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 2021	**30 June 2020**

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	Down	2.4%	to	1,779,717
Net profit from ordinary activities after tax attributable to members	Down	1.5%	to	87,534
Net profit for the period attributable to members	Down	1.5%	to	87,534

Dividends	Amount per security	Franked amount per security	Total dividend amount ($'000)
Current year to 30 June 2021			
Final Dividend (per ordinary share)	6.00 cents	3.90 cents	20,640
Interim Dividend (per ordinary share)	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	27 August 2021
Payment date of dividend:	Ordinary shares	7 October 2021

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (1)	$(0.08)	$(0.24)

(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.

Jonathon West
Company Secretary

Dated: 18 August 2021

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

PACT GROUP HOLDINGS LTD

FOR THE YEAR ENDED 30 JUNE 2021

The Group has reported revenue of $1,761.6 million for the year ended 30 June 2021, down 3% compared to the prior corresponding period (pcp). The statutory net profit after tax (NPAT) for the year was $87.5 million, compared to $88.8 million in the pcp. Underlying NPAT[3] for the year was $93.5 million, up 28% compared to $73.2 million in the pcp.

OVERVIEW

- Revenue down 2.6% to $1,761.6 million (pcp: $1,809.2 million)
- Underlying EBITDA[1] up 4.3% to $314.9 million (pcp: $301.8 million)
- Underlying EBIT[2] up 10.0% to $182.9 million (pcp: $166.3 million)
- Underlying NPAT[3] up 27.7% to $93.5 million (pcp: $73.2 million)
- Strict management of COVID-19 risks, with no material disruption to operations
- Higher earnings and improved margins
    - Strong organic growth in closures and reuse services
    - Stronger demand in agricultural and industrial sectors in Australia and New Zealand
    - Effective management of raw material input costs
    - Crate pooling volumes remain robust
    - Lower volumes in the Contract Manufacturing hygiene category as COVID-19 related demand reduced in 2H 2021
    - EBIT margins up 1.2% to 10.4%
- Net debt[6] reduced and leverage improved
    - Reduction in net debt[6] of $29 million through continued focus on financial discipline
    - Continued strategic investments in the Circular Economy and the resumption of dividend payments
    - Gearing[4] at 2.4x improved on the pcp (2.6x) and well within the Group's targeted range
- ROIC[7] improved to 11.8% (pcp 10.6%)
- Execution of strategy to *Lead the Circular Economy* gaining momentum
    - Operations in Australian packaging have stabilised and growth initiatives are underway
    - Recycling capability further enhanced
        - Acquisition of Flight Plastics Ltd in New Zealand completed in January and fully integrated into Pact's packaging operations
        - Albury PET recycling facility on track for commissioning in 1H 2022
        - Commitment to two additional recycling projects
        - New plastic recycling facility being evaluated in WA, supported by Government funding
    - Contract wins in packaging and infrastructure sectors, enabled by access to recycled raw materials
    - Increased pooling penetration in the fresh produce sector, and diversification into new categories
    - Strong growth in reuse volumes with new USA contract performing well and new contract wins in Europe
    - Consolidation of the closures business into Asia driving organic growth
    - Sale process in respect of Contract Manufacturing businesses is ongoing
- Final ordinary dividend of 6.0 cents per share (65% franked to be paid in October 2021), taking total dividends for the year to 11.0 cents per share (pcp: 3.0 cents per share)

Key Financial Highlights - $ millions	2021	2020	Change %
Revenue	**1,761.6**	1,809.2	(2.6%)
Underlying EBITDA[1]	**314.9**	301.8	4.3%
Segment Underlying EBIT[2]			
Packaging & Sustainability	***104.6***	*90.8*	*15.2%*
Materials Handling & Pooling	***54.4***	*44.2*	*23.2%*
Contract Manufacturing Services	***23.8***	*31.3*	*(23.8%)*
Underlying EBIT[2]	**182.9**	166.3	10.0%
Underlying NPAT[3]	**93.5**	73.2	27.7%
Reported Net Profit After Tax	**87.5**	88.8	(1.5%)
Total Dividends – cents per share	**11.0**	3.0	266.7%

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 11 for definitions.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

GROUP RESULTS

$'000	2021	2020	Change %
Revenue	**1,761,572**	1,809,158	(2.6%)
Other income (excluding interest revenue)	**20,625**	17,276	
Expenses	**(1,467,309)**	(1,524,627)	
Underlying EBITDA[1]	**314,888**	301,807	4.3%
EBITDA margin	**17.9%**	16.7%	
Depreciation and amortisation	**(132,013)**	(135,544)	
Underlying EBIT[2]	**182,875**	166,263	10.0%
EBIT margin	**10.4%**	9.2%	
Underlying adjustments (before tax)	**(8,414)**	6,537	
Reported EBIT	**174,461**	172,800	1.0%
Net finance costs expense	**(51,171)**	(62,754)	
Income tax expense	**(38,156)**	(30,264)	
Tax on underlying adjustments	**2,400**	9,065	
Net profit after tax	**87,534**	88,847	(1.5%)

Revenue

Group revenue for the year of $1,761.6 million was 2.6% lower than the pcp of $1,809.2 million. The full year included an $8.1 million contribution from the acquisition of Flight Plastics in New Zealand. Excluding this impact, revenue was 3.1% lower than the pcp, due to lower Contract Manufacturing volumes, the pass through of generally lower raw material input cost during the majority of the year and adverse foreign exchange translation movements.

Packaging and Sustainability benefitted from strong growth in closures and higher demand in the health and wellness, agricultural and industrial sectors. The Materials Handling and Pooling segment delivered strong volume growth in hanger reuse services and robust crate pooling volumes. In Contract Manufacturing, volumes into the health and wellness sector were stronger, though these benefits were more than offset by lower hygiene volumes, following unprecedented COVID-19 related demand in the prior year.

Underlying EBIT[1]

The Group has delivered a solid improvement in earnings, with EBIT (before underlying adjustments) for the year up $16.6 million, or 10.0%, to $182.9 million. Results benefitted from favourable revenue mix and costs were well managed, with effective management of raw material input cost movements and the delivery of efficiency programs. Depreciation and amortisation were also lower. EBIT margins increased 1.2% to 10.4%.

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 $8.4 million. This includes 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 contain 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.

Pre-tax underlying adjustments in the prior year delivered net income of $6.5 million. This included $4.5 million of benefits relating to a net gain on lease modification (following the adoption of AASB 16), and $30.0 million from the reversal of an earn-out provision (recognised on the acquisition of TIC). These items were partly offset by transaction costs of $4.0 million, expenses relating to the recognition of acquisition provisions of $7.2 million, an impairment expense of $11.8 million (relating to customer contract intangible assets in the contract manufacturing business), and $5.0 million of costs associated with business restructuring.

Net Finance Expense

Net financing costs for the year were $51.2 million, a substantial reduction of $11.6 million compared to the pcp. The reduction primarily relates to lower interest on bank loans and borrowings driven by lower net debt levels during the year and benefits from lower market interest rates.

Income Tax Expense and Significant Tax Items

The income tax expense for the year (excluding tax on underlying adjustments) was $38.2 million, representing an average tax rate of 29.0% of underlying net profit before tax, consistent with the statutory tax rates payable by the Group across its main operating geographies, and essentially in line with the prior year. Tax on underlying adjustments was a benefit of $2.4 million for the half year, compared to a benefit of $9.1 million in the pcp.

Net Profit after Tax

The reported net profit after tax for the year was $87.5 million compared to $88.8 million for the prior year. Excluding underlying adjustments, NPAT was $93.5 million, an increase of $20.3 million or 27.7% compared to $73.2 million in the pcp.

Covid-19 Financial Assistance

During the year the Group received $0.3 million in relation to the JobKeeper program in Australia.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

BALANCE SHEET

$'000	2021	2020	Change %
Cash	**62,152**	76,004	(18.2%)
Other current assets	**402,862**	400,495	0.6%
Property plant & equipment	**1,014,199**	996,002	1.8%
Intangible assets	**459,369**	456,068	0.7%
Other assets	**69,161**	67,066	3.1%
Total Assets	**2,007,743**	1,995,635	0.6%
Lease liabilities	**469,944**	454,859	3.3%
Bank borrowings	**647,163**	689,530	(6.1%)
Other Liabilities payables & provisions	**458,766**	478,597	(4.1%)
Total Liabilities	**1,575,873**	1,622,986	(2.9%)
Net Assets	**431,870**	372,649	15.9%
Net Debt including lease liabilities[6]	**1,054,955**	1,068,385	(1.3%)
Net Debt[6]	**585,011**	613,526	(4.6%)

Net debt of $585.0 million was $28.5 million lower than 30 June 2020. The improvement was driven by increased earnings, continued disciplined working capital management delivering a strong operating cash flow performance, and proceeds received for property disposals in China. This partly offset cash outflows following the resumption of dividend payments in FY2021 and payments for investments in joint ventures, acquisitions and deferred acquisition consideration in the period. Net debt including lease liabilities at 30 June 2021 was $1,055.0 million, a decrease of $13.4 million from 30 June 2020.

The Group has significant undrawn debt capacity, with $317.2 million committed undrawn facilities. Pact's solid financial performance is providing an opportunity to improve liquidity, with planning underway to extend maturity of commitments and widen the lender base.

The movement in other current assets includes a decrease in trade and other receivables of $20.4 million and an increase in inventories of $19.0 million. The reduction in receivables is due to the timing of cash collections. The increase in inventories relates primarily to higher raw materials due to increased resin and steel prices in the last quarter of FY2021 and a need to hold more raw material stock in response to significant disruptions in global freight and supply chains due to the COVID-19 pandemic.

The increase in property plant and equipment (including right of use assets) of $18.2 million primarily reflects additions of $95.0 million, acquisition of subsidiaries and businesses of $41.1 million and lease modifications of $22.7 million, partly offset by depreciation of $130.5 million, disposals of $2.8 million and a reduction due to foreign exchange translation of $6.6 million. The net book value of right of use assets included within property, plant and equipment at 30 June 2021 was $372.5 million compared to $364.1 million at 30 June 2020.

There were no material movements in intangible assets or other assets from 30 June 2020 to 30 June 2021.

The decrease in other liabilities, payables and provisions of $19.8 million mainly relates to $26.9 million in lower trade and other payables partly offset by $7.7 million in additional provisions.

Financing Metrics	2021	2020	Change
Gearing[4]	**2.4x**	2.6x	(0.2)
Gearing (including leasing)[4]	**3.4x**	3.5x	(0.1)
Interest Cover[5]	**9.6x**	6.4x	3.2
Interest Cover (including leasing)[5]	**6.2x**	4.8x	1.4

At 30 June 2021 gearing was 2.4x, a reduction of 0.2x compared to the pcp as a result of increased earnings, the strong cash flow performance in the period and continued disciplined balance sheet management. Including the impact of lease accounting, gearing was 3.4x (compared to 3.5x in the pcp). Interest cover at 9.6x also improved substantially from 6.4x in the prior year on increased earnings and lower net finance costs. Including the impact of lease accounting, interest cover was 6.2x (compared to 4.8x in the pcp).

Gearing and interest cover remain well within targeted levels.

CASHFLOW

Key Items - $'000	2021	2020	Change %
Net cash flows provided by operating activities	**221,034**	192,131	15.0%
Payments for property, plant and equipment	**(78,283)**	(76,475)	2.4%
Payments for investments in associates and joint ventures	**(9,009)**	(3,558)	153.2%
Purchase of businesses and subsidiaries, net of cash acquired	**(23,836)**	-	n/a
Payments for deferred acquisition consideration	**(23,307)**	-	n/a
Repayment of lease liability principal	**(47,413)**	(44,480)	6.6%
Payment of dividends	**(27,520)**	-	n/a

Statutory operating cash flow including proceeds from securitisation was $221.0 million for the year, up $28.9 million or 15.0% on the pcp. The inflow from securitisation of trade debtors was $3.2 million for the year compared to an outflow of $6.8 million in the pcp. Excluding securitisation inflows, statutory operating cash flow was $18.9 million higher than the pcp. Net receipts and payments were $34.9 million higher than the pcp and net finance cost and interest cash flows $10.7 million lower. These improvements were partly offset by $26.8 million in higher tax cash payments (with a tax refund received in the first half of the prior year).

Payments for property, plant and equipment were $78.3 million for the year, broadly in line with $76.5 million in the pcp as the Group continued to maintain a disciplined approach to capital expenditure and balance sheet management, whilst continuing to support initiatives aligned to the business strategy to Lead the Circular Economy. During FY2021 the Group invested in projects supporting the use of recycled content in New Zealand packaging, automation and efficiency programs in Australian packaging, capacity initiatives in the Asian platform, the consolidation of the Group's closures footprint, the systems integration of the hanger reuse business and the expansion and enhancement of crate pooling services.

Payments for investments in associates and joint ventures of $9.0 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. The payment of $3.6 million in the pcp related to the purchase of a 50.8% share in Australian Recycled Plastics Pty Ltd (ARP), a kerbside collected plastics recycling business located in New South Wales.

Payments for the purchase of businesses and subsidiaries, net of cash acquired, of $23.8 million represent 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. The acquisition of Flight Plastics compliments the Groups strategy to lead the circular economy through reuse, recycling and packaging solutions.

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 the payment of liabilities recognised after the adoption of AASB16 in FY2020. The increase of $2.9million compared to the pcp reflect lease asset additions.

The dividend payment of $27.5 million reflects the three cents per share final dividend from FY2020 (paid in October 2020), following the resumption of dividend payments, and the five 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 $35.4 million (pcp: $44.5 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 64% of the Group's revenue in FY2021.

$'000	2021	2020	Change %
Revenue	**1,131,088**	1,143,852	(1.1%)
Underlying EBITDA[1]	**190,734**	181,272	5.2%
EBITDA Margin %	***16.9%***	*15.8%*	*1.1%*
Underlying EBIT[2]	**104,616**	90,806	15.2%
EBIT Margin %	***9.2%***	*7.9%*	*1.3%*

Revenue for the Packaging and Sustainability segment of $1,131.1 million for the year was $12.8 million or 1.1% lower than the pcp. FY2021 included a contribution of $8.1 million from the acquisition of Flight Plastics. Excluding this impact, segment revenue was $20.9 million or 1.8% lower due to the pass through of generally lower raw material input cost during the majority of the year and adverse foreign exchange translation movements.

The closures businesses delivered strong volume growth with strict management of COVID-19 risks in Asia and minimal disruption to operations. Performance was assisted by the benefits of the regional consolidation program and growth in the health and wellness segment. Demand in the agricultural and industrial sectors in Australia and New Zealand was also generally improved on the pcp.

Underlying EBIT for the year of $104.6 million was $13.8 million or 15.2% up on the pcp. Earnings benefitted from disciplined margin management, favourable product mix and lower depreciation. These benefits more than offset the impact of adverse foreign exchange translation.

EBIT margins for the year were strongly improved at 9.2%, up 1.3% compared to 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 re-use 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 FY2021.

$'000	2021	2020	Change %
Revenue	**344,008**	315,999	9.0%
Underlying EBITDA[1]	**85,579**	73,012	17.2%
EBITDA Margin %	***24.9%***	*23.1%*	*1.8%*
Underlying EBIT[2]	**54,446**	44,200	23.2%
EBIT Margin %	***15.8%***	*14.0%*	*1.8%*

Revenue for the Materials Handling and Pooling segment of $344.0 million for the year was $28.4 million (9.0%) higher than the pcp despite the adverse impact of foreign exchange movements. 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, strong demand for reuse services in the USA and the start-up of a new contract in Europe. Pooling volumes remained solid, with increased market penetration through the delivery of crate conversion opportunities and product diversification, though the cessation of the crate wash contract with Coles pulled pooling revenues lower. Infrastructure volumes were lower, with fewer available projects and the impact of the wind down of the NBN roll-out.

Underlying EBIT for the segment was strongly improved at $54.4 million, up $10.2 million or 23.2% compared to the pcp. Earnings growth was driven by higher volumes, favourable product mix and disciplined margin management. This was partly offset by adverse foreign exchange translation.

EBIT margins were up 1.8% to 15.8%.

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 18% of the Group's revenue in FY2021. A sale process in respect of Contract Manufacturing businesses is ongoing.

$'000	**2021**	**2020**	**Change %**
Revenue	**321,915**	394,188	(18.3%)
Underlying EBITDA[1]	**38,575**	47,523	(18.8%)
EBITDA Margin %	***12.0%***	*12.1%*	*(0.1%)*
Underlying EBIT[2]	**23,813**	31,257	(23.8%)
EBIT Margin %	***7.4%***	*7.9%*	*(0.5%)*

Revenue for the Contract Manufacturing Services segment of $321.9 million for the year was $72.3 million (18.3%) lower than the pcp.

Overall volumes were down, due to lower volumes of hand sanitiser and other hygiene products following robust demand driven by the COVID-19 pandemic in the prior year. Demand in the health and wellness sector for nutraceutical products was significantly improved and the business continued to see benefits from the ongoing diversification of its customer portfolio in that category. Personal care volumes were also improved, but demand was lower in the retail household sector. The business was also impacted by softer demand for pest and insecticide products, due to cooler and wetter summer conditions in Australia, and lower automotive sales following a factory fire.

Underlying EBIT for the year of $23.8 million was $7.4 million (23.8%) lower than the pcp driven primarily by lower volumes.

Depreciation and amortisation expenses were $1.5 million lower with reduced amortisation resulting from the write off of customer contract intangibles in FY2020 partly offset by increased depreciation on capital investment in efficiency and automation projects.

EBIT margins were 0.5% lower at 7.4%.

OUTLOOK

We expect further progress in the delivery of strategy and earnings resilience in FY22. In our first quarter, demand is expected to be generally in line with recent trends, though margins will be impacted by higher raw material and international freight costs.

COVID-19 continues to create market uncertainty. An update on trading will be provided at the AGM on 17th November 2021.

OTHER EVENTS OF SIGNIFICANCE

Joint Venture with Cleanaway and Asahi Holdings

On 3 August 2020 the Group entered into an agreement to acquire shares in Circular Plastics Australia Pty Ltd, a joint venture that will recycle PET bottles to produce new bottles and food and beverage packaging in Australia.

Acquisition of Flight Plastics Ltd

On 31 January 2021, the Group paid a net $23.8 million consideration to the vendor to acquire 100% of the net assets of Flight Plastics. Flight Plastics is a New Zealand based packaging manufacturer with integrated PET recycling capability operating in the fresh food segment. The acquisition of Flight Plastics compliments the Groups strategy to lead the circular economy through reuse, recycling and packaging solutions

Plastics Recycling Joint Ventures

On 26 July 2021 Pact and Cleanaway announced the intention to build a new plastics recycling facility at Laverton, Victoria. Construction of the plant will start towards the end of the year, and it is expected to be fully operational by December 2022.

On 16 August 2021 Pact Group, Cleanaway, Asahi Beverages and Coca-Cola Europacific Partners (CCEP) announced they have signed a Memorandum of Understanding to form a joint venture to build a new PET recycling facility. A decision on the plant's location is anticipated in the coming months and construction is expected to be complete by 2023.

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

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 solid progress in the delivery of the strategy in FY2021.

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

Operations in our Australian packaging business have stabilised, and margins are improving. Our new operating model, strong leadership, and investment in platform capability, are delivering improvements in operational performance, safety, quality, and delivery. We have developed detailed segment strategies which are guiding our investment decisions and will continue to drive growth in margins. We are targeting to return margins in our Australian packaging business to global industry standard by 2025.

- Lead plastics recycling in Australia and New Zealand

Pact is leading the industry through investment in scaled solutions and a network of plastic recycling infrastructure. The Group has announced plans to construct two new recycling facilities which together will lift Australia's recycling capability by 40,000 tonnes. These facilities will complement our new Albury plant which will be commissioned by the end of 2021, and several other projects are under evaluation. Strong support has been received from both state and federal governments with $12.5 million of grants announced in FY 2021.

There has also been strong demand for offtake from our new facilities. Customers are increasingly recognising the need to develop strategic partnerships to access local recycled content that will be necessary to deliver ambitious 2025 sustainability targets. To support our customers in their transition to recycled content solutions, Pact is also investing in end-to-end organisational capability. The Group has established a Demand Team, and is expanding its manufacturing, technical and innovation capability. The Group's recycling credentials are enabling it to differentiate and win in the market and has already underpinned several new contracts in the packaging and infrastructure sectors.

Pact 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.

- Scale-up reuse solutions

Pact's market leading reuse platform delivered strong growth in FY2021, driven by the compelling sustainability and efficiency benefits of reuse. The new USA contract has performed well, and the business has delivered new contract wins in Europe. Expansion of facilities in Bangladesh will help enable future growth in this business.

In addition, the Group has achieved increased crate pooling penetration in the fresh produce sector and diversification into new produce categories. Pooling opportunities in protein categories are also being evaluated.

Momentum in the growth of reuse solutions is expected to continue as customers increasingly seek sustainable alternatives to single use packaging.

- Grow Asian packaging platform

The closures business delivered strong organic growth in FY2021, supported by the consolidation of our regional platform. The Group's focus is now turning to accelerating growth in Asia and further leverage 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.

Covid-19 risks

To date Pact Group has been deemed to be an essential service allowing manufacturing plants to continue operating with strict hygiene protocols, management of onsite attendance and contract tracing requirements. Limitations have been imposed on the movement of personnel and restriction of visitors to sites. Supply chains have had disruptions, shipping costs have increased, and difficulties have been experienced in obtaining personnel offshore for the installation of new capital projects. Pact has utilised virtual technology to assist with the maintenance and capital installation projects.

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.

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, mock data breach assessments, cyber security training and penetration testing.

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.

Volatility of commodity prices, foreign exchange and economic environment

Pact’s financial reports are prepared in Australian dollars. However, a substantial proportion of Pact’s revenue, expenditures and cashflows are generated in, and assets and liabilities denominated in, New Zealand dollars. Pact is also exposed to a range of other currencies including 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 in relation to Pact’s business operations. Any appreciation of the Australian dollar or adverse movement in exchange rates would have an adverse effect on the Group's future financial performance. Pact utilises forward foreign currency contracts, maintains a detailed understanding of its sales contracts, foreign exchange adjustments and market intelligence on commodity markets and forecast reports to help manage this risk.

Global supply chain disruptions

The ability for the supply chain to meet the Group’s requirements, including the sourcing of raw materials, is reliant on key relationships with suppliers. The price and availability of raw materials, input costs, including energy, and future consolidation in industry sectors could result in a decrease in the number of suppliers or alternative supply sources available to Pact. Additionally, Pact may not always be able to pass on changes in input prices to its customers. Any of these factors may have an adverse effect on the Group's future financial performance. Management of this risk includes 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 continuity program.

Compliance risks

Pact is required to comply with a range of laws and regulations, and those of particular significance to Pact are in the areas of employment, including modern slavery, work health and safety, property, environmental, competition, fraud, anti-bribery and corruption, customs and international trade, taxation and corporations. Changes in Government policy may also have an adverse effect on the Group's financial performance. Pact has been working to improve its current risk management framework to better manage controls identified in order to reduce its external and internal risks.

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
(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

Full Year Consolidated Financial Report

For the year ended 30 June 2021

PACT
GROUP

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 2021. This Consolidated Financial Report was issued in accordance with a resolution of the Directors on 18 August 2021.

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
- Note 3.2 Control and significant influence
- Note 5.1 Actuarial assessments

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

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Contents

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 2021.

DIRECTORS

The following persons were Directors of the Company from their date of appointment 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 a number of other advisory and Board positions.

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

Other current directorships

Director of several private companies.

Lyndsey Cattermole AM
Independent Non-Executive Director

Member of the Board since 26 November 2013
Member of the Audit, Business Risk and Compliance Committee (from 15 August 2019 to 1 September 2020)
Chair of the Nomination and Remuneration Committee (from 15 August 2019 to 1 September 2020)
Member of the Nomination and Remuneration Committee (from 1 September 2020)

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 current directorships

Non-Executive Director of Melbourne Rebels Rugby Union Ltd, and the Florey Institute of Neuroscience and Mental Health and several private companies.

Jonathan Ling
Independent Non-Executive Director

Member of the Board since 28 April 2014
Chair of the Nomination and Remuneration Committee (from 1 September 2020)
Chair of the Audit, Business Risk and Compliance Committee (from 15 August 2019 to 12 August 2020)
Member of the Audit, Business Risk and Compliance Committee (from 1 September 2020)

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 during the period 2006 to 2012. He also held leadership roles with Nylex, Visy and Pacifica.

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

Other current directorships

Independent Non-Executive Director and Chairman of Pro Pac Packaging Ltd, and Non-Executive Director and Chairman of Planet Innovation Ltd. Jonathan is also a Director of several private companies.

Carmen Chua
Independent Non-Executive Director

Member of the Board since 1 September 2018
Member of the Audit, Business Risk and Compliance Committee (from 1 September 2020)

Carmen is based in Hong Kong and has broad base management experience in the packaging and material science industry. Carmen was most recently the Chief Marketing Officer of the Resins and Functional Material business for Royal DSM. Previously she held the positions of President for Laird PLC and VP/GM of Materials Group at Avery Dennison Corporation. Carmen has also held leadership positions across sales, marketing and business development with organisations such as Worldmark, Dell and Adampak.

Carmen has 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.

Michael Wachtel
Independent Non-Executive Director

Member of the Board since 21 April 2020
Member of the Audit, Business Risk and Compliance Committee (from 21 April 2020)
Chair of the Audit, Business Risk and Compliance Committee (from 18 August 2020)

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 completed the Harvard Business School Executive Program in 2011 and is a Fellow of the Australian Institute of Company Directors

Other current directorships:

Michael is currently a Board member 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 Group 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

Jonathon West
Company Secretary

Jonathon West was appointed to the positions of General Counsel and Company Secretary as well as Head of Corporate Development of Pact on 1 June 2016.

Prior to this appointment, Jonathon was most recently at Goodman Fielder Limited where he held a variety of roles over a ten year period, including Group Strategy and Corporate Development Officer, Group General Counsel and Company Secretary and Group Commercial Director. Prior to that Jonathon worked in both private practice and industry in Australia and the UK, including with Burns Philp Limited, Sportal.com, AOL Europe, Linklaters and Herbert Smith Freehills.

Jonathon holds Bachelor of Laws (Honours) and Bachelor of Science degrees from the University of Melbourne.

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	152,252,175
Lyndsey Cattermole	541,433
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	9	9	NM	NM	5	5
Lyndsey Cattermole	9	9	2	2	5	5
Jonathan Ling	9	9	6	6	5	5
Carmen Chua	9	9	4	4	NM	NM
Michael Wachtel	9	9	4	4	NM	NM
Sanjay Dayal	9	9	NM	NM	NM	NM
Former Director						
Ray Horsburgh(1)	6	6	2	2	NM	NM

NM - Not a member of the relevant committee

(1) Ray Horsburgh resigned as a Non-Executive Director on 18 November 2020

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 18 August 2021.

DIVIDENDS

The directors have determined to pay a final dividend of 6 cents after the end of the financial year (2020: 3 cents).

The table below shows dividends paid (or payable) during the year ended 30 June 2021 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 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
Prior year to 30 June 2020				
Final Dividend (per ordinary share)	3.00 cents	1.95 cents	1.05 cents	7 October 2020
Interim Dividend (per ordinary share)	-	-	-	-

OTHER EVENTS OF SIGNIFICANCE

Please refer to the Review of Operations and Financial Performance in the ASX announcement on 18 August 2021.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Plastics Recycling Joint Ventures

On 26 July 2021 Pact and Cleanaway announced the intention to build a new plastics recycling facility at Laverton, Victoria. Construction of the plant will start towards the end of the year and it is expected to be fully operational by December 2022.

On 16 August 2021 Pact Group, Cleanaway, Asahi Beverages and Coca-Cola Europacific Partners (CCEP) announced they have signed a Memorandum of Understanding to form a joint venture to build a new PET recycling facility. A decision on the plant's location is anticipated in the coming months and construction is expected to be complete by 2023.

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 our Environmental Policy and our Workplace Health and Safety Policy. The system is fundamental to achieving compliance with WHSE regulations in all jurisdictions in which we operate and is implemented at all our 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 ensure we take every opportunity to continuously improve our 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* (Cwth). The *National Greenhouse and Energy Reporting Act 2007* requires that Pact reports 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 our WHSE metrics as published in our sustainability report.

SHARE OPTIONS AND RIGHTS

The total number of share rights on issue at the date of this report is 2,555,825. Refer to the Remuneration Report (Section 3) for further details of share 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 also entered into deeds of access, indemnity and insurance with all Directors of the Company and the Company Secretary which provide indemnities against losses incurred in their role as Directors 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 in respect of the Group during the year are as follows:

$	**2021**	**2020**
Tax services	**192,000**	252,000
Consulting services	**824,000**	-
Other assurance related services	**289,000**	87,000
Total	**1,305,000**	339,000

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.

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2021 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 FY21
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 2021
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	Chief Financial Officer	Appointed 15 March 2021
Former KMP		
Ray Horsburgh	Former Non-Executive Director	Resigned 18 November 2020
Richard Betts	Former Chief Financial Officer	Ceased to be KMP at 31 March 2021

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.au.

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 2021, 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.

Pact Executive Remuneration Approach

Designed to drive Group Strategy, organisational culture and long-term shareholder value creation

Governing principles underpinning our reward framework

- Aligns with shareholder value creation
- Attracts, retains and motivates capable talent
- Reflects group strategy and organisational culture
- Drives high performance culture that recognises outperformance
- Simple and transparent

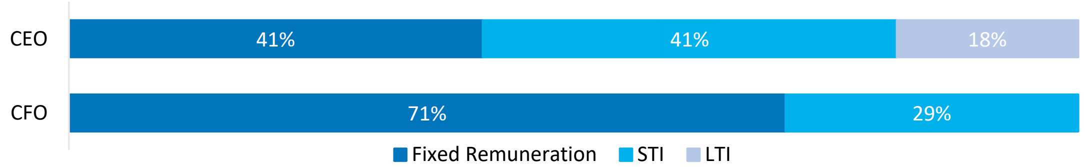
Reward framework components

	Fixed annual remuneration (FAR)	**Short term incentive (STI) at risk**	**Long term incentive (LTI) at risk**
Purpose	Competitively set to attract and retain capable talent reflecting the role scope and accountabilities Determined based on market positioning statement	Reward for annual performance to deliver superior business, customer and shareholder value Provides specific focus on annual strategic priorities	Reward for the creation of sustainable long-term shareholder value Focuses on leading positive organisational culture and engagement with customers, community and people
Performance link	Sustained performance and leadership in executive role	Annual performance targets: • Group EBIT • Divisional EBIT • Operational and strategic KPIs • Safety	Three-year relative total shareholder return (relative TSR) performance against selected ASX 200 companies
Payment vehicle and quantum	Base salary, superannuation May include other benefits and cash allowances Target ASX200 Market Median (excluding Financial services and mining)	Annual cash incentive Target opportunity • CEO 100% FAR • CFO 40% of FAR • Maximum opportunity equivalent to 125% of target for both executive KMP • Subject to Board discretion and clawback provision	Annual performance rights grant Target opportunity • CEO 100% FAR • CFO 30% of FAR • Subject to Board discretion and clawback provision

Executive remuneration arrangements (continued)

Executive KMP remuneration mix

The Pact Executive Remuneration Approach on page 8 outlines the components of KMP remuneration, the following table shows the target remuneration mix of each of those components for 2021(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).

Employee share purchase scheme

In FY21, Pact introduced an employee share purchase scheme, myPact, to further strengthen the link between executive reward and shareholder value creation. The scheme provides an opportunity for employees to acquire shares in Pact, aligning the financial interests of employees with the long term growth of the Company. Participation in the scheme is voluntary. Over 400 employees participated in the scheme.

Members of the Executive Leadership Team (including the CEO and CFO) may choose one of three participation amounts to acquire shares in the Company: $20,000, $50,000 or $100,000. The ELT myPact Plan provides for a Company co-contribution of 25% of the total cost of purchasing the shares. In FY21, both the CEO and CFO participated to the maximum participation amount of $100,000, whereby Pact contributed $25,000 and each executive contributed $75,000 via salary sacrifice arrangement.

Under the ELT myPact Plan, 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.

Executive remuneration arrangements (continued)

Detail of incentive plans

FY21 Short term incentive plan

Opportunity

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 125% of FAR
Former CFO: Target opportunity equivalent to 50% of base salary

Performance measures & weighting

STI is linked to Group EBIT, Divisional 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%)

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.

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**. For FY21, the STI Financial Gateway was set at 100% of Group EBIT Target.

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.

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.

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:

Performance against Target	% Payout against Target Opportunity
Below Target	Nil
Target (meets 100% of Target)	100% of Target
Stretch (meets 110% of Target)	125% of Target

Straight line vesting applies between target and stretch.

The table on page 12 provides additional information on these performance measures, including an overview of performance outcomes.

Executive remuneration arrangements (continued)

<table>
<tr><th colspan="2">FY21 Long-term incentive plan</th></tr>
<tr><td>Opportunity</td><td>CEO: Maximum opportunity equivalent to 100% of FAR
CFO: Maximum opportunity equivalent to 30% of FAR(1)
Refer to LTI vesting schedule below</td></tr>
<tr><td>Instrument</td><td>Performance rights</td></tr>
<tr><td>Performance period</td><td>The performance period commences on the first day of that fiscal year and is measured over 3 years.</td></tr>
<tr><td>Allocation approach</td><td>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.</td></tr>
<tr><td>Performance hurdle</td><td>Vesting of rights is subject to relative Total Shareholder Return (rel. TSR^) hurdle over a three-year performance period.
Peer Group: S&P/ASX 200 comparator group, excluding companies in the Financials, Metals and Mining sectors.
LTI Vesting Schedule
<table>
<tr><th>TSR relative to peer group</th><th>Vesting %</th></tr>
<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>
</table>
^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.
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.</td></tr>
<tr><td>Cessation of Employment</td><td>If an executive resigns or is terminated for cause, any unvested 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.</td></tr>
<tr><td>Rights attaching to performance rights</td><td>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.</td></tr>
<tr><td>Clawback</td><td>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.</td></tr>
<tr><td>Change of Control Provisions</td><td>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).</td></tr>
</table>

(1) Mr Paul Washer, the CFO, is eligible to participate in the LTIP commencing 1 July 2021.

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. Pro rata of 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 FY21

Business performance in FY21

The Group delivered solid growth in underlying earnings and margins, with improved volumes in key segments and disciplined management of input costs. The Group's performance demonstrates good progress in the delivery of strategy.

The table below summarises key indicators of the performance of the Company and relevant shareholder returns over the past 5 financial years.

Performance measure	2017	2018	2019	2020	2021
Statutory net profit / (loss) after tax ($000)	90,341	74,488	(289,587)	**88,847**	**87,534**
Underlying Net profit after tax (NPAT)(1) ($000)	100,003	94,661	77,307	**73,245**	**93,544**
Underlying NPAT growth %(1)	6.0%	(5.3%)	(18.3%)	**(5.3%)**	**27.7%**
Underlying EBIT(1) ($000)	169,416(2)	164,506(2)	148,404(2)	**166,263**	**182,875**
Underlying EBIT growth %	4.3%	(2.9%)	(9.8%)	**12%(3)**	**10%**
Dividends per ordinary share (cps)	23.0	23.0	-	**3.0**	**11.0**
Closing share price (30 June)	5.99	5.27	2.79	**2.19**	**3.70**
3 month average share price (1 April to 30 June)	6.44	5.57	2.51	**2.01**	**3.70**
Earnings per share(1) (cps)	33	30	23	**21**	**27**
Earnings per share(1) growth %	3.1%	(9.1%)	(23.3%)	**(8.7%)**	**28.6%**
Cumulative TSR % (4)	25.7%	14.0%	(39.9%)	**(49.1%)**	**(16.7%)**

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

(2) EBIT before underlying adjustments from 2017 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 $5.46).

STI Outcomes

Performance of STI measures

The table below outlines the performance of each STI measure for 2021.

Measure	Weighting (at target)			Performance commentary
	Sanjay Dayal	Paul Washer	Richard Betts	
EBIT	90%	50%	50%	EBIT target was achieved
Operational and strategic KPIs(1)	-	40%	40%	During the year target performance was achieved.
Group safety	10%	10%	10%	Measured by TRIFR performance and implementation of the Group Safety Plan, target was not achieved

(1) This includes financial performance metrics that align with maintaining targeted gearing.

STI outcome for 2021

The table below shows details of the Executive KMP STI opportunity and payments received for 2021.

	Total STI $	STI earned % of target
Sanjay Dayal	1,154,554	93%
Paul Washer	64,279	90%
Former KMP		
Richard Betts	204,473	92%

Executive remuneration outcomes for FY21 (continued)

LTIP Outcomes

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(1)	Fair value of rights at grant date	Value of rights included in compensation for the year(2)	Performance period
Sanjay Dayal					
2021 LTIP	18 November 2020	497,967	$856,503	$285,501	1 July 2020 to 30 June 2023
2020 LTIP	13 November 2019	538,189	$721,173	$240,391	1 July 2019 to 30 June 2022
2019 LTIP	27 March 2019	69,784	$17,446	$7,700	1 July 2018 to 30 June 2021
				$533,592	

(1) The performance rights granted to Mr Dayal for the 2019 LTIP were on a pro-rata basis aligning with his commencement date of 3 April 2019.

(2) Following Mr Betts cessation of employment, his 2021, 2020 and 2019 LTIP rights were forfeited. No share based payment expense has been included for Mr Betts in the current year in relation to his 2021 tranche. A reversal of share based payment expense was recognised in the current year in relation to the 2020 and 2019 tranches.

Executive KMP performance rights testing

The table below show the LTI plan awards tested in the current financial year.

Year	Performance period	Outcome
Sanjay Dayal		
2019 LTIP	1 July 2018 to 30 June 2021	The 2019 grant was tested in July 2021. As the minimum relative TSR performance hurdle was not met, awards in relation to the 2019 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(1) (2)	Balance at 1 July 2020	Number granted	Number lapsed / forfeited	Balance at 30 June 2021	Vested at 30 June 2021	Unvested at 30 June 2021
Sanjay Dayal	607,973	497,967	-	1,105,940	-	1,105,940

(1) Mr Washer is eligible to participate in the LTIP commencing 1 July 2021.

(2) Mr Betts forfeited 205,534 rights during the year in relation to his 2021, 2020 and 2019 LTIP rights following cessation of his employment.

DIRECTORS' REPORT– REMUNERATION REPORT

Executive KMP remuneration for the year ended 30 June 2021

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]	LTIP[4]	Employee Share Scheme[5]			
		$	$	$	$	$	$		$	$	%
Mr Sanjay Dayal **(CEO)**	**2021**	**1,215,300**	**1,154,554**	**48,021**	**25,000**	**-**	**533,592**	**25,000**	-	**3,001,467**	**56%**
	2020	1,200,000	1,111,198	22,441	25,000	-	248,112	-	-	2,606,751	52%
Mr Paul Washer **(CFO)**	**2021**	**170,833**	**64,279**	**65,807[2]**	**7,428**	**-**	**-**	**25,000**	**-**	**333,347**	**19%**
	2020	-	-	-	-	-	-	-	-	-	-
Former Executive KMP											
Mr Richard Betts **(Former CFO)**	**2021**	**441,876[1]**	**204,473**	**17,148**	**18,750[1]**	**10,639**	**(61,224)[6]**	**-**	**399,825**	**1,031,487**	**14%**
	2020	584,101	205,487	(6,963)	25,000	65,836	79,566	-	-	953,027	30%
Total Executive KMP remuneration	**2021**	**1,828,009**	**1,423,306**	**130,976**	**51,178**	**10,639**	**472,368**	**50,000**	**399,825**	**4,366,301**	**43%**
	2020	1,784,101	1,316,685	15,478	50,000	65,836	327,678	-	-	3,559,778	46%

[1] Salary & fees and superannuation for Mr Betts has been disclosed in the table above based on his period as a designated KMP from the start of the year to 31 March 2021.

[2] Other benefits is the movement in the annual leave provision for Mr Dayal and Mr Betts. In relation to Mr Washer this includes a $50,000 benefit in relation to relocation costs, and the remaining balance relates to the movement in his annual leave provision.

[3] Long term benefits is 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 Monte Carlo valuation simulations.

[5] Includes the Company's co-contribution in the 'myPact' employee share ownership scheme. For both Mr Dayal and Mr Washer a $25,000 benefit has been included in the current year, representing 25% of the maximum participation amount of $100,000.

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

DIRECTORS’ REPORT– REMUNERATION REPORT

Executive KMP remuneration for the year ended 30 June 2021 (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 2021. 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 2021(4)	Employee share scheme(5)	Total
	$	$	$	$	$	$
Mr Sanjay Dayal	1,240,300	1,154,554	48,021	-	25,000	2,467,875
Mr Paul Washer	178,261	64,279	65,807	-	25,000	333,347
Mr Richard Betts	460,626	204,473	17,148	-	-	682,247

(1) Fixed remuneration includes salary and fees, and superannuation contributions, calculated on the same basis as the remuneration table on page 14.

(2) STI and bonuses attributable to the year ended 30 June 2021 are calculated on the same basis as the remuneration table on page 14.

(3) Other benefits include the movement in the annual leave provision for Mr Dayal and Mr Washer shown on an accruals basis, and a $50,000 benefit in relation to relocation costs for Mr Washer.

(4) The 2019 LTIP tranche was measured against the relative TSR hurdle as at 30 June 2021. 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 14.

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.

The table below summarises payments made for NED fees.

Responsibility	2021	2020
Board fees		
Non-Executive Directors (excluding the Chairman)	$115,569	$112,750
Audit, Business Risk and Compliance Committee		
Chair	$31,519	$30,750
Member	$7,880	$7,688
Nomination and Remuneration Committee		
Chair	$31,519	$30,750
Member	$7,880	$7,688

NEDs do not participate in any incentive programs.

The remuneration of NEDs for the year ended 30 June 2021 is detailed in the following table.

DIRECTORS' REPORT– REMUNERATION REPORT

Non-Executive KMP remuneration for the year ended 30 June 2021

Non-Executive KMP	Year	Short term benefits	Post-employment benefits	
		Fees $	Superannuation $	TOTAL $
Ms Lyndsey Cattermole	**2021**	**113,241**	**10,758**	**123,999**
	2020	117,009	11,116	128,125
Mr Raphael Geminder	**2021**	**-**	**-**	**-**
	2020	-	-	-
Mr Jonathan Ling	**2021**	**154,338**	**-**	**154,338**
	2020	143,500	-	143,500
Ms Carmen Chua	**2021**	**121,934**	**-**	**121,934**
	2020	112,750	-	112,750
Mr Michael Wachtel	**2021**	**146,171**	**254**	**146,425**
	2020	21,048	2,000	23,048
Former Non-Executive KMP				
Mr Ray Horsburgh	**2021**	**53,273**	**5,061**	**58,334**
	2020	109,989	10,449	120,438
Mr Peter Margin	**2021**	**-**	**-**	**-**
	2020	18,225	-	18,225
Total Non-Executive KMP remuneration	**2021**	**588,957**	**16,073**	**605,030**
	2020	522,521	23,565	546,086

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 2021:

KMP	Balance 1 July 2020	Movements	Balance 30 June 2021
Raphael Geminder	152,252,175	-	152,252,175
Lyndsey Cattermole	529,879	11,554	541,433
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	-	-	-
Former KMP			
Ray Horsburgh	80,971	-	80,971(1)
Richard Betts	9,284	-	9,284(2)

(1) The final shareholding of Mr Ray Horsburgh at 18 November 2020, the date he resigned as a Director.
(2) The final shareholding of Mr Richard Betts at 31 March 2021, the date he ceased to be a KMP.

7. Related party transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2021:

$'000's		Sales	Purchases	Other expenses	Net amounts receivable
Related parties – director's interests(1)	**2021**	**10,940**	**3,712**	**5,658**	**632**
	2020	13,362	7,354	6,317	558

(1) Related parties – director's interests include the following entities: 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, Gem-Care Products Pty Ltd and P'Auer Pty Ltd (until November 2019).

Sales to related parties

The Group has sales of $10.9 million (2020: $13.4 million) to other related parties including Green's General Foods Pty Ltd, Remedy Kombucha Pty Ltd, Gem-Care Products Pty Ltd and P'Auer Pty Ltd until November 2019 in the prior year. Sales are for packaging and contract manufacturing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns 51.6% (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. The total value of purchases by Pact under this arrangement is approximately $3.7 million (2020: $4.2 million). The supply arrangement is at arm's length. 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 annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2021 was $5.7 million (June 2020: $6.2 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 and on commercial terms. There have been no guarantees provided or received for any related party receivables or payables.

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:

Dayal

Raphael Geminder
Chairman

18 August 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 audit of the financial report of Pact Group Holdings Ltd for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

David Shewring
Partner
18 August 2021

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2021

$'000	Notes	2021	2020
Revenue	1.1, 1.2	**1,761,572**	1,809,158
Raw materials and consumables used		**(734,175)**	(786,175)
Employee benefits expense	5.2	**(438,079)**	(441,666)
Occupancy, repair and maintenance, administration and selling expenses		**(293,843)**	(292,919)
Interest and other income		**18,145**	14,828
Other (losses) / gains	6.2	**(6,939)**	14,463
Depreciation and amortisation expense	2.2	**(132,013)**	(135,544)
Impairment and write-off expense	1.1	**(2,687)**	(11,793)
Finance costs and loss on de-recognition of financial assets	4.1	**(51,766)**	(63,437)
Share of profit in associates	3.3	**3,075**	3,131
Profit before income tax expense		**123,290**	110,046
Income tax expense	1.3	**(35,756)**	(21,199)
Net Profit for the year		**87,534**	88,847
Net Profit attributable to equity holders of the parent entity		**87,534**	88,847
Other comprehensive income			
Items that will be not be reclassified subsequently to profit or loss			
Gain / (loss) on remeasurement of defined benefit liability		**339**	(144)
Items that will be reclassified subsequently to profit or loss			
Gain / (loss) on cash flow hedges taken to equity		**5,269**	(3,285)
Foreign currency translation losses		**(6,429)**	(2,753)
Income tax (expense) / benefit on items in other comprehensive income		**(1,664)**	1,088
Other comprehensive loss for the year, net of tax		**(2,485)**	(5,094)
Total comprehensive income for the year		**85,049**	83,753
Attributable to:			
Equity holders of the parent entity		**85,049**	83,753
Total comprehensive income for the Group		**85,049**	83,753
cents			
Basic earnings per share	1.1	**25.4**	25.8
Diluted earnings per share	1.1	**25.3**	25.7

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

Consolidated Statement of Financial Position

For the year ended 30 June 2021

$'000	Notes	2021	2020
CURRENT ASSETS			
Cash and cash equivalents		**62,152**	76,004
Trade and other receivables	2.1	**129,305**	149,679
Inventories	2.1	**242,706**	223,698
Contract assets		**13,397**	12,349
Other current financial assets		**1,714**	784
Prepayments		**15,740**	13,985
TOTAL CURRENT ASSETS		**465,014**	476,499
NON-CURRENT ASSETS			
Trade and other receivables		**7**	7
Prepayments		**2,015**	2,925
Property, plant and equipment	2.2	**1,014,199**	996,002
Investments in associates and joint ventures	3.3	**35,110**	30,876
Intangible assets and goodwill	2.2	**459,369**	456,068
Other non-current financial assets		**-**	111
Deferred tax assets	1.3	**32,029**	33,147
TOTAL NON-CURRENT ASSETS		**1,542,729**	1,519,136
TOTAL ASSETS		**2,007,743**	1,995,635
CURRENT LIABILITIES			
Trade and other payables	2.1	**351,207**	378,124
Current tax liability	1.3	**25,198**	21,175
Employee benefits provisions	5.2	**41,616**	38,638
Other provisions	2.4	**1,970**	-
Lease liabilities	2.5,4.1	**70,932**	69,203
Other current financial liabilities		**271**	4,313
TOTAL CURRENT LIABILITIES		**491,194**	511,453
NON-CURRENT LIABILITIES			
Employee benefits provisions	5.2	**8,928**	8,127
Other provisions	2.4	**11,923**	9,967
Interest-bearing loans - bank borrowings	4.1	**647,163**	689,530
Lease liabilities	2.5,4.1	**399,012**	385,656
Other non-current financial liabilities		**8,319**	8,457
Deferred tax liabilities	1.3	**9,334**	9,796
TOTAL NON-CURRENT LIABILITIES		**1,084,679**	1,111,533
TOTAL LIABILITIES		**1,575,873**	1,622,986
NET ASSETS		**431,870**	372,649
EQUITY			
Contributed equity	4.2	**1,750,476**	1,750,476
Reserves	4.2	**(902,383)**	(901,251)
Retained earnings		**(416,223)**	(476,576)
TOTAL EQUITY		**431,870**	372,649

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to equity holders of the Parent entity						
$'000	**Contributed equity**	**Common control reserve**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Share based payments reserve**	**Retained Earnings**	**Total equity**
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 expense	**-**	**-**	**-**	**-**	**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**
Year ended 30 June 2020							
As at 1 July 2019	1,750,476	(928,385)	(4,580)	33,897	2,157	(565,279)	288,286
Profit for the year	-	-	-	-	-	88,847	88,847
Other comprehensive loss	-	-	(2,197)	(2,753)	-	(144)	(5,094)
Total comprehensive (loss) / income	-	-	(2,197)	(2,753)	-	88,703	83,753
Share based payments expense	-	-	-	-	610	-	610
Transactions with owners in their capacity as owners	-	-	-	-	610	-	610
Balance as at 30 June 2020	1,750,476	(928,385)	(6,777)	31,144	2,767	(476,576)	372,649

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

$'000	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,153,783	980,845
Receipts from securitisation programs		855,898	1,057,888
Payments to suppliers and employees		(1,711,204)	(1,775,178)
Income tax paid		(31,065)	(4,315)
Interest received		588	1,534
Proceeds from / (repayments of) securitisation of trade debtors		3,196	(6,840)
Borrowing, trade debtor securitisation and other finance costs paid		(50,162)	(61,803)
Net cash flows provided by operating activities	4.1	221,034	192,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(78,283)	(76,475)
Payments for investments in associates and joint ventures		(9,009)	(3,558)
Purchase of businesses and subsidiaries, net of cash acquired	3.1	(23,836)	-
Payments for deferred acquisition consideration		(23,307)	-
Proceeds from sale of property, plant and equipment		6,900	669
Proceeds from / (Payments for) joint venture loans		1,104	(105)
Sundry items		1,049	704
Net cash flows used in investing activities		(125,382)	(78,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		247,997	315,139
Repayment of borrowings		(280,722)	(357,599)
Repayment of lease liability principal		(47,413)	(44,480)
Payment of dividends		(27,520)	-
Net cash flows (used in) / provided by financing activities		(107,658)	(86,940)
Net (decrease) / increase in cash and cash equivalents		(12,006)	26,426
Cash and cash equivalents at the beginning of the year		76,004	49,950
Effect of exchange rate changes on cash and cash equivalents		(1,846)	(372)
Cash and cash equivalents at the end of the year		62,152	76,004

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

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 2021.

1.1 GROUP RESULTS

$'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**

$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Year ended 30 June 2020					
Revenue	1,143,852	315,599	394,188	(44,481)	1,809,158
Underlying EBITDA(1)	181,272	73,012	47,523	-	301,807
Underlying EBIT(2)	90,806	44,200	31,257	-	166,263

(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	
• Packaging and Sustainability	• Manufacture and supply of rigid plastic and metal packaging and associated services • Recycling and sustainability services	• Australia • New Zealand • China • Indonesia • Philippines • Singapore	• Thailand • Hong Kong • South Korea • Nepal • India
• Materials Handling and Pooling	• Manufacture and supply of materials handling products and the provision of associated services • Pooling services	• Australia • New Zealand • China • Hong Kong • United States of America	• India • Bangladesh • United Kingdom • Sri Lanka
• Contract Manufacturing Services	• Contract manufacturing and packing services	• Australia	

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	2021	2020
Underlying EBIT		**182,875**	166,263
Underlying adjustments(1)			
Transaction costs(2)		**(1,743)**	(4,034)
Restructuring costs(3)		**(6,196)**	(4,790)
Costs arising from factory fire(4)		**(3,983)**	-
Impairment and write-off expenses(4)		**(2,687)**	(11,793)
Insurance settlement for events in prior periods		**1,787**	-
Profit on sale of properties(5)		**4,408**	-
Net gain on lease modification(6)		**-**	4,544
Reversal of contingent consideration obligation(7)		**-**	30,000
Finalisation of acquisition consideration(8)		**-**	(7,172)
Asset write downs		**-**	(218)
		(8,414)	6,537
Reported EBIT		**174,461**	172,800
Finance costs(9)		**(51,171)**	(62,754)
Net profit before tax		**123,290**	110,046
Income tax expense		**(35,756)**	(21,199)
Net profit after tax		**87,534**	88,847

(1) Underlying adjustments, referred to as significant items in prior periods. This includes items that are individually material or do not relate to the operating business, and are reported outside of operational results to the chief operating decision maker. 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) Clean up and other miscellaneous expenses ($4.0 million), and write-off of fixed assets and inventory ($2.7 million) arising from a factory fire at the Lurnea plant in the Contract Manufacturing segment. In the prior year a customer contract acquired in a previous business combination was written down by $11.8 million due to reduced future economic benefits expected.

(5) Profit from the sale of property in China in the Packaging and Sustainability segment.

(6) In the prior year, a net gain on lease modification was recognised 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.*

(7) In the prior year, reversal of contingent consideration obligation was recognised on acquisition of the retail accessories re-use business. The specific financial hurdles required for payment were not achieved. In accordance with *AASB 3: Business Combinations,* changes to the fair value of amounts payable for acquisitions is recorded in the consolidated statement of comprehensive income.

(8) In the prior year, adjustments recognised following completion of accounting for acquisitions made in the year ended 30 June 2019.

(9) Net finance costs includes interest income of $595,000 (2020: $683,000).

Basic and diluted earnings per share

	2021	2020
Earnings per share (EPS) (cents) - Basic	**25.4**	25.8
Earnings per share (EPS) (cents) - Diluted	**25.3**	25.7
Calculated using:		
• Net profit attributable to ordinary equity holders ($'000)	**87,534**	88,847
• Weighted average of ordinary shares (shares) - Basic	**343,993,595**	343,993,595
• Weighted average of ordinary shares (shares) - Diluted	**346,160,722**	345,329,618

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 5.3.

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 2021					
Australia	**611,006**	**161,733**	**321,838**	**-**	**1,094,577**
New Zealand	**303,820**	**646**	**-**	**-**	**304,466**
Asia	**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*.

$'000	Packaging and Sustainability(1)	Materials Handling and Pooling	Contract Manufacturing Services(2)	Eliminations	Total
Year ended 30 June 2020					
Australia	617,973	162,882	394,131	-	1,174,986
New Zealand	292,954	138	-	-	293,092
Asia	191,851	57,026	-	-	248,877
Revenue from contracts with customers	1,102,778	220,046	394,131	-	1,716,955
Revenue from asset hire services(3)	-	92,203	-	-	92,203
Inter-segment revenue	41,074	3,350	57	(44,481)	-
Revenue	1,143,852	315,599	394,188	(44,481)	1,809,158

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

(2) 2.5% 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.

1.3 TAXATION

Reconciliation of tax expense

$'000	2021	2020
Accounting profit before tax	**123,290**	110,046
Income tax calculated at 30% (2020: 30%)	**36,987**	33,014
Adjustments in respect of income tax of previous years	**1,491**	(2,009)
Lease surrender	**-**	(1,363)
Tax on unremitted foreign income	**1,799**	2,258
Overseas tax rate differential	**(3,835)**	(2,977)
Tax on finalisation of acquisition consideration and reversal of contingent consideration obligation	**-**	(7,172)
Sundry items	**(686)**	(552)
Income tax expense / (benefit) reported in the Consolidated Statement of Comprehensive Income	**35,756**	21,199
Comprising of:		
● Current year income tax expense	**33,662**	28,933
● Deferred income tax expense / (benefit)	**603**	(5,725)
● Adjustments in respect of previous years income tax	**1,491**	(2,009)

Included in the above is a tax benefit on underlying adjustments of $2.4 million for the year ended 30 June 2021 (2020: $9.1 million).

Recognised current and deferred tax assets and liabilities

$'000	2021 Current Income tax Asset / (Liability)	2021 Deferred Income tax	2020 Current Income tax Asset / (Liability)	2020 Deferred Income tax
Opening balance	**(21,175)**	**23,351**	3,360	5,154
Charged to income	**(33,662)**	**(603)**	(28,933)	5,725
Adjustments in respect of income tax of previous years	**153**	**(1,644)**	(10,285)	12,294
Charged to other comprehensive income	**(1,644)**	**1,644**	1,088	-
Adjustment from adoption of AASB 16	**-**	**-**	9,234	-
Net payments	**31,065**	**-**	4,315	-
Foreign exchange translation movement	**65**	**(50)**	46	178
Closing balance	**(25,198)**	**22,698**	(21,175)	23,351
Comprises of:				
● Deferred tax assets				
▫ Employee entitlements provision		**17,272**		16,824
▫ Provisions		**7,341**		7,591
▫ Unutilised tax losses		**1,468**		1,037
▫ Lease liability		**136,960**		132,872
▫ Other		**8,006**		8,303
		171,047		166,627
Offset with deferred tax liability		**(139,018)**		(133,480)
Net deferred tax asset		**32,029**		33,147
● Deferred tax liabilities				
▫ Property, plant and equipment		**(145,098)**		(139,643)
▫ Intangibles		**(3,496)**		(3,983)
▫ Other		**242**		350
		(148,352)		(143,276)
Offset with deferred tax asset		**139,018**		133,480
Net deferred tax liability		**(9,334)**		(9,796)

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.

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	2021	2020
Dividends paid during the financial year	**27,520**	-
Proposed dividend(1)	**20,640**	10,320

(1) The directors have determined to pay a final dividend of 6.0 cents per ordinary share after the end of the financial year (2020: 3.0 cents).

Franking credit balance[2]		
Franking account balance as at the end of the financial year at 30% (2021: 30%)	**9,800**	4,690
Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	**10,700**	10,000
Franking credits that will be utilised from the payment of dividends as at the end of the financial year	**-**	-
Total franking credit available for the subsequent financial year	**20,500**	14,690

[2] Franking credits of 7,667 have been utilised during the financial year (2020: $Nil).

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

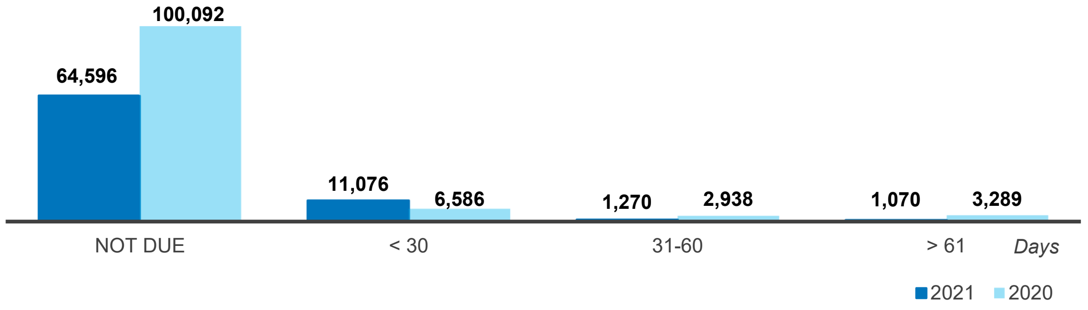
Trade and other receivables

Trade and other receivables at 30 June comprise of:

$'000	2021	2020
Trade receivables(1)	**78,357**	113,354
Allowance for expected credit losses	**(345)**	(450)
Other receivables(2)	**51,293**	36,775
Total current trade and other receivables	**129,305**	149,679

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

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



(2) At 30 June 2021 $27.7 million (2020: $26.7 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 2021, the Group had expected credit losses of $0.3 million (2020: $0.4 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 2021.

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.

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	2021	2020
Raw materials and stores	**131,614**	109,989
Work in progress	**22,640**	22,943
Finished goods	**88,452**	90,766
Total inventories	**242,706**	223,698

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 is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

Trade and other payables

Current trade and other payables at 30 June comprise of:

$'000	2021	2020
Trade payables	**273,154**	261,405
Other payables	**78,053**	116,719
Total current trade and other payables	**351,207**	378,124

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.

2.2 NON-CURRENT ASSETS

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

$'000	2021	2020
Australia	**835,813**	851,812
New Zealand	**409,273**	362,007
Asia	**228,482**	238,251
TOTAL	**1,473,568**	1,452,070

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 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)**
Year ended 30 June 2020						
At 1 July 2019 net of accumulated depreciation	53,375	466,850	29,337	-	88,980	638,542
Adoption of AASB16	-	-	-	377,077	-	377,077
Additions and transfers	8,515	84,864	12,715	47,183	(29,263)	124,014
Acquisition of subsidiaries and businesses	-	524	-	-	-	524
Receipt of lease incentive	-	-	-	(2,909)	-	(2,909)
Disposals	-	(1,552)	-	-	-	(1,552)
Derecognition of ROU assets	-	-	-	(5,379)	-	(5,379)
Foreign exchange translation movement	(433)	(2,704)	(94)	592	(116)	(2,755)
Depreciation charge for the year	(4,385)	(70,111)	(4,642)	(52,422)	-	(131,560)
At 30 June 2020 net of accumulated depreciation	57,072	477,871	37,316	364,142	59,601	996,002
Represented by:						
• At cost	85,821	1,195,231	49,780	416,564	59,601	1,806,997
• Accumulated depreciation and impairment	(28,749)	(717,360)	(12,464)	(52,422)	-	(810,995)

(1) Property consists of the following: leasehold improvements of $40.6 million (2020: $34.7 million) and accumulated depreciation of $16.8 million (2020: $13.8 million), and freehold property of $44.6 million (2020: $51.1 million) and accumulated depreciation of $13.6 million (2020: $14.9 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.

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.

The Group assesses at each reporting date whether there is an indication that an asset with a finite life 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(1)	Other intangibles(1)	Goodwill	Total
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)**
Year ended 30 June 2020					
At 1 July 2019 net of accumulated amortisation and impairment		20,260	9,586	447,208	477,054
Additions		-	4	-	4
Transfer to Property, Plant & Equipment		-	(520)	-	(520)
Intangible asset arising on acquisition		-	-	(595)	(595)
Write-off expense		(11,793)	-	-	(11,793)
Foreign exchange translation movements		-	(23)	(4,075)	(4,098)
Amortisation		(2,810)	(1,174)	-	(3,984)
At 30 June 2020 net of accumulated amortisation and impairment		5,657	7,873	442,538	456,068
Represented by:					
At cost		28,106	11,829	673,670	713,605
Accumulated amortisation and impairment		(22,449)	(3,956)	(231,132)	(257,537)

(1) Customer contracts are recognised at cost and amortised on a straight-line basis over a period of 10 years (useful life). Other intangibles include a balance of $1.8 million which has an indefinite life and is not amortised, all other intangibles are recognised at cost and amortised over their useful lives.

2.2 NON-CURRENT ASSETS (CONTINUED)

Goodwill and other intangibles (continued)

$'000	2021	2020
Goodwill and intangible assets with indefinite lives are allocated to the following group of CGU's and segments[1]:		
Packaging and Sustainability	**261,870**	254,623
Contract Manufacturing Services	**21,030**	21,030
Materials Handling and Pooling	**166,274**	168,647
	449,174	444,300

[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

The recoverable amount of each of the CGU's 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.

Annual impairment testing

Impairment testing is undertaken annually using a value in use approach.

The discount rates and terminal growth rates applied to cashflow projections are detailed below. The calculation of value in use for the 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** – 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.
- **Discount rates** –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
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%**
2020			
Discount rate (pre-tax)[1]	**9.4% - 17.0%**	**11.8% - 14.3%**	**13.6%**
Terminal growth rate[1]	**1.0% - 5.9%**	**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.

2.2 NON-CURRENT ASSETS (CONTINUED)

Goodwill and other intangibles (continued)

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

	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services
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.

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

2.3 CAPITAL EXPENDITURE COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

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

$'000	2021	2020
Payable within one year	**45,985**	24,139
Payable after one year but not more than five years	**7,870**	6,419
Total	**53,855**	30,558

Contingencies

In the prior 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. On the 27 July 2021 the Group received a dispute notice in relation to this contingent consideration obligation. The Group is responding to the dispute notice.

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.

2.4 OTHER PROVISIONS

Total other provisions at 30 June comprise of:

$'000	2021	2020
CURRENT		
Business restructuring	**1,970**	-
Total current provisions	**1,970**	-
NON-CURRENT		
Make good on leased premises	**11,923**	9,967
Total non-current provisions	**11,923**	9,967

Movement in provisions

Year ended 30 June 2021	Fixed rent provision	Business restructuring[1]	Make good on leased premises[2]	Total
At 1 July 2020	**-**	**-**	**9,967**	**9,967**
Provided for during the year	**-**	**6,196**	**2,010**	**8,206**
Acquisition of subsidiaries and businesses	**-**	**-**	**111**	**111**
Utilised	**-**	**(4,226)**	**(101)**	**(4,327)**
Foreign exchange translation movement	**-**	**-**	**(64)**	**(64)**
At 30 June 2021	**-**	**1,970**	**11,923**	**13,893**
Year ended 30 June 2020				
At 1 July 2019	**22,765**	**13,914**	**9,593**	**46,272**
Adoption of AASB 16	**(22,765)**	**(10,357)**	**-**	**(33,122)**
Provided for during the year	**-**	**4,790**	**1,277**	**6,067**
Utilised	**-**	**(8,354)**	**(859)**	**(9,213)**
Foreign exchange translation movement	**-**	**7**	**(44)**	**(37)**
At 30 June 2020	**-**	**-**	**9,967**	**9,967**

(1) Business restructuring - The business restructuring programs relate to the optimisation of business facilities across the Group.

(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.

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.

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	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	**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**
Adoption of AASB 16 as at 1 July 2019	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

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

$'000	2021	2020
Expenses relating to short-term leases	**1,510**	2,907
Expenses relating to low-value leases	**358**	176
Variable lease payments	**(62)**	633
Property outgoings(1)	**12,747**	12,014

(1) Includes council rates, taxes, insurance and other lease related payments. Outgoings are 18.6% of the Group's property lease payments in the financial year (2020:19.7%).

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

$'000	2021	2020
Current	**70,932**	69,203
Non-current	**399,012**	385,656

2.5 LEASES (CONTINUED)

Impacts on financial statements (continued)

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

$'000	2021	2020
Less than one year	**72,990**	70,826
One to five years	**226,991**	228,965
More than five years	**388,749**	347,813
Total undiscounted liabilities	**688,730**	647,604

The amounts recognised in the statement of cash flows are:

$'000	2021	2020
Repayment of lease liability principal(1)	**47,413**	44,480
Interest payments(1)	**26,117**	26,364
Expenses relating to short-term leases	**1,510**	2,907
Expenses relating to low-value leases	**358**	176
Variable lease payments	**(62)**	633
Property outgoings	**12,232**	11,934
Onerous lease payments	**-**	2,744

(1) Of the total lease payments, 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.

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 2021 acquisition

$'000	Flight Plastics
Consideration paid or payable	**23,836**
Comprising of:	
● Cash consideration paid	**23,836**
● Assets	
▫ Inventory	**4,633**
▫ Property, plant and equipment	**13,831**
▫ Right of use assets	**27,303**
▫ Prepayments	**324**
● Liabilities	
▫ Lease liabilities	**(27,192)**
▫ Make good provision	**(111)**
▫ Employee benefits provisions	**(489)**
Fair value of identifiable net assets	**18,299**
Provisional goodwill arising on acquisition	**5,537**

(1) On 31 January 2021, the Group paid a net $23.8 million consideration to the vendor to acquire 100% of the net assets of Flight Plastics. Flight Plastics is a New Zealand based packaging manufacturer with integrated PET recycling capability operating in the fresh food segment. The acquisition of Flight Plastics compliments the Groups strategy to lead the circular economy through reuse, recycling and packaging solutions.

Provisional goodwill of $5.5 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 Flight Plastic's reputation for quality and service. Goodwill is allocated to the Packaging and Sustainability reportable segment. This goodwill will not be deductible for tax purposes.

From the date of acquisition to 30 June 2021 Flight Plastics NZ contributed $8.1 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 2020, contributions to revenue for the period ended 30 June 2021 would have been $13.4 million higher and the contribution to profit before tax for the Group would have been $1.3 million higher.

Included within the Consolidated Statement of Comprehensive Income are acquisition-related costs of $0.2 million.

Completion of prior year acquisition accounting

There were no acquisitions for the year ended 30 June 2020.

3.2 CONTROLLED ENTITIES

Australian incorporated entities that are party to the Deed of Cross Guarantee at 30 June 2021(1)

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

3.2 CONTROLLED ENTITIES (CONTINUED)

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

AUSTRALIA

- Plaspak Contaplas Pty Ltd(2)
- Plaspak Management Pty Ltd(2)
- Plaspak (PET) Pty Ltd(2)
- Plaspak Minto Pty Ltd(3)
- Sustainapac Pty Ltd

NEW ZEALAND

- Pact Group Holdings (NZ) Ltd
- Pact Group Finance (NZ) Ltd
- Pact Group (NZ) Ltd
- VIP Steel Packaging (NZ) Ltd
- VIP Plastic Packaging (NZ) Ltd
- Alto Packaging Ltd
- Auckland Drum Sustainability Services Ltd
- Viscount FCC Ltd
- Tecpak Industries Ltd
- Astron Plastics Ltd
- Pacific BBA Plastics (NZ) Ltd
- Viscount Plastics (NZ) Ltd
- Stowers Containment Solutions Ltd
- Sulo NZ Ltd(4)
- Pact Retail Accessories (New Zealand) Pty Ltd(5)

CHINA

- Guangzhou Viscount Plastics Co Ltd(6)
- Langfang Viscount Plastics Co Ltd(6)
- Changzhou Viscount Plastics Co Ltd(6)
- Pact Group Closure Systems (Guangzhou) Co. Ltd(7)
- Pact Group Closure Systems (Tianjin) Co. Ltd)(7)
- Pact Group Packaging Systems (Guangzhou) Co. Ltd(9)
- Dongguan Top Rise Trading Co. Ltd(10)
- Regent Plastic Products Ltd(8)
- Ningbo Xunxing Trade Co. Ltd(11)

BANGLADESH

- TIC Trading (Bangladesh) Ltd(11)
- TIC Manufacturing (Bangladesh) Ltd(11)
- TIC Industries (Bangladesh) Pty Ltd (11)

HONG KONG

- Pact Group Holdings (Hong Kong) Limited(12)
- Roots Investment Holding Private Limited(7)
- TIC Group (HK) Ltd(13)
- TIC Group (Asia) Ltd(13)
- Talent Group Development Ltd(13)
- Fast Star International Holdings Ltd(13)
- TIC Group Ltd(13)

INDIA

- Pact Closure Systems (India) Private Limited(12)
- AMRS Business Services Private Limited(13)

INDONESIA

- PT Plastop Asia Indonesia(14)
- PT Plastop Asia Indonesia Manufacturing(14)

KOREA

- Pact Group Closure Systems Korea Ltd(7)

NEPAL

- Pact Group Closure Systems Nepal Private Limited(12)

PHILIPPINES

- Plastop Asia Inc(15)
- Pact Closure Systems (Philippines), Inc(12)

SINGAPORE

- Asia Peak Pte Ltd(12)

UNITED STATES OF AMERICA

- Pact Group (USA) Inc(16)
- PGH Services LLC(13)

UNITED KINGDOM

- TIC Group (Europe) Ltd(16)

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(1) All entities are wholly owned
(2) Owned by Skyson Pty Ltd
(3) Owned by Snopak Manufacturing Pty Ltd
(4) Owned by Sulo MGB Australia Pty Ltd
(5) Owned by Pact Group Holdings (NZ) Ltd
(6) Owned by Viscount Plastics (China) Pty Ltd
(7) Owned by Pact Group Holdings (Hong Kong) Limited
(8) Owned by Talent Group Development Ltd
(9) Owned by Roots Investment Holding Private Limited
(10) Owned by TIC Group (Asia) Ltd
(11) Owned by Fast Star International Ltd
(12) Owned by Pact Group Industries (Asia) Pty Ltd
(13) Owned by Davmar Investments Pty Ltd
(14) Owned by Asia Peak Pte Ltd
(15) Owned by Ruffgar Holdings Pty Ltd
(16) Owned by Pact Group Industries (ANZ) Pty Ltd

Key Estimate and Judgement – Control and significant influence
Determining whether Pact can control or exert significant influence over an entity can at times require judgement. It requires management to consider whether Pact is exposed to, 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 investee. In making such an assessment, a range of factors are considered, including if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

How Pact accounts for controlled entities

Controlled entities are fully 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:

- 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.

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	
$'000				2021	2020
Spraypac Products (NZ) Ltd (Spraypac)[1]	New Zealand	Is an associate company distributing plastic bottles and related spray products.	50%	**776**	976
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%	**1,861**	2,133
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%	**16,156**	20,632
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%	**3,273**	3,012
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%	**4,037**	3,903
Circular Plastics Australia Pty Ltd (Circular Plastics)[2]	Australia	A joint venture that will recycle PET bottles to produce new bottles and food and beverage packaging.	40%	**9,007**	-
Changzhou Viscount Oriental Mould Co Ltd (Oriental Mould)[3]	China	Is an associate company, which is a manufacturer of moulds, of which a proportion is purchased by the local Chinese subsidiaries of Viscount Plastics (China) Pty Ltd.	40%	**-**	220

(1) Ownership interest at 30 June 2021 and 30 June 2020.

(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.

(3) 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.

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, the table below shows summarised financial information of the Group's investment:

$'000	Gempack 2021	Circular Plastics 2021	Gempack 2020	Circular Plastics 2020
Summarised statement of financial position				
Cash and cash equivalents	**7,922**	**565**	**11,072**	**-**
Other current assets	**11,656**	**82**	**13,973**	**-**
Non current assets	**19,602**	**32,965**	**25,281**	**-**
Liabilities	**(6,868)**	**(11,096)**	**(9,061)**	**-**
Net assets	**32,312**	**22,517**	**41,265**	**-**
Carrying amount of the Group's investment	**16,156**	**9,007**	**20,632**	**-**
Summarised statement of comprehensive income				
Interest expense	**926**	**4**	**1,100**	**-**
Depreciation and amortisation	**2,281**	**-**	**2,358**	**-**
Income tax expense	**92**	**-**	**455**	**-**

Summary of associates and joint venture financial information at 30 June[1]

$'000	2021	2020
Summarised statement of financial position		
Current assets	**36,150**	42,930
Non-current assets	**61,629**	36,261
Current liabilities	**(20,961)**	(16,401)
Non-current liabilities	**(2,727)**	(1,337)
Net assets	**74,091**	61,453
Carrying amount of the Group's investment	**35,110**	30,876
Summarised statement of comprehensive income		
Revenue	**46,808**	51,890
Expense	**(40,634)**	(45,664)
Net profit after tax	**6,174**	6,226
Group's share of profit for the year	**3,075**	3,131

(1) Includes the Group's investment in Gempack and Circular Plastics Australia Pty Ltd

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 $1.6 million (2020: $0.7 million).

The joint ventures and associates had no contingent liabilities or material capital commitments at 30 June 2021 (2020: 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.

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 2021:

CURRENT

$'000	Notes	2021	2020
Lease liabilities	2.5	**70,932**	69,203
Total current interest-bearing loans and borrowings		**70,932**	69,203

NON-CURRENT

$'000	Notes	2021	2020
Syndicated Facility Agreements(1)		**604,611**	643,700
Subordinated Debt Facility(1)(2)		**46,549**	50,991
Capitalised borrowing costs		**(3,997)**	(5,161)
Total bank borrowings (including capitalised borrowing costs)		**647,163**	689,530
Lease liabilities	2.5	**399,012**	385,656
Total non-current interest-bearing loans and borrowings		**1,046,175**	1,075,186

$'000	Notes	2021	2020
Total bank borrowings (including capitalised borrowing costs)		**647,163**	689,530
Cash and cash equivalents		**(62,152)**	(76,004)
Net debt before lease liabilities		**585,011**	613,526
Lease liabilities		**469,944**	454,859
Net debt		**1,054,955**	1,068,385

(1) The Group syndicated facilities are as follows:

Debt Facilities

Facility	Maturity date	Total Facilities $'000
Working capital facility	Revolving with an annual review	**22,846**
Loan facility	January 2023	**183,300**
Loan facility	March 2023	**298,775**
Loan facility	July 2024	**297,286**
Term facility	December 2024	**120,000**
Subordinated term debt facility(2)	July 2025	**46,549**
Total facilities		**968,756**
Facilities utilised		**651,538**
Facilities unutilised		**317,218**

(2) This facility is denominated in USD and was translated to AUD using the AUD/USD spot rate as at 30 June 2021. The foreign currency exchange difference is fully hedged with a cross currency swap. The fair value of this swap at 30 June 2021 is $4.1 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.

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:

	2021 $'000		2020 $'000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Syndicated Facility Agreements	**604,611**	**604,611**	643,700	643,700
Subordinated Debt Facility	**46,549**	**46,549**	50,991	50,991
Total bank borrowings	**651,160**	**651,160**	694,691	694,691

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	2021	2020
Interest expense on bank loans and borrowings	**20,557**	28,852
Borrowing costs amortisation	**2,058**	3,416
Amortisation of securitisation program costs	**387**	654
Sundry items	**296**	819
Total interest expense on borrowings	**23,298**	33,741
Interest expense on unwinding of provisions	**511**	536
Interest expense on lease liabilities	**26,117**	26,364
Total finance costs	**49,926**	60,641
Loss on de-recognition of financial assets	**1,840**	2,796
Total finance costs and loss on de-recognition of financial assets	**51,766**	63,437

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 2021 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.

4.1 NET DEBT (CONTINUED)

Reconciliation of net profit / (loss) after tax to net cash flows from operations

$'000	2021	2020
Net profit / (loss) for the year	**87,534**	88,847
Non cash flows in operating profit / (loss):		
Depreciation and amortisation	**132,013**	135,544
Loss on sale of property, plant and equipment	**261**	883
Share of net profit in associates	**(3,075)**	(3,131)
Share based payments expense	**1,335**	610
Impairment and write-off expense	**-**	11,793
Other	**45**	208
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	**15,825**	(3,104)
(Increase) in inventory	**(15,306)**	(10,322)
Decrease in current tax assets	**-**	3,360
Decrease / (Increase) in net deferred tax assets and liabilities	**712**	(7,739)
(Decrease) in trade and other payables	**(11,520)**	(40,666)
Increase in employee entitlement provisions	**3,749**	2,998
Increase / (decrease) in other provisions	**3,972**	(6,089)
Increase in current tax liabilities	**5,489**	18,939
Net cash flow provided by operating activities	**221,034**	192,131

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 twelve 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 within interest-bearing loans and borrowings 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.

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.

	2021		2020	
	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
Issuance of shares	**-**	**-**	-	-
End of the year	**343,993,595**	**1,750,476**	**343,993,595**	**1,750,476**

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	2021	2020
Foreign currency translation reserve(1)	**24,715**	31,144
Cash flow hedge reserve(2)	**(3,172)**	(6,777)
Common control transaction reserve(3)	**(928,385)**	(928,385)
Share based payments reserve(4)	**4,459**	2,767
Total reserves	**(902,383)**	(901,251)

(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.

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 2021
Pact has variable interest rate debt, and therefore if interest rates increase, the amount of interest Pact is required to pay would also increase.	• 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.	At 30 June 2021, the Group hedge cover is 38% (2020: 36%) of its long term variable debt excluding working capital facilities. Sensitivity analysis performed by the Group showed that a +1 percentage point movement in AUD interest rates would reduce net profit after tax by $2.0 million and increase equity by $0.2 million (2020: $2.5 million reduction in net profit after tax and increase equity by $1.2 million). Sensitivity analysis performed by the Group showed that a +1 percentage point movement in NZD interest rates would reduce net profit after tax by $1.1 million and reduce equity by $0.6 million (2020: $1.1 million reduction in net profit after tax and reduce equity by $0.2 million). 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 (2020: $0.5 million).

(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) TIC RA AU Pty Ltd is domiciled in Australia and has USD as its functional currency.

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 2021
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 individual transactions once the Group has entered into a firm commitment for a sale or purchase.	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%. At 30 June 2021, the Group has the majority of its foreign currency committed purchase orders hedged. 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. 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 AUDUSD ($1.7) million to $1.4 million.
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.	Sensitivity analysis performed by management showed that a 10% +/- movement in its major translational currencies as at 30 June 2021 would have the following impact on equity: AUDNZD ($8.7) million to $10.6 million AUDCNY ($13.0) million to $15.9 million AUDUSD ($3.5) million to $4.3 million AUDPHP ($2.8) million to $3.4 million 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: AUDNZD ($2.5) million to $3.1 million AUDUSD ($0.9) million to $1.1 million

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 2021
The risk that Pact cannot meet its obligations to repay its financial liabilities as and when they fall due.	• 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.

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	Total
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)**
Year ended 30 June 2020				
Financial assets(1)				
Cash and cash equivalents	76,004	-	-	76,004
Trade and other receivables	149,679	-	7	149,686
Foreign exchange forward contracts(2)	74,818	2,760	348	77,926
Total inflows	300,501	2,760	355	303,616
Financial liabilities(1)				
Trade and other payables	(378,124)	-	-	(378,124)
Foreign exchange forward contracts(2)	(78,986)	(2,809)	(351)	(82,146)
Resin forward contracts	(12)	-	-	(12)
Interest rate swaps	(1,348)	(1,477)	(5,632)	(8,457)
Interest bearing loans and bank borrowings(3)(4)	(8,508)	(8,369)	(726,261)	(743,138)
Total outflows	(466,978)	(12,655)	(732,244)	(1,211,877)
Net outflow	(166,477)	(9,895)	(731,889)	(908,261)

(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 2020	Cash flows	Non-cash changes	Foreign exchange movement	30 June 2021
Lease liabilities	**(454,859)**	**73,530**	**(89,597)**	**982**	**(469,944)**
Non-current interest-bearing loans and bank borrowings	**(694,690)**	**32,725**	**-**	**10,805**	**(651,160)**
Total liabilities from financing activities	**(1,149,549)**	**106,255**	**(89,597)**	**11,787**	**(1,121,104)**

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 high 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.

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 instrument's;
- the hedged item's or transaction's; 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.

4.4 FINANCIAL INSTRUMENTS (CONTINUED)

Effect on financial position and performance – hedging instruments

The impact of each hedged 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 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	**46,549**	**(4,147)(2)**	**(4,961)**	**(286)**
Interest rate swaps(6)	Floating component of debt	**246,542**	**(4,172)(4)**	**4,285**	**(2,921)**
Year ended 30 June 2020					
Foreign exchange forward contracts(6)(7)	Committed purchases	79,746	74(1) (4,301)(3)	(4,020)	(679)
Resin forward contracts(6)	Committed purchases	234	(12)(3)	(12)	-
Cross currency swaps(6)	FX component of debt	50,991	814(2)	814	77
Interest rate swaps(6)	Floating component of debt	246,716	(8,457)(4)	(2,387)	(5,944)

(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 non-current financial liabilities 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 the USD loan. The impact from movements in foreign currency rates was $3.7million. This amount fully offsets the translation of the USD loan.

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

(4) The carrying amount is included in Other non-current financial liabilities 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 hedged instruments represent level 2 of the fair value hierarchy.

(7) A gain of $1.1million (2020: $3.3million loss) 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 from OCI to profit or loss
Year ended 30 June 2021		
Committed purchases	**273**	**1,054**
Floating component of debt	**(2,921)**	**-**
Cross currency swap	**(286)**	**-**
Resin forward contracts	**-**	**-**
Year ended 30 June 2020		
Committed purchases	(679)	(3,265)
Floating component of debt	(5,944)	-
Cross currency swap	77	-
Floating component of debt	-	(12)

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

$'000	2021	2020
Opening balance of cash flow hedge reserve	**(6,777)**	(4,580)
Effective portion of changes in fair value arising from:		
- Foreign exchange forward contracts	**273**	(679)
- Interest rate swaps	**(2,921)**	(5,944)
- Cross currency swap	**(286)**	77
Reversal of prior year cash flow hedge reserve	**6,777**	4,580
Tax effect	**323**	(231)
Closing balance of cash flow hedge reserve	**(2,611)**	(6,777)

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.

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 DEFINED BENEFIT PLANS

The Group has defined benefit plans in the following five entities:

- Pact Closure Systems (India) Private Ltd
- Pact Closure Systems (Philippines) ,Inc
- Pact Group Closure Systems Korea Ltd
- Plastop Asia Inc
- PT Plastop Indonesia Manufacturing

Under the Group's Defined Benefit Plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the Defined Benefit Plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for Defined Benefit Plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets.

Management uses independent actuaries to estimate the DBO annually. Estimates reflect standard rates of inflation, salary growth and mortality in those countries.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity. Net interest expense on the net defined benefit liability is included in finance costs.

Movement in net defined benefit liability/(asset)

The following table shows a reconciliation of the movement in the net defined benefit liability/(asset) and its components for each entity:

$'000

Present value of the defined benefit obligation	**Pact Closure Systems (India) Private Ltd (1)**	**Pact Closure Systems (Philippines) Inc**	**Pact Group Closure Systems Korea Ltd**	**Plastop Asia Inc**	**PT Plastop Indonesia Manufacturing**	**Total**
Discount Rate	**7.80%**	**5.11%**	**2.5%**	**4.67%**	**7.5%**	
Salary Rate	**12.0%**	**5.0%**	**3.0%**	**3.5%**	**5.0%**	
At 1 July 2020	**106**	**358**	**983**	**260**	**237**	**1,944**
Current service cost	**22**	**43**	**299**	**44**	**-**	**408**
Net interest cost	**9**	**17**	**32**	**10**	**18**	**86**
Actuarial (gains)/ losses:						
Changes in Financial assumptions	**3**	**(64)**	**(174)**	**(41)**	**34**	**(242)**
Changes in Experience assumptions	**(14)**	**6**	**(74)**	**(27)**	**5**	**(104)**
Changes in Demographic assumptions	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Benefits paid	**(2)**	**-**	**(36)**	**-**	**-**	**(38)**
Foreign exchange translation movements	**(7)**	**(20)**	**(18)**	**(12)**	**(29)**	**(86)**
Present value of defined benefit obligation at 30 June 2021	**117**	**340**	**1,008**	**234**	**265**	**1,964**

(1) Defined benefit obligations for CSI India comprises of Gratuity liability and Leave encashment liability.

5.1 DEFINED BENEFIT PLANS (CONTINUED)

The following table shows a reconciliation of the movement in the net defined benefit liability/(asset) and its components for each entity.

$'000 **Present value of the defined benefit obligation**	**Pact Closure Systems (India) Private Ltd** [1]	**Pact Closure Systems (Philippines) Inc**	**Pact Group Closure Systems Korea Ltd**	**Plastop Asia Inc**	**PT Plastop Indonesia Manufacturing**	**Total**
Discount Rate	7.90%	5.12%	2.6%	4.29%	8.75%	
Salary Rate	12.0%	6.0%	4.5%	4.0%	5.0%	
At 1 July 2019	**97**	**250**	**747**	**178**	**-**	**1,272**
Current service cost	**32**	**33**	**273**	**41**	**54**	**433**
Net interest cost	**7**	**16**	**32**	**11**	**11**	**77**
Actuarial (gains)/ losses:						
Changes in Financial assumptions	**(2)**	**43**	**101**	**20**	**(15)**	**147**
Changes in Experience assumptions	**11**	**(11)**	**23**	**(5)**	**6**	**24**
Changes in Demographic assumptions	**-**	**-**	**(28)**	**-**	**-**	**(28)**
Benefits paid	**(2)**	**-**	**(182)**	**-**	**-**	**(184)**
Employer contributions	**34**	**-**	**-**	**-**	**-**	**34**
Transfer from provisions	**-**	**-**	**-**	**-**	**182**	**182**
Foreign exchange translation movements	**(71)**	**27**	**17**	**15**	**(1)**	**(13)**
Present value of defined benefit obligation at 30 June 2020	**106**	**358**	**983**	**260**	**237**	**1,944**

(1) Defined benefit obligations for CSI India comprises of Gratuity liability and Leave encashment liability.

Measurement Assumptions

Pact Closure Systems (India) Private Ltd

The discount rate assumption is based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

The salary rate assumption takes into account the inflation seniority, promotion and other relevant factors.

Pact Closure Systems (Philippines), Inc

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) benchmark reference curve for the government securities market by stripping the coupons from government bonds to create virtual zero-coupon bonds.

The salary rate assumption is based on the actual salary increment during the financial year.

Pact Group Closure Systems Korea Ltd

The discount rate assumption is based on yields available on high quality AA- corporate bonds.

The salary rate assumption is based on long term expectations of salary increases for the employees within the plan.

Plastop Asia Inc

The discount rate assumption is based on approximated zero-coupon yield of government bonds with remaining period to maturity approximating the estimated average duration of benefit payment, as published by the Philippine Dealing Exchange.

The salary rate assumption is based on the prevailing inflation rate and company policy.

PT Plastop Indonesia Manufacturing

The discount rate assumption is based on market yields at the end of the reporting period based on high quality corporate bonds. The spot price used is released by Indonesia Bond Pricing Agency.

The salary rate assumption is based on the prevailing inflation rate and company policy.

5.1 DEFINED BENEFIT PLANS (CONTINUED)

Reconciliation of DBO and Fair Value of Plan Assets (continued)

The following table shows a reconciliation of the DBO and the fair value of plan assets that comprises the net defined benefit liability/(asset) for each entity:

Year ended 30 June 2021 $'000	**Pact Closure Systems (India) Private Ltd(1)**	**Pact Closure Systems (Philippines) Inc**	**Pact Group Closure Systems Korea Ltd(3)**	**Plastop Asia Inc(2)**	**Plastop Indonesia Manufacturing(2)**	**Total**
Defined Benefit Obligation	**183**	**340**	**1,606**	**234**	**265**	**2,628**
Fair Value of plan assets	**(66)**	**-**	**(598)**	**-**	**-**	**(664)**
Present value of net defined benefit obligation at end of the year	**117**	**340**	**1,008**	**234**	**265**	**1,964**
Year ended 30 June 2020 $'000						
Defined Benefit Obligation	174	358	1,590	260	237	2,619
Fair Value of plan assets	(68)	-	(607)	-	-	(675)
Present value of net defined benefit obligation at end of the year	106	358	983	260	237	1,944

(1) The plan assets for Pact Closure Systems (India) Private Ltd relating to the gratuity liability comprises of investments in 100% insurance policies

(2) The plan assets for Pact Closure Systems (Philippines), Inc and Plastop Asia Inc and PT Plastop Indonesia Manufacturing are held in the companies own bank accounts

(3) The plan assets for Pact Group Closure Systems Korea Ltd comprises of investments in 100% fixed interest securities.

Sensitivity analysis

The present value of the DBO is based on the assumptions detailed on page 54. Changes at the reporting date to one of the assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

$'000		**2021**	**2020**
Discount rate	Increase by 1 percentage point	**(235)**	(260)
	Reduction by 1 percentage point	**275**	305
Salary increase rate	Increase by 1 percentage point	**264**	294
	Reduction by 1 percentage point	**(233)**	(256)

Key Estimate and Judgement – Actuarial assessments
In accordance with AASB 119: *Employee Benefits*, defined benefit obligations are recognised to cover obligations arising from current and future pension entitlements of active and (after the vesting period has expired) former employees of the Group. For each geographic location, the discount rate used to calculate the defined benefit obligations at each reporting date is determined on the basis of current capital market data and long-term assumptions of future salary increases. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations. Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service, probability of retirement and mortality rate.

5.2 EMPLOYEE BENEFITS EXPENSES AND PROVISIONS

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

$'000	2021	2020
Wages and salaries	**393,273**	396,029
Defined contribution superannuation expense	**19,599**	19,614
Other employee benefits expense	**23,515**	25,413
Share based payments expense	**1,692**	610
Total employee benefits expense	**438,079**	441,666

The current employee benefits provisions as at 30 June comprise of the following:

Annual leave	**24,123**	21,465
Long service leave	**17,493**	17,173
Total current provisions	**41,616**	38,638

The Group's non-current employee benefits provisions of $8.9 million relate to long service leave entitlements of $6.9 million (2020: $6.2 million), and a defined benefit net liability of $2.0 million (2020: $1.9 million).

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 expected to be settled 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.

5.3 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2021 LTIP scheme 497,967 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 2021 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 18 November 2020 is $1.72.

The key assumptions in the independent valuation in relation to the 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**

In FY21 Pact introduced an employee share purchase scheme (myPact). The scheme provides an opportunity for employees to acquire shares in Pact, aligning the financial interests of employees with the long-term growth of the Company. Participation in the scheme is voluntary.

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 $1,692,000 (2020: $610,000).

5.4 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	2021	2020
Short-term employee benefits	**3,971**	3,639
Post-employment benefits	**67**	73
Long-term employee benefits	**11**	66
Share based payments expense	**522**	328
Termination payments	**400**	-
Total compensation	**4,971**	4,106

-

The following table provides the total amount of transactions with related parties for the year ended 30 June 2021:

$'000		Sales	Purchases	Other expenses	Net amounts receivable
Related parties – Director's interests[(1)]	**2021**	**10,940**	**3,712**	**5,658**	**632**
	2020	13,362	7,354	6,317	558

(1) Related parties – Director's interests include the following entities: 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, Gem-Care Products Pty Ltd and P'Auer Pty Ltd (until November 2019).

Sales to related parties

The Group has sales of $10.9 million (2020: $13.4 million) to other related parties including Green's General Foods Pty Ltd, Remedy Kombucha Pty Ltd, Gem-Care Products Pty Ltd and P'Auer Pty Ltd until November 2019 in the prior year. Sales are for packaging and contract manufacturing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns 51.6% (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. The total value of purchases by Pact under this arrangement is approximately $3.7 million (2020: $4.2 million). The supply arrangement is at arm's length. 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 annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2021 was $5.7 million (June 2020: $6.2 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 and on commercial terms. There have been no guarantees provided or received for any related party receivables or payables.

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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 ultimate 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.
- Has research and development expenses of $511,000 (2020: $415,000).
- 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 GAINS / (LOSSES)

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

$'000	2021	2020
Underlying adjustments		
Transaction costs	**(1,743)**	(4,034)
Restructuring costs	**(6,196)**	(4,790)
Losses arising from factory fire	**(3,983)**	-
Insurance settlement for events in prior periods	**1,787**	-
Profit on sale of properties	**4,408**	-
Net gain on lease modification	**-**	4,544
Reversal of contingent consideration obligation	**-**	30,000
Finalisation of acquisition consideration	**-**	(7,172)
Asset write downs	**-**	(218)
Total underlying adjustments (excluding impairment expenses) before tax	**(5,727)**	18,330
Other (losses) / gains		
Unrealised losses on revaluation of foreign exchange forward contracts	**(1,538)**	(3,083)
Loss on sale of property, plant and equipment	**(261)**	(883)
Realised net foreign exchange gains / (losses)	**587**	99
Total other losses	**(1,212)**	(3,867)
Total gains / (losses) before tax	**(6,939)**	14,463

6.3 PACT GROUP HOLDINGS LTD – PARENT ENTITY FINANCIAL STATEMENTS SUMMARY

$'000	2021	2020
Current assets	**107,368**	8,895
Total assets	**1,778,826**	1,680,353
Net assets	**1,778,826**	1,680,353
Issued capital	**1,570,477**	1,570,477
Reserves	**3,760**	2,767
Retained earnings	**64**	64
Profit reserve	**204,525**	107,045
Total equity	**1,778,826**	1,680,353
Profit of the Parent entity	**125,000**	1
Total comprehensive income of the Parent entity	**125,000**	1

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

- is the ultimate parent of the Group;
- is a for-profit company limited by shares;
- is incorporated and domiciled in Australia;
- has its registered office at Building 3, 658 Church Street, Cremorne, Victoria, Australia; and
- is listed on the Australian Stock Exchange (ASX) and its shares are publicly traded.

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.

6.4 DEED OF CROSS GUARANTEE

$'000	2021	2020
Closed group consolidated income statement		
Profit before income tax	**41,967**	32,412
Income tax expense	**(12,376)**	(3,503)
Net profit for the year	**29,591**	28,909
Retained earnings at beginning of the year	**(230,202)**	(280,571)
Net profit for the year	**29,591**	28,909
Dividends provided for	**24,982**	49,156
Adjustment on adoption of AASB 16	**-**	(27,696)
Retained earnings at end of the year	**(175,629)**	(230,202)
Closed group consolidated balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	**5,226**	31,895
Trade and other receivables	**52,973**	57,967
Inventories	**142,119**	136,703
Contract assets	**12,168**	11,737
Loans to related parties	**90,750**	130,078
Other current financial assets	**1,265**	738
Prepayments	**7,971**	8,502
TOTAL CURRENT ASSETS	**312,472**	377,620
NON-CURRENT ASSETS		
Prepayments	**1,797**	2,640
Property, plant and equipment	**618,353**	632,853
Investments in subsidiaries	**509,486**	509,486
Investments in associates and joint ventures	**30,827**	26,887
Intangible assets and goodwill	**230,014**	231,513
Other non-current financial assets	**-**	111
Deferred tax assets	**31,843**	32,491
TOTAL NON-CURRENT ASSETS	**1,422,320**	1,435,981
TOTAL ASSETS	**1,734,792**	1,813,601
CURRENT LIABILITIES		
Trade and other payables	**195,983**	240,830
Loans from related parties	**89,122**	142,574
Current tax liability	**10,046**	10,535
Employee benefits provisions	**35,609**	34,037
Other provisions	**1,970**	-
Lease liabilities	**49,247**	48,887
Other current financial liabilities	**267**	3,608
TOTAL CURRENT LIABILITIES	**382,244**	480,471
NON-CURRENT LIABILITIES		
Employee benefits provisions	**6,496**	5,720
Other provisions	**8,535**	7,817
Interest bearing loans - bank borrowings	**446,779**	478,559
Lease liabilities	**283,371**	294,715
Other non-current financial liabilities	**8,306**	7,275
TOTAL NON-CURRENT LIABILITIES	**753,487**	794,086
TOTAL LIABILITIES	**1,135,731**	1,274,557
NET ASSETS	**599,061**	539,044
EQUITY		
Contributed equity	**1,750,476**	1,750,476
Reserves	**(975,786)**	(981,230)
Retained earnings	**(175,629)**	(230,202)
TOTAL EQUITY	**599,061**	539,044

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).

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:

$	2021	2020
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	**1,539,750**	1,467,675
Fees for assurance services that are required by legislation to be provided by the auditor	**-**	15,000
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	**235,587**	54,806
Fees for other services:		
Tax compliance	**99,050**	86,245
Tax advisory	**31,452**	109,000
Remuneration services	**13,500**	-
Consulting fees	**823,778**	-
Total fees to Ernst & Young (Australia)	**2,743,117**	1,732,726
Fees to other overseas member firms of Ernst & Young		
Fees for auditing the financial report of any controlled entities	**429,059**	539,213
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	**-**	7,876
Fees for other services:		
Tax compliance	**36,353**	30,731
Tax advisory	**24,960**	26,196
Due diligence	**40,963**	8,808
Total Fees to other overseas member firms of Ernst & Young	**531,335**	612,824
Total auditor's remuneration	**3,274,452**	2,345,550

6.6 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

$'000	2021	2020
Packaging and Sustainability	**1,420,901**	1,398,188
Materials Handling and Pooling	**466,193**	457,840
Contract Manufacturing Services	**234,047**	248,189
Total Segment Assets	**2,121,141**	2,104,217
Reconciliation to total assets[1]:		
Receivables included in securitisation programs	**(145,105)**	(141,775)
Deferred tax assets	**32,029**	33,147
Inter-segment eliminations	**(322)**	46
TOTAL ASSETS	**2,007,743**	1,995,635

Segment liabilities

$'000	2021	2020
Packaging and Sustainability	**637,348**	629,491
Materials Handling and Pooling	**154,175**	150,668
Contract Manufacturing Services	**102,977**	122,280
Total Segment Liabilities	**894,500**	902,439
Reconciliation to total liabilities[1]:		
Interest-bearing liabilities	**647,163**	689,530
Income tax payable	**25,198**	21,175
Deferred tax liabilities	**9,334**	9,796
Inter-segment eliminations	**(322)**	46
TOTAL LIABILITIES	**1,575,873**	1,622,986

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

6.7 GEOGRAPHIC REVENUE

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

$'000	2021	2020
Australia	**1,179,013**	1,270,816
New Zealand	**299,996**	287,329
Asia	**282,563**	251,013
TOTAL	**1,761,572**	1,809,158

6.8 SUBSEQUENT EVENTS

Plastics Recycling Joint Ventures

On 26 July 2021 Pact and Cleanaway announced the intention to build a new plastics recycling facility at Laverton, Victoria. Construction of the plant will start towards the end of the year and it is expected to be fully operational by December 2022.

On 16 August 2021 Pact Group, Cleanaway, Asahi Beverages and Coca-Cola Europacific Partners (CCEP) announced they have signed a Memorandum of Understanding to form a joint venture to build a new PET recycling facility. A decision on the plant's location is anticipated in the coming months and construction is expected to be complete by 2023.

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 2021 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 2021 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 2021.

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

	Dayal
………………………………………	……………………………….….
Raphael Geminder	Sanjay Dayal
Chairman	Managing Director and Group Chief Executive Officer

Dated 18 August 2021

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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 2021, 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 2021 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 goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2021, the Group's consolidated statement of financial position includes goodwill and intangible assets of $459.4 million, representing 23% of total assets. The Group performs an annual impairment test of its goodwill and intangible assets. The carrying value of goodwill and intangible assets was 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. Judgements that are inherently subjective and which were key areas of focus of the audit include: ▸ Future cash flow assumptions; ▸ Discount rate and terminal growth rate assumptions; and ▸ Sensitivities applied to the impairment test. The Group's disclosures regarding goodwill and intangible assets are included in Note 2.2.	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. In considering future cash flow assumptions, we: ▸ Performed a comparison to the Group's historic trading performance ▸ Assessed the Group's assumptions of the impact of COVID-19 on cash flows ▸ Assessed the continuity of customer contracts underlying revenue assumptions and where relevant, obtained signed contracts for new customers. In addition, we: ▸ 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 and 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 goodwill or indefinite life intangible assets ▸ We assessed the adequacy of disclosures in relation to goodwill and intangible assets. Where required, we involved our valuation specialists in performing these procedures.

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 2021 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.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 17 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Pact Group Holdings Ltd for the year ended 30 June 2021, 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.

Ernst & Young

David Shewring
Partner

Wilfred Liew
Partner

Melbourne
18 August 2021