000	Notes	Dec 2020	Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		567,002	489,480
Receipts from securitisation program		442,489	500,734
Payments to suppliers and employees		(875,757)	(896,471)
Income tax (paid) / received		(8,295)	5,396
Interest received		503	1,499
(Payments) / proceeds from securitisation of trade debtors		(1,168)	681
Borrowing, trade debtor securitisation and other finance costs paid		(24,677)	(35,153)
Net cash flows provided by operating activities		100,097	66,166
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(35,095)	(29,607)
Payments for investments in associates and joint ventures	2.2	(5,698)	(3,558)
Payments for deferred acquisition consideration		(23,307)	-
Proceeds from sale of property, plant and equipment		2,528	492
Sundry items		1,664	598
Net cash flows used in investing activities		(59,908)	(32,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		137,684	168,051
Repayment of borrowings		(159,816)	(181,339)
Repayment of lease liability principal (net of incentive received)	4.2	(22,988)	(16,533)
Payment of dividend		(10,320)	-
Net cash flows used in financing activities		(55,440)	(29,821)
Net (decrease) / increase in cash and cash equivalents		(15,251)	4,270
Cash and cash equivalents at the beginning of the period		76,004	49,950
Effect of exchange rate changes on cash and cash equivalents		(2,912)	(274)
Cash and cash equivalents at the end of the period		57,841	53,946

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

Section 1 – Our Performance

1.1 SEGMENT RESULTS

\$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2020					
Revenue	565,680	175,843	168,676	(15,759)	894,440
Underlying EBITDA ⁽¹⁾	96,690	46,778	20,744	-	164,212
Underlying EBIT ^{(1) (2)}	53,948	31,202	13,421	-	98,571

\$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2019					
Revenue	585,226	160,695	157,421	(18,228)	885,114
Underlying EBITDA ⁽¹⁾	96,104	38,364	10,889	-	145,357
Underlying EBIT ⁽²⁾	50,597	24,753	3,288	-	78,638

⁽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.

⁽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

HALF-YEAR FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.2 GROUP RESULTS

Net profit after tax

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

	Notes	Dec 2020	Dec 2019
\$'000			
Underlying EBIT		98,571	78,638
Underlying adjustments⁽¹⁾			
Transaction costs ⁽²⁾		(764)	(1,753)
Restructuring costs ⁽³⁾		(1,790)	(1,731)
Net gain on lease modification ⁽⁴⁾		-	4,544
		(2,554)	1,060
Reported EBIT		96,017	79,698
Finance costs ⁽⁵⁾		(25,643)	(33,105)
Net profit before tax		70,374	46,593
Income tax expense		(20,476)	(11,817)
Net profit after tax		49,898	34,776

- (1) Underlying adjustments, referred to as significant items in prior periods, includes items that are individually material or do not relate to the operating business. The measurement of underlying adjustments is consistent with that used for significant items in prior periods.
- (2) Transaction costs includes professional fees, stamp duty and all other costs associated with business acquisitions and divestments.
- (3) Business restructuring relates to the optimisation of business facilities across the Group.
- (4) In relation to the lease contract previously subject to the onerous lease provision recognised as at 30 June 2019, a net gain on lease modification was recognised in the prior period as a difference between the gain on lease modification for \$9.9 million and derecognition of ROU assets for \$5.4 million in accordance with AASB 16:Leases.
- (5) Net finance costs includes interest income of \$288,000 (Dec 2019: \$380,000).

1.3 OTHER LOSSES

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

	Dec 2020	Dec 2019
\$'000		
Total underlying adjustments	(2,554)	1,060
Other (losses) / gains		
Unrealised (losses) / gains on revaluation of foreign exchange forward contracts	(811)	(1,323)
Gain / (loss) on sale of property, plant and equipment	1,450	(511)
Realised net foreign exchange gains / (losses)	711	46
Total other gains / (losses)	1,350	(1,788)
Total other losses	(1,204)	(728)

1.4 TAXATION

Included in income tax expense is a tax benefit on underlying adjustments of \$0.4 million for the six months ended 31 December 2020 (Dec 2019: \$1.0 million).

HALF-YEAR FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

1.5 DIVIDENDS

\$'000	Dec 2020	Dec 2019
Dividends paid during the financial period	10,320	-

Dividends not recognised at 31 December 2020

Since the end of the period the directors have determined payment of a 65% franked interim dividend of 5.0 cents per ordinary share (Dec 2019: Nil). The interim dividend is expected to be paid on 7 April 2021.

17,200

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1.6 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
Half-year ended 31 December 2020					
Australia	310,262	79,250	168,600	-	558,112
New Zealand	152,867	230	-	-	153,097
Asia	87,906	50,738	-	-	138,644
Revenue from contracts with customers	551,035	130,218	168,600	-	849,853
Revenue from asset hire services ⁽³⁾	-	44,587	-	-	44,587
Inter-segment revenue	14,645	1,038	76	(15,759)	-
Revenue	565,680	175,843	168,676	(15,759)	894,440

⁽¹⁾ 0.5% of total revenue for Packaging and Sustainability is recognised over time.

⁽²⁾ 5.8% 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
Half-year ended 31 December 2019					
Australia	315,883	83,942	157,366	-	557,191
New Zealand	153,911	73	-	-	153,984
Asia	98,889	30,583	-	-	129,472
Revenue from contracts with customers	568,683	114,598	157,366	-	840,647
Revenue from asset hire services ⁽³⁾	-	44,467	-	-	44,467
Inter-segment revenue	16,543	1,630	55	(18,228)	-
Revenue	585,226	160,695	157,421	(18,228)	885,114

⁽¹⁾ 0.4% of total revenue for Packaging and Sustainability is recognised over time.

⁽²⁾ 5.7% of total revenue for Contract Manufacturing Services is recognised over time.

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

1.6 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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.

A key judgement applied by management is 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.

Section 2 – Our Operational Footprint

2.1 BUSINESSES ACQUIRED

There have been no acquisitions for the half year ended 31 December 2020.

Completion of prior year acquisition accounting

There were no acquisitions completed in relation to the prior period.

2.2 ASSOCIATES AND JOINT VENTURES

At 31 December 2020 the Group held the following investments in associates and joint ventures:

Name of associate and joint ventures	Dec 2020	Jun 2020
Changzhou Viscount Oriental Mould Co Ltd ⁽¹⁾	-	40.0%
Spraypac Products (NZ) Ltd	50.0%	50.0%
Weener Plastop Asia Inc	50.0%	50.0%
Gempack Weener	50.0%	50.0%
Weener Plastop Indonesia Inc	50.0%	50.0%
Australian Recycling Plastics Pty Ltd	50.8%	50.8%
Circular Plastics Australia Pty Ltd ⁽²⁾	40.0%	-

⁽¹⁾ In September 2020 the Group sold a 40% share in Changzhou Viscount Oriental Mould Co Ltd. A loss on sale of \$0.1 million has been recognised in the Statement of Comprehensive income.

⁽²⁾ On 3 August 2020 the Group entered into an agreement to acquire shares in Circular Plastics Australia Pty Ltd, a Company that will operate a new plastics recycling plant or plants in Australia.

There have been no other material changes in investments in associates and joint ventures in the six months ended 31 December 2020. The results of the above operations are not material to the Group.

Section 3 – Capital Structure

3.1 NET DEBT

Debt profile

Pact has the following bank borrowings and lease liabilities as at 31 December 2020:

CURRENT

\$'000	Note	Dec 2020	June 2020
Lease liabilities	4.2	68,572	69,203
Total lease liabilities		68,572	69,203

NON-CURRENT

\$'000	Note	Dec 2020	June 2020
Syndicated Facility Agreements ⁽¹⁾		615,360	643,700
Subordinated Debt Facility ⁽¹⁾⁽²⁾		45,460	50,991
Capitalised borrowing costs		(4,225)	(5,161)
Total bank borrowings (including capitalised borrowing costs)		656,595	689,530
Lease liabilities	4.2	372,726	385,656
Total bank borrowings and lease liabilities		1,029,321	1,075,186

NET DEBT

\$'000	Notes	Dec 2020	June 2020
Total bank borrowings		656,595	689,530
Cash and cash equivalents		(57,841)	(76,004)
Net debt		598,754	613,526
Lease liabilities		441,298	454,859
Net debt including lease liabilities		1,040,052	1,068,385

⁽¹⁾ The Group syndicated facilities are as follows:

Facility	Maturity date	Total Facilities \$ (in millions)
Working capital facility	Revolving with an annual review	22.9
Loan facility	January 2023	183.0
Loan facility	March 2023	299.3
Loan facility	July 2024	298.2
Term facility	December 2024	120.0
Subordinated term debt facility ⁽²⁾	July 2025	45.5
Total facilities		968.9
Facilities utilised		(660.9)
Facilities unutilised		308.0

⁽²⁾ This facility is denominated in USD and was translated to AUD using the AUD/USD spot rate as at 31 December 2020. The foreign currency exchange differences is fully hedged with a cross currency swap. The fair value of this swap at 31 December 2020 is \$4.8 million and is disclosed as a hedge liability. The amount received by Pact on initial drawdown was \$50.3m

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

HALF-YEAR FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

3.1 NET DEBT (CONTINUED)

(a) Fair values

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

Fair values of the Group's borrowings and lease liabilities 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 31 December 2020 was assessed to be insignificant. 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 borrowings and lease liabilities are as follows:

	Dec 2020 Carrying Value ⁽¹⁾	June 2020 Carrying Value ⁽¹⁾
Syndicated Facility Agreements	615,360	643,700
Subordinated Debt Facility	45,460	50,991
Lease liabilities	441,298	454,859
Total bank borrowings and lease liabilities	1,102,118	1,149,550

⁽¹⁾ The carrying values are an approximate for fair value.

(b) Defaults and breaches

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

(c) Finance costs

Pact incurred the following finance costs during the period ended 31 December:

\$'000	Dec 2020	Dec 2019
Interest expense on bank loans and borrowings	10,479	16,418
Borrowing costs amortisation	1,026	1,250
Amortisation of securitisation program costs	207	231
Sundry items	223	414
Total interest expense on borrowings	11,935	18,313
Interest expense on unwinding of provisions	282	272
Interest expense on lease liabilities	12,851	13,308
Total finance costs	25,068	31,893
Loss on de-recognition of financial assets	863	1,592
Total finance costs & loss on de-recognition of financial assets	25,931	33,485

3.2 CONTRIBUTED EQUITY

Terms, conditions and movements in 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.

	Dec 2020		June 2020	
	Number of shares	\$'000's	Number of shares	\$'000's
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	-	-	-	-
End of the period	343,993,595	1,750,476	343,993,595	1,750,476

There were no shares issued during the period.

Section 4 – Other Disclosures

4.1 BASIS OF PREPARATION

Basis of preparation and compliance

This Consolidated Half-Year Financial Report:

- Comprises the financial statements of Pact Group Holdings Ltd, being the ultimate parent entity, and its controlled entities.
- Has been prepared in accordance and complies with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*.
- Has revenues, expenses and assets recognised net of the amount 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 the same accounting policies and methods of computation as were applied in the most recent annual financial statements, other than those amended below.
- 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 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.

The standards applied in these half year consolidated financial statements are those in issue as at 31 December 2020 and are effective for annual periods beginning on or after 1 July 2020. Standards and interpretations issued but not yet effective as at 1 July 2020 are not reflected in these half year financial statements.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting 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.

4.2 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's	Property	Plant and equipment	Total Right of use assets	Total Lease liabilities
Balance as at 1 July 2020	353,525	10,617	364,142	454,859
Additions	8,652	1,614	10,266	8,812
Depreciation expense	(25,981)	(2,016)	(27,997)	-
Lease modifications	3,410	4	3,414	3,414
Interest expense	-	-	-	12,851
Payments	-	-	-	(35,839)
Foreign exchange translation movement	(2,383)	(192)	(2,575)	(2,799)
Balance as at 31 December 2020	337,223	10,027	347,250	441,298

\$'000	Property	Plant and equipment	Total Right of use assets	Total Lease liabilities
Adoption of AASB 16	370,636	6,441	377,077	466,149
Additions	39,523	7,660	47,183	46,404
Receipt of lease incentive	(2,909)	-	(2,909)	-
Depreciation expense	(48,743)	(3,679)	(52,422)	-
Derecognition of ROU assets	(5,379)	-	(5,379)	-
Lease modification	-	-	-	(9,923)
Settlement obligation for remaining onerous leases	-	-	-	(2,744)
Interest expense	-	-	-	26,364
Payments	-	-	-	(70,845)
Foreign exchange translation movement	397	195	592	(546)
Balance as at 30 June 2020	353,525	10,617	364,142	454,859

HALF-YEAR FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.3 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2021 LTIP scheme 497,697 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 18 November 2020), and 736,273 performance rights were granted to senior executives. These Performance rights have performance hurdles and vesting conditions consistent with those outlined in the 2020 Annual 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 18 November 2020 is \$1.72.

The share based payments expense recognised in the current period was \$601,000 (Dec 2019 \$442,000).

The key assumptions in the independent valuation in relation to 2021 LTIP were as follows:

Share price at valuation date	\$2.64
Annualised volatility	35.0%
Annual dividend yield	3.2%
Risk free rate	0.2%
Expected life of performance right	36 months
Model used	Monte Carlo Simulation Model

4.4 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions with related parties for the period ended 31 December 2020:

\$'000's	Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties – Director's interests⁽¹⁾				
Dec 2020	6,009	1,982	2,832	830
Dec 2019	6,194	5,097	3,611	716

⁽¹⁾ Related parties – Director's interests includes the following group of entities: P'Auer 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 and Remedy Kombucha Pty Ltd.

P'Auer Pty Ltd (P'Auer)

P'Auer, an entity controlled by Mr Raphael Geminder (the Non-Executive Chairman of Pact), ceased its business operations in November 2019. P'Auer had a supply agreement to provide label products to Pact. Pact had a Transitional Services and Support agreement with P'Auer to provide support services. These agreements were at arm's length. In addition, P'Auer provided Pact with periodic warehousing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 51.6% (June 2020: 49.7%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. Pact has a supply agreement with Pro-Pac that expires 31 December 2021. Total value under this arrangement is approximately \$2.0 million for the six months ended 31 December 2020 (Dec 2019: \$2.0 million). The supply arrangement is at arm's length terms. Mr Jonathan Ling is also an Independent Non-Executive Director and Chairman of Pro Pac.

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 half yearly rent payable by Pact under the Centralbridge Leases for the period ended 31 December 2020 was \$2.8 million (Dec 2019: \$3.5 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered.

Terms and conditions of transactions with related parties

As detailed above, all transactions with related parties are made at arm's length. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

HALF-YEAR FINANCIAL REPORT – NOTES TO THE FINANCIAL STATEMENTS

4.5 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

\$'000	Dec 2020	June 2020
Packaging and Sustainability	1,259,062	1,256,413
Materials Handling and Pooling	441,814	457,840
Contract Manufacturing Services	218,258	248,189
Total Segment Assets	1,919,134	1,962,442
Reconciliation to total assets⁽¹⁾:		
Deferred tax assets	30,123	33,147
Inter-segment eliminations	(861)	46
TOTAL ASSETS	1,948,396	1,995,635

Segment liabilities

\$'000	Dec 2020	June 2020
Packaging and Sustainability	583,888	629,491
Materials Handling and Pooling	152,084	150,668
Contract Manufacturing Services	112,349	122,280
Total Segment Liabilities	848,321	902,439
Reconciliation to total liabilities⁽¹⁾:		
Interest-bearing liabilities	656,595	689,530
Income tax payable	37,077	21,175
Deferred tax liabilities	3,173	9,796
Inter-segment eliminations	(861)	46
TOTAL LIABILITIES	1,544,305	1,622,986

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

4.6 CONTINGENCIES

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

4.7 SUBSEQUENT EVENTS

On 29 January 2021, the Group acquired the assets of Flight Plastics NZ, for a provisional consideration of \$20.5 million. Flight Plastics NZ is a leading recycler and provider of plastic packaging for the fresh food segment.

The acquisition includes the following:

\$'000	Dec 2020
Provisional consideration paid	20,467
Provisional fair value of identifiable business assets	(18,349)
Purchase price adjustment	1,638
Provisional Goodwill on acquisition	3,756

Goodwill represents the provisional value attributed to the strong long-term relationships that Flight Plastics NZ currently enjoys with its customers and suppliers.

Other than the above matters, there have been no material matters or circumstances which have arisen between 31 December 2020 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 half-year consolidated financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;
 - (b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that Pact Group Holdings Ltd will be able to pay its debts as and when they become due and payable.

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 February 2021



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Independent Auditor's Review Report to the Members of Pact Group Holdings Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

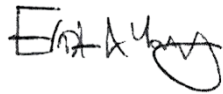
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pact Group Holdings Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.


A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



David Shewring
Partner
Melbourne



Wilfred Liew
Partner
Melbourne

17 February 2021

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 at the end of, or during, the half-year ended 31 December 2020 (the "Group").

DIRECTORS

The following persons were Directors of the Company from the start of the half-year and up to the date of this report, unless otherwise stated:

Non-Executive

Raphael Geminder - Chairman

Lyndsey Cattermole AM

Jonathan Ling

Ray Horsburgh AM (resigned on 18 November 2020)

Carmen Chua

Michael Wachtel

Executive

Sanjay Dayal - Managing Director and Group Chief Executive Officer

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.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

A review of the operations of the Group during the half-year and the results of those operations is contained in the ASX announcement on 17 February 2021.

DIVIDENDS

The Directors have determined to pay an interim dividend of 5.0 cents per ordinary share partially franked to 65%. For the half-year ended 31 December 2019, there was no interim dividend paid.

The dividend is payable on 7 April 2021. The record date for entitlement to the dividend is 26 February 2021.

A 2020 final dividend of 3.0 cents per ordinary share franked to 65% per ordinary share was paid by the Company on 7 October 2020.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 20.

ROUNDING

The results are 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.

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



Raphael Geminder
Chairman

Dated: 17 February 2021



Sanjay Dayal
Managing Director and
Group Chief Executive Officer



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Auditor's Independence Declaration to the Directors of Pact Group Holdings Ltd

As lead auditor for the review of the financial report of Pact Group Holdings Ltd for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

David Shewring
Partner
Melbourne
17 February 2021