2017 ANNUAL REPORT

PACT GROUP

CONTENTS

Pact Group Holdings Ltd
ABN 55 145 989 644

A MESSAGE FROM THE CHAIRMAN

"Our focus is centred on serving our customers, a commitment to sustainability, delivering financial results, acting with speed and purpose and pursuing opportunities for transformational change." Raphael Geminder **Chairman**

Dear Shareholder

On behalf of the Board of Directors of Pact Group, I am delighted to present to you our *2017 Annual Report*.

A transformational year

I am pleased to be able to report to you another successful year for your company.

During the year we have continued to drive our well defined three pillar growth strategy comprising organic growth, a relentless focus on efficiency and the execution of value accretive acquisitions. This strategy is delivering strong financial results with the Group reporting growth in sales, profit, cash flow and dividends for the fourth consecutive year since listing in December 2013.

More importantly, this strategy is transforming your company and has established a platform for future growth. Since inception in 2002, Pact has developed from a rigid packaging business generating $200 million in sales revenue to what is now a diversified provider of specialty packaging and manufacturing solutions generating almost $1.5 billion in sales revenue.

Innovation

Critical to the success of Pact's growth story is innovation. The Group has dedicated creative resources and innovation centres along with a combination of proprietary technology, state-of-the art manufacturing facilities and leading intellectual property. These capabilities ensure the delivery of high quality and low cost customer solutions across the markets in which we operate and have been consistently recognised through industry and customer awards.

I am delighted that for the fifth year in a row we have been named as one of Australia's Top 50 Most Innovative Companies by Fairfax's *Australian Financial Review (AFR)*; Australia's premier business publisher. We are the only packaging company to achieve this prestigious recognition for five consecutive years and I am immensely proud of this achievement.

Sustainability

Sustainability is also a key focus for our organisation and a growing area of the business which complements our product offering and assists our customers in meeting their sustainability commitments. We are now one of Australia's largest processors of plastic waste and provide a complete returnable packaging solution, reducing environmental impacts and generating efficiencies for our customers.

Vision and values

We have a vision to enrich lives every day through sustainable packaging and manufacturing solutions. Our vision and values define our behaviour and culture as an organisation and drive the way we do business. Our values centre around serving our customers, a commitment to sustainability, delivering financial results, acting with speed and purpose and pursuing opportunities for transformational change. This year in particular has been a year where we have pursued such opportunities, investing more than $200 million in a series of transformational growth initiatives including three acquisitions and the establishment of a new crate pooling business in Australia.

Dividends

I am also delighted to report that our strategy and vision is continuing to deliver increased shareholder returns. The Board of Directors has declared a final dividend of 11.5 cents per share, franked to 65%, up 4.5% on the prior year. The total dividend declared in respect of FY17 was 23.0 cents per share, an increase of 9.5% compared to the equivalent from FY16, at a payout ratio of 68.8% of NPAT before significant items. The payout ratio is in-line with the Group's previously stated payout range of 65% to 75% of NPAT before significant items.

Thank you

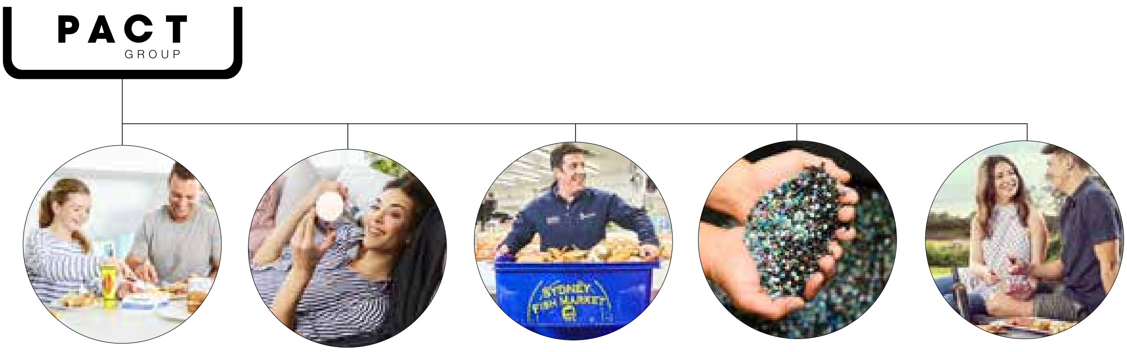
On behalf of the Board of Directors, I would like to thank all our shareholders for their support along with our customers, suppliers and other stakeholders. I would also like to convey our thanks and appreciation to our talented and dedicated management team and employees throughout the business who have contributed to a successful and transformational year.

I look forward to further success in the coming year.

Raphael Geminder
Chairman

ABOUT PACT GROUP

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



Rigid plastic and metal packaging

Contract manufacturing services

Materials handling products and solutions

Recycling and sustainability services

Product development and innovation

Scale and Diversity

With operations across seven countries and more than 4,000 team members, Pact's extensive manufacturing and supply network delivers diverse products and services to some of the world's biggest brands.

Innovation

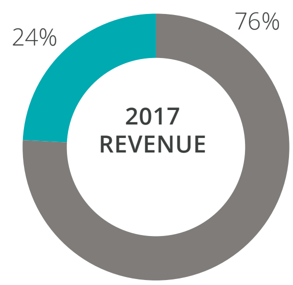
Pact delivers high quality solutions to its valued customers, supported by world class innovation and global licencing arrangements. Our innovation capabilities drive product development, differentiation and contracting success.

Strategy

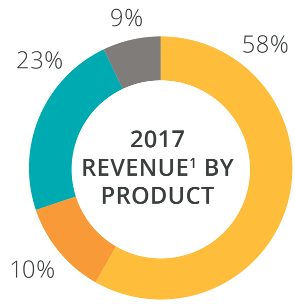
Our strategy is to deliver long-term value through focus on three key pillars — organic growth, operational excellence and efficiency, and disciplined mergers and acquisitions (M&A).

Vision

Our vision is to enrich lives everyday through sustainable packaging and manufacturing solutions.



● Pact Australia
● Pact International



● Rigid plastic and metal packaging
● Materials handling products and solutions
● Contract manufacturing services
● Other[2]

1 Estimate including a full year contribution from Australian Pharmaceutical Manufacturers (APM) and Pascoe's

2 Other includes recycling and sustainability services, infrastructure and other custom moulded products

FINANCIAL AND OPERATIONAL HIGHLIGHTS

More than $200 million invested in transformational growth initiatives

Sales revenue up 7%, NPAT up 6%

New contract wins delivered

Operational excellence and efficiency savings delivered

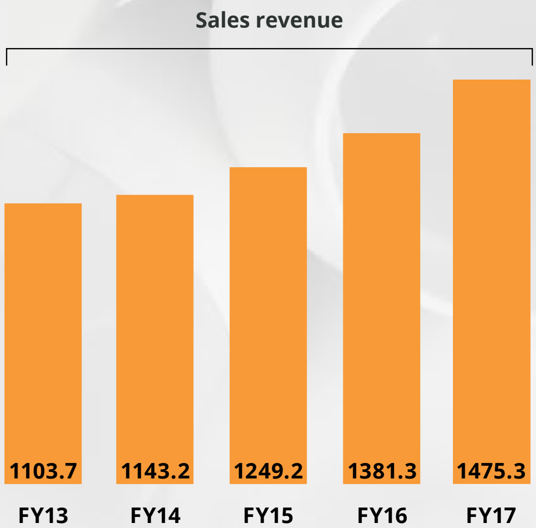
Three acquisitions completed

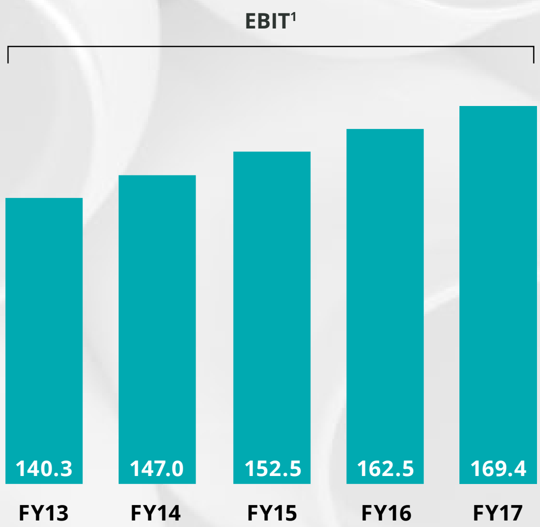
New crate pooling business established

Continued strong cash generation and robust balance sheet

Total dividends of 23.0 cps, up 10%

Four consecutive years of growth:





1 EBIT before significant items is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue) and tax.

A MESSAGE FROM THE CEO

Dear Shareholder

I am very pleased to be able to report to you another year of growth in what has been a transformational year for your Company.

Highlights and business performance

The Group has once again delivered a solid financial performance with growth in all key financial metrics.

- Sales revenue grew by 6.8% to $1.475 billion.
- EBIT before significant items grew by 4.3% to $169.4 million.
- NPAT before significant items was up 6.0% to $100.0 million.
- Dividends grew 10% to 0.23c per share.

Our focus on operational excellence provided strong earnings benefits in the period and volume growth was delivered through our recent acquisitions and from contract wins in our contract manufacturing business. These benefits largely mitigated the impact of subdued demand and competitive risks in some sectors. The Group once again demonstrated disciplined cash management. Our operating cashflow was improved and our balance sheet remains strong.

Pact Australia sales revenue increased 8.7% to $1,117.8 million and EBIT before significant items grew 4.1% to $99.5 million. The result was aided by the acquisitions of Australian Pharmaceutical Manufacturers (APM) and Pascoe's, as well as the incremental contribution of acquisitions completed in FY16, including Jalco. Our efficiency programs also delivered strongly, largely offsetting the impact of market challenges and costs associated with the start-up of new contracts in Jalco.

Pact International sales revenue increased 1.2% to $357.5 million and EBIT before significant items was up 4.6% to $69.9 million. Earnings growth was driven by the acquisitions of the Fruit Case Company (FCC) in FY17 and Stowers completed in FY16. The performance of the core business was strong, driven by operational efficiency which more than offset lower underlying sales demand.

Overall the Group has achieved a pleasing performance in FY17, delivering on its strategy, whilst driving significant change through the business.

Business transformation

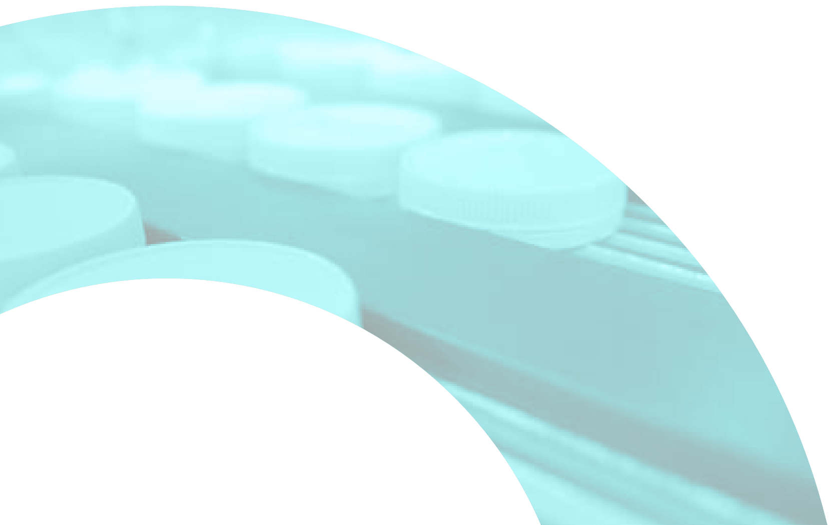
FY17 has been a transformational year for Pact. We clearly demonstrated our strategic focus on leveraging our innovation and manufacturing capability to provide strong platforms for the future. In the year we invested more than $200 million in new growth initiatives which have transformed our product and service portfolio in sectors offering attractive growth opportunities.

We have grown our position in specialty contract manufacturing through the acquisitions of APM and Pascoe's. These acquisitions complement the acquisition of Jalco completed in FY16 and provide Pact with a leading position in contract manufacturing services for the health and wellness and non-food FMCG sectors in Australia. Contract manufacturing now represents more than 20% of the Group's revenue.

In addition, the Group is also now the leading supplier of crate pooling services for fresh produce in Australia and New Zealand following the acquisition of FCC and the establishment of our new crate pooling business in Australia to support fresh produce supply to Woolworths. The latter is the largest organic growth initiative ever undertaken by the Group. The new business, Viscount Pooling Systems (VPS), commenced on schedule in August 2017.

In the year, we also invested in new rigid packaging capability in sectors we believe have attractive growth opportunities. This included our investment in a world-class clean-room facility to expand our capacity to meet growth in rigid packaging for the health and wellness sector.

These sectors are expected to deliver higher growth over the longer-term than some of our more mature rigid packaging sectors. Maintaining a strong position in our core sectors while diversifying into these higher growth sectors is fundamental to our strategy.



"FY17 has been a transformational year for Pact. We clearly demonstrated our strategic focus on leveraging our innovation and manufacturing capability to provide strong platforms for the future."

Malcolm Bundey **Managing Director and CEO**

Focused on growth

The Group's strategy remains focused on leveraging our innovation and manufacturing capability to generate long-term shareholder value through:

- organic growth;
- efficiency; and
- disciplined M&A.

We have continued to execute on this strategy in FY17 and have generated opportunities across each of these three core pillars.

Our organic growth strategy has delivered a significant expansion in crate pooling operations as well as an expansion of our packaging manufacturing capacity to support the health and wellness sector. In addition, we have seen customer wins in our contract manufacturing business and have helped protect our core rigid packaging business through contract extensions, securing future volumes.

We have maintained a strong focus on efficiency as we embed a culture of operational excellence through lean manufacturing principles. The implementation of the *Operational Excellence Program* has continued to progress well in FY17 and will deliver further incremental benefits in FY18 and beyond, helping shelter the business from cost and market impacts. This is a major culture change program to embed continuous improvement into all of our operations every day and takes some time, but we are pleased with the results to date.

The Group's disciplined M&A strategy has also delivered continued strong growth in contract manufacturing through the acquisitions of APM and Pascoe's and growth in crate pooling services through the acquisition of FCC. We will continue to target M&A growth in existing and adjacent sectors, leveraging our extensive sector knowledge, manufacturing capabilities and our world-class innovation.

Our people

One of our values is for all employees to "walk in our customers' shoes to serve them better". We also remain committed to providing a safe, sustainable, honest and respectful working environment, whilst encouraging employees from across all areas of the business to submit ideas for innovation and process improvement through our reward and recognition program: *Applause.*

Safety remains a top priority and our safety performance in the underlying business was comparable to the prior year. We continue to build awareness and engagement through our *Towards Zero Harm* program along with various other initiatives. Cultural change within newly acquired business also remains a key focus area and furthermore, we expect improved safety performance to be an outcome from the *Operational Excellence Program.*

Outlook

Pact remains strategically well positioned for the future. In FY17 the Group has delivered another year of growth. We have transformed our product and service portfolio with investments providing a strong platform for future growth. Whilst demand conditions across some sectors are expected to remain subdued, we believe that our strategy will drive further growth in the year ahead. We expect to achieve higher revenue and earnings (before significant items) in FY18, subject to global economic conditions.

Thank you

I continue to be impressed by the Group's resilience and ability to meet the challenges of the market environment as we reposition the company for the future.

I would like to take this opportunity to thank our talented and committed people across all areas of the organisation for their outstanding contribution in FY17. I am confident that together we will remain focussed on the future and drive the business to further success. I would also like to thank our Chairman and Board of Directors for their support and guidance and you, our shareholders, for your continued support.

Malcolm Bundey
Managing Director and CEO

OUR LEADERSHIP TEAM

Our Leadership Team is responsible for the day-to-day management of the Group's operations and the implementation of the corporate strategy to ensure we grow with our customers, create value for our shareholders, and provide compelling opportunities for our people.

Malcolm Bundey
Managing Director and CEO

Richard Betts
Chief Financial Officer

Jim Barnes
Executive General Manager — Human Resources

Greg Beilby
Executive General Manager — Asia and Supply Chain

Charmaine England
Executive General Manager — Contract Manufacturing

Eric Kjestrup
Executive General Manager — Consumer and Industrial (New Zealand)

Lis Mannes
Executive General Manager — Consumer and Industrial (Australia)

Siobhan McCrory
Executive General Manager — Sales, Marketing and Innovation

Andrew Smith
Executive General Manager — Sustainability

Jonathon West
General Counsel and Company Secretary
Head of Corporate Development

Wayne Williams
Executive General Manager — Materials Handling

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

The Group has reported statutory net profit after tax (NPAT) for the year ended 30 June 2017 of $90.3 million, compared to $85.1 million in the prior corresponding period (pcp). NPAT before significant items[3] for the year was $100.0 million (pcp: $94.3 million).

Summary

Over $200 million
invested in transformational growth initiatives

Sales revenue
up 6.8% to $1,475.3 million (pcp: $1,381.3 million)

EBITDA
before significant items[1] up 5.9% to $233.1 million (pcp: $220.2 million)

EBIT
before significant items[2] up 4.3% to $169.4 million (pcp: $162.5 million)

NPAT
before significant items[3] up 6.0% to $100.0 million (pcp: $94.3 million)

Strong earnings growth
delivered from acquisitions, with Australian Pharmaceutical Manufacturers (APM), Pascoe's and the Fruit Case Company (FCC) completed in FY17, and incremental earnings benefits delivered from prior year acquisitions

Market challenges
largely offset by efficiency benefits

Continued strong cash generation
and a robust balance sheet — gearing[4] of 2.8x and interest cover[5] of 7.7x

Final ordinary dividend
of 11.5 cents per share, delivering total dividends for the year of 23.0 cents per share, up 9.5% (pcp: 21.0 cents per share)

Footnotes within review of operations and financial performance are set out on page 17.

Key financial highlights

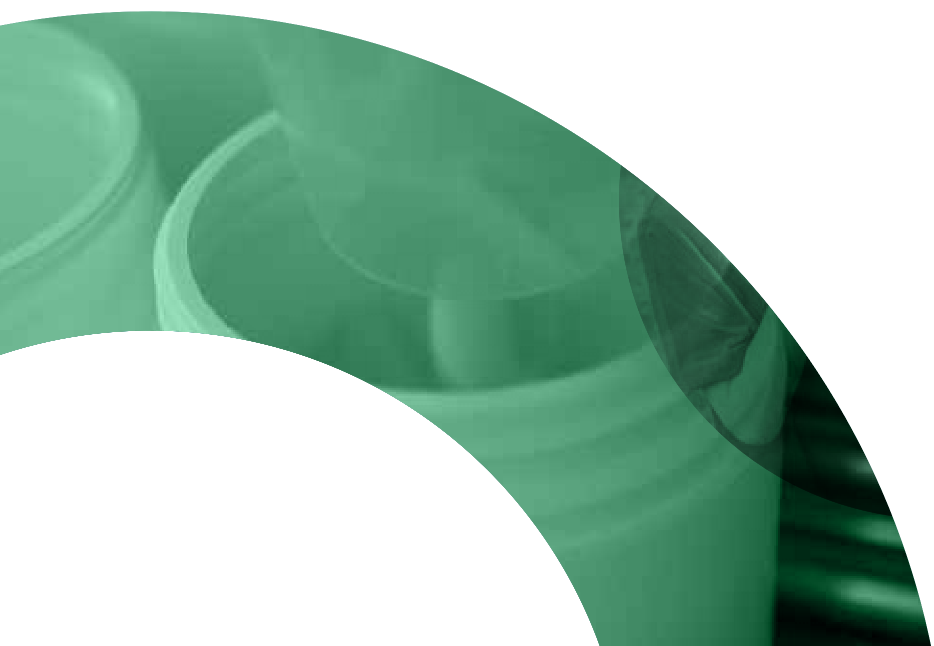
$millions	2017	2016	Change %
Sales revenue	**1,475.3**	1,381.3	7%
EBITDA before significant items[1]	**233.1**	220.2	6%
EBIT before significant items[2]	**169.4**	162.5	4%
NPAT before significant items[3]	**100.0**	94.3	6%
NPAT after significant items	**90.3**	85.1	6%
Total dividends — cents per share	**23.0**	21.0	10%

Business highlights

- Solid earnings growth despite subdued demand conditions, supported by our continued focus on operational excellence and a value accretive acquisition strategy.
- New contract wins delivered in the year, notably in contract manufacturing, supported by disciplined sales pipeline management processes.
- *Operational Excellence Program* progressing well with the implementation of lean manufacturing now underway at 22 plants.
- *2015 Efficiency Program* is complete with benefits in-line with expectations.
- New crate pooling business in Australia supporting fresh produce supply to Woolworths commenced on schedule in August 2017.
- Acquisition strategy continues to drive diversification of the Group's product and customer portfolio:
  - — The acquisition of Australian Pharmaceutical Manufacturers (APM), a specialty contract manufacturer, was completed in September 2016. The acquisition expands the Group's operations in specialised contract manufacturing and provides increased exposure to the attractive nutraceutical sector.
  - — The acquisition of Pascoe's Group, a specialty contract manufacturer, was completed in February 2017. Pascoe's expands the Group's contract manufacturing capability into aerosol based products and extends its capability in liquids filling.
  - — The acquisition of the Fruit Case Company (FCC), a crate pooling and hire business in New Zealand, was completed in July 2016. FCC provides the Group with a leading position in crate pooling services in New Zealand.
  - — Jalco and the bolt-on acquisitions made in FY16 have contributed to earnings growth in FY17.

Outlook

We expect to achieve higher revenue and earnings (before significant items) in FY18, subject to global economic conditions.



Group results

$'000	2017	2016	Change %
Sales revenue	**1,475,336**	1,381,338	6.8%
Other revenue (excluding interest revenue)	**9,621**	8,204	
Expenses	**(1,251,841)**	(1,169,385)	
EBITDA (before significant items)[1]	**233,116**	220,157	5.9%
EBITDA margin (before significant items)	***15.8%***	*15.9%*	
Depreciation and amortisation	**(63,700)**	(57,688)	
EBIT (before significant items)[2]	**169,416**	162,469	4.3%
EBIT margin (before significant items)	***11.5%***	*11.8%*	
Significant items (before tax)	**(13,040)**	(11,506)	
EBIT	**156,376**	150,963	3.6%
Net finance costs expense	**(30,197)**	(30,511)	
Income tax expense	**(39,216)**	(37,655)	
Significant tax items	**3,378**	2,247	
NPAT	**90,341**	85,044	6.2%
Minority interests	**-**	7	
Net profit after tax attributable to shareholders	**90,341**	85,051	6.2%

Sales revenue

Group sales revenue of $1,475.3 million for the year increased 6.8% ($94.0 million) compared to the pcp, with growth from acquisitions delivering $133.0 million. This included contributions from APM, Pascoe's and FCC, and the incremental contribution from acquisitions completed in the prior year (Jalco and bolt-on acquisitions completed in H2 FY16).

Excluding the contribution from acquisitions, sales revenue was 2.8% below the prior period. Rigid packaging volumes were down in Australia and New Zealand, adversely impacted by subdued consumer demand in the dairy, food and beverage sector, customer destocking in the health and wellness sector and the incremental impact of prior year contract losses.

In New Zealand, the relocation of some customer manufacturing operations offshore also adversely impacted volume. Demand for industrial packaging in the New Zealand dairy sector improved in H2 following a weak H1, with full year volumes only slightly down on the prior year. Weak industrial demand adversely impacted volume in China, while volumes elsewhere in Asia were steady.

Contract manufacturing volumes were up strongly on the prior year (excluding acquisitions), with new contract wins in Jalco. This more than offset weaker sales into the health and wellness sector due to customer destocking. Materials handling volumes remained steady.

Pricing was generally lower than the prior period, due largely to the pass through of lower input costs.

Foreign currency movements were generally favourable to sales revenue.

EBIT (before significant items)

The Group delivered EBIT (before significant items) of $169.4 million for the year, up 4.3% ($6.9 million) compared to the pcp. Acquisitions delivered an incremental $14.3 million to EBIT. This includes an amortisation charge of $2.4 million for intangibles within APM.

The Group's efficiency programs delivered an EBIT improvement of $15.5 million, with benefits from the *2015 Efficiency Program* ($8.4 million) and the *Operational Excellence Program* ($7.1 million) in-line with expectations. These benefits largely offset the impact of weaker volumes ($12.8 million) and the margin impact from contract extensions ($4.9 million). Costs associated with the implementation of the *Operational Excellence Program* ($3.0 million) and the start-up of new contracts in Jalco ($3.8 million) also adversely impacted EBIT.

EBIT margins decreased to 11.5% from 11.8% due largely to growth in contract manufacturing volumes, delivering margins lower than the Group average.

Significant items

Pre-tax significant items for the year were an expense of $13.0 million. These related to costs associated with the *Efficiency Program* announced in 2015 ($3.0 million), other business restructuring activities initiated in the current year ($4.5 million), acquisition costs ($2.2 million) and start-up costs for the new crate pooling business in Australia ($3.3 million). The pre-tax significant items of $11.5 million in the prior year related to the *2015 Efficiency Program* ($8.6 million) and acquisition costs ($2.9 million).

Other restructuring activities initiated in the current year include the closure of a rigid packaging facility in Australia and other smaller business reorganisation programs undertaken to pursue efficiency opportunities identified through the *Operational Excellence Program*. Cash costs associated with these restructuring activities of $3.0 million are expected to deliver a payback within one year.

Net finance costs

Net financing costs for the year were $30.2 million compared to $30.5 million in the pcp. The net expense for FY17 excludes $1.0 million in capitalised interest. Excluding the impact of capitalised interest, net financing costs were $0.7 million higher with the beneficial impact of lower market interest rates and higher interest income being offset by the impact of higher average debt following the funding of acquisitions completed in the year.

Income tax expense and significant tax items

The income tax expense for the year of $39.2 million represents an effective rate of 28.2% of net profit before tax and significant items. This compares to $37.7 million in the pcp at an effective tax rate of 28.5%.

The significant tax item for the year is a benefit of $3.4 million relating to the significant items noted above. In the prior year the significant tax item was a benefit of $2.2 million.

Net profit after tax

Group net profit after tax attributable to shareholders for the financial year was $90.3 million compared to $85.1 million in the pcp. Excluding significant items, net profit after tax attributable to shareholders was $100.0 million, an increase of $5.7million compared to $94.3 million in the pcp.

Balance sheet

$'000	2017	2016	Change %
Cash	**39,592**	51,885	(23.7%)
Other current assets	**310,988**	269,123	15.6%
Property plant & equipment	**677,132**	582,723	16.2%
Intangible assets	**547,333**	417,944	31.0%
Other assets	**55,345**	51,363	7.8%
Total assets	**1,630,390**	1,373,038	18.7%
Interest bearing liabilities	**686,210**	561,440	22.2%
Other liabilities, payables & provisions	**539,072**	442,404	21.9%
Total liabilities	**1,225,282**	1,003,844	22.1%
Net assets	**405,108**	369,194	9.7%
Net debt	**646,618**	509,555	26.9%

Net debt at the end of the financial year was $646.6 million, $137.1 million higher than the pcp. The increase in net debt was due to funding of $138.2 million for acquisitions made during the year and further spend on the new crate pooling business of $56.3 million. This was partly offset by strong operating cash flow.

Following the successful negotiation of a new $150 million, five-year debt facility in October 2016, total term loan debt facilities are $913.6 million. This comprises a $380.7 million loan facility maturing in July 2018, a $383.0 million loan facility maturing in July 2020 and a $150.0 million loan facility maturing in October 2021. Average term to maturity is 2.5 years.

The increase in the Group's other current assets of $41.9 million relates primarily to receivables and inventory held by newly acquired businesses. The increase in property plant and equipment of $94.4 million also relates to those acquisitions along with additional capital expenditure associated with the establishment of the new crate pooling business in Australia ($56.3 million).

The increase in the Group's intangible assets of $129.4 million is due to goodwill recognised on acquisitions ($95.6 million) along with intangible assets (customer contracts and intellectual property) recognised in APM ($33.8 million).

The increase in the Group's other liabilities, payables and provisions of $96.7 million relates primarily to increased trade payables along with a higher deferred tax provision, both predominantly acquisition related.

Financing metrics	2017	2016	Change
Gearing[4]	**2.8x**	2.3x	(0.5)
Interest cover[5]	**7.7x**	7.2x	0.5

As at 30 June 2017, gearing (defined as closing net debt / EBITDA before significant items) was 2.8x, up from 2.3x in the pcp. This was due to funding requirements of $194.5 million for major growth projects during the year, including acquisitions ($138.2 million) and the Woolworths crate pooling project ($56.3 million). Excluding the spend on the crate pooling project (which is yet to deliver EBITDA benefits) of $59.0 million to date (including $2.7 million in FY2016), gearing would have been 2.5x.

Both gearing and interest cover (defined as EBITDA before significant items / net interest expense) remain within the Group's targeted levels.

Cash flow

Year ended 30 June $'000	2017	2016	Change %
Cash flow from operating activities	171,466	160,789	6.6%
Capital expenditure	(116,390)	(52,050)	(123.6%)
Purchase of businesses and subsidiaries	(138,245)	(113,936)	(21.3%)

Statutory operating cash flow including proceeds from securitisation of trade debtors was $171.5 million in FY17, $10.7 million above the pcp. The inflow from securitisation of trade debtors was $16.2 million in the financial year compared to $18.7 million in the pcp. Excluding securitisation inflows, statutory operating cashflow was $13.2 million higher than the pcp due to higher underlying operating cash flows and lower income tax payments.

Payments for property, plant and equipment were $116.4 million in the financial year compared to $52.1 million in the pcp. The increase of $64.3 million includes capital expenditure relating to the establishment of the crate pooling business in Australia ($56.3 million), additional capital expenditure in acquired businesses and an investment of $9.3 million in a new packaging facility in Australia to support a long-term contract with a key supplier in the health and wellness sector.

Payments for purchase of businesses and subsidiaries of $138.2 million includes cash consideration paid (excluding contingent consideration) for Pascoe's ($40.9 million), APM ($73.6 million) and FCC ($14.7 million), an additional $7.1 million paid for the purchase of property associated with the Power Plastics acquisition (following the completion of key conditions in the related sales agreement) and deferred consideration of $2.1 million relating to prior year acquisitions.

Review of operations

Pact Australia

Pact Australia comprises the Group's operations in Australia where it has operating sites in New South Wales, Victoria, Tasmania, Queensland and Western Australia. Pact Australia contributed 76% of the Group's total sales revenue in the year ended 30 June 2017.

$'000	2017	2016	Change %
Sales revenue	1,117,829	1,027,939	8.7%
EBIT before significant items	99,529	95,635	4.1%
EBIT margin %	*8.9%*	*9.3%*	*(0.4%)*

Pact Australia achieved growth in both sales revenue and EBIT before significant items in FY17.

Sales revenue for the year of $1,117.8 million was up 8.7% or $89.9 million compared to the pcp, with sales positively impacted by acquisitions ($112.6 million). Pascoe's delivered $21.5 million in revenue and APM $37.2 million, whilst incremental contributions from Jalco and the bolt-on acquisitions completed in the H2 of FY16 added a further $53.9 million to sales revenue.

Excluding acquisitions, underlying sales were $22.7 million lower than the pcp. Whilst contract wins in Jalco delivered strong volume growth, this was more than offset by generally subdued consumer demand for rigid packaging, particularly in the dairy, food and beverage sector, customer destocking in the health and wellness sector and the incremental impact of contract losses in the prior year. Demand for materials handling products remained steady.

Pricing was generally lower than the pcp, impacted by the pass through of lower input costs.

EBIT (before significant items) of $99.5 million was up $3.9 million or 4.1% compared to the pcp. Contributions from acquisitions increased EBIT by $11.5 million, including an amortisation charge of $2.4 million in APM.

Efficiency programs delivered strong growth which largely offset the impact of lower volume and the margin impact of contract extensions. EBIT was adversely impacted by costs associated with the implementation of the *Operational Excellence Program* and the start-up of new contracts in Jalco.

The EBIT margin of 8.9% was 0.4% lower than the prior year, negatively impacted by lower margin volume growth in contract manufacturing and higher costs associated with the start-up of new contracts in Jalco.

Pact International

Pact International comprises the Group's operations in New Zealand, China, the Philippines, Indonesia, Singapore and Thailand. Pact International contributed 24% of the Group's total sales revenue in the year ended 30 June 2017.

$'000	2017	2016	Change %
Sales revenue	357,507	353,399	1.2%
EBIT before significant items	69,887	66,834	4.6%
EBIT margin %	*19.5%*	*18.9%*	*0.6%*

Pact International achieved growth in both sales and EBIT before significant items, and improved margins in the period.

Sales revenue for the year of $357.5 million was up $4.1 million, or 1.2%, compared to the pcp, with the acquisitions of FCC (in July 2016) and Stowers Containment Solutions (completed in the second half of FY16) contributing $20.4 million. Sales also benefited from favourable foreign currency translation as the New Zealand dollar remained strong relative to the Australian dollar, offsetting an adverse impact from a weaker Chinese yuan.

These benefits were partly offset by lower underlying sales volumes, adversely impacted by subdued consumer demand in the dairy, food and beverage sector and the relocation of some customer manufacturing operations from New Zealand. Demand for industrial packaging in the New Zealand dairy sector improved in H2 following a weak H1, with full year volumes only slightly down on the prior year. Volumes in China were impacted by weak industrial demand whilst volumes elsewhere in Asia were steady.

Pricing was generally lower than the prior period, due largely to the pass through of lower input costs.

EBIT (before significant items) at $69.9 million was up $3.1 million, or 4.6% compared to the pcp, with acquisitions delivering an incremental $2.8 million to EBIT. Strong earnings growth delivered through the *Operational Excellence Program* offset the impact of lower underlying volumes and the impact on margins of contract extensions.

The EBIT margin of 19.5% was 0.6% higher than the pcp due to strong efficiency improvements.

Other events of significance

Acquisitions

On 1 July 2016, the Group purchased the assets, brands and trademarks of the Fruit Case Company (FCC), a New Zealand based crate pooling and hire company, for consideration of $15.4 million. The acquisition aligns with the Group's strategic expansion into the materials handling sector.

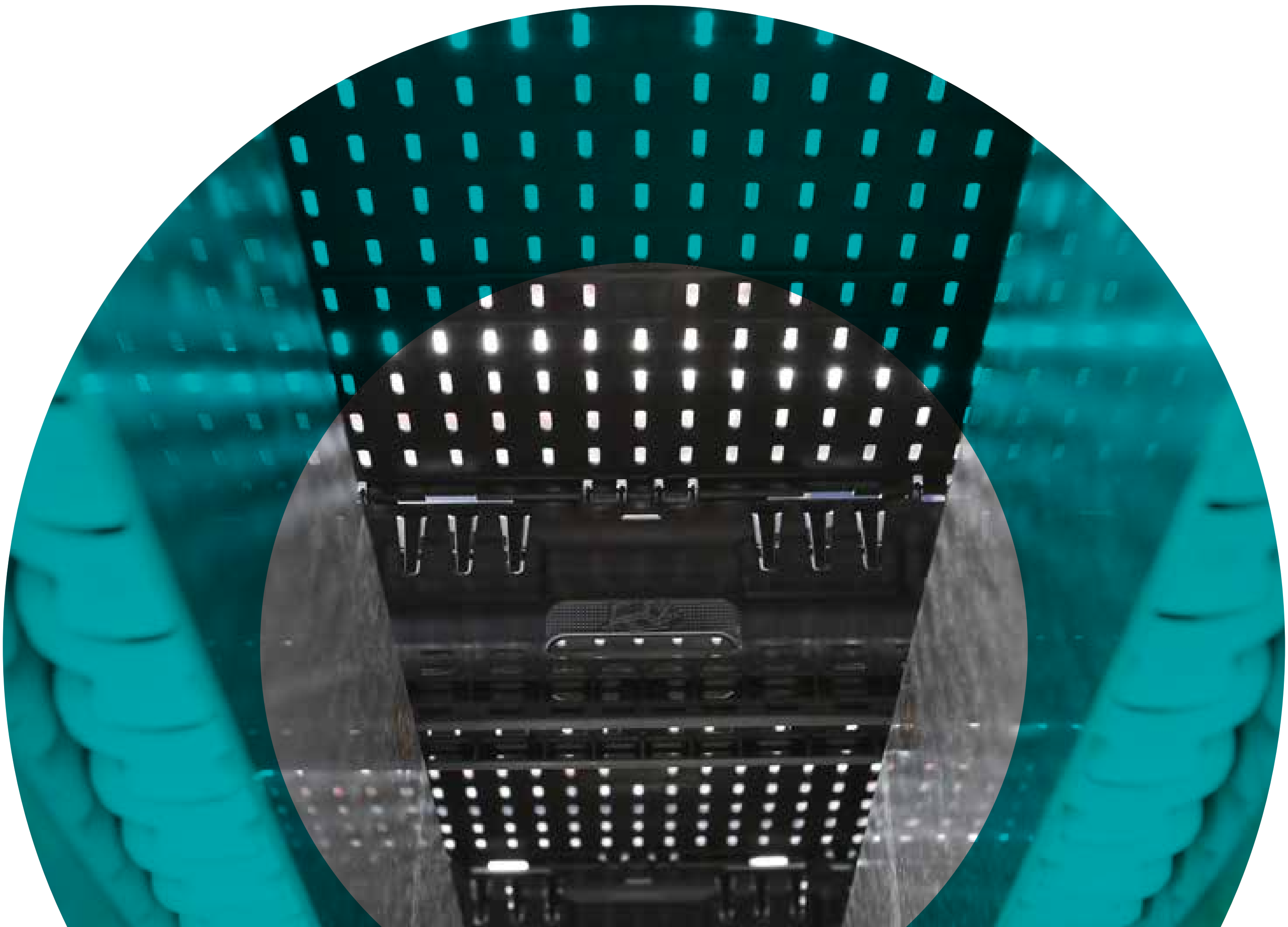
On 16 September 2016, the Group purchased 100% of the issued capital of Australian Pharmaceutical Manufacturers Pty Ltd (APM) for consideration of $88.6 million, consisting of a $73.6 million cash payment and the issue of $15.0 million of shares in the Company. APM is one of the largest providers of manufacturing and packaging services for the nutraceuticals sector in Australia and has established, long-term relationships with leading participants in the health and wellness sector. The acquisition is a further step in the Group's strategy to expand in specialised contract manufacturing.

On 28 February 2017, the Group purchased 100% of the issued capital of the Pascoe's Group for a provisional consideration of $51.8 million. Pascoe's is a leading manufacturer of aerosol and liquid based consumer products within the household and industrial chemicals category. The acquisition strongly aligns with our recent growth in contract manufacturing, and expands our capability into aerosol manufacture.

Crate pooling

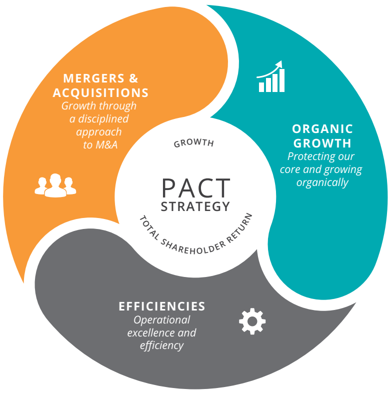
In FY16 the Group announced that it had entered into an agreement under which the Group will construct, own and operate crate pooling, washing and storage facilities for fresh produce supply to Woolworths. This is a natural extension of the Group's existing presence in the materials handling sector and continues the strategy of pursuing new revenue streams through organic growth.

Total capital expenditure is expected to be approximately $70.0 million, with $59.0 million of the capital expenditure incurred as at 30 June 2017. The new business commenced operations, on schedule in August 2017. This, along with the acquisition of FCC, provides Pact with a leading position in Returnable Produce Crate pooling services in both Australia and New Zealand.



Overview of business strategy

A key element of the Group's strategy is to maximise long-term shareholder value. The Group seeks to deliver long-term value through focus on three core areas:



- Organic growth — by protecting our core and growing organically with purpose;
- Efficiency — through operational excellence and targeting the lowest cash cost of production; and
- M&A — growth through disciplined, accretive M&A in core sectors and close adjacencies.

Organic growth

The Group's core business benefits from:

- leading sector positions;
- a diverse customer base with long-term relationships;
- a highly diversified product portfolio;
- broad end-market reach;
- an extensive manufacturing and supply network; and
- world-class innovation.

Key to the Group's ability to grow organically is its ability to leverage these differentiating characteristics to create a competitive advantage. A core focus of the Group is innovation.

Pact is widely recognised for our dedication to supplying some of the most innovative products in the market, supported by our in-house innovation capability and extensive global licencing arrangements. The Group's commitment to innovation has been recognised through multiple industry and customer awards. Pact are the only packaging company to have achieved recognition for five consecutive years on the *Australian Financial Review's (AFR's)* prestigious Most Innovative Companies List from 2013 to 2017.

Efficiency

The Group is committed to delivering operational excellence and the lowest cash cost of production.

The Group completed the *2015 Efficiency Program* in the period, with the Program delivering annualised benefits of $15 million, in-line with expectations.

In the period, the Group progressed the implementation of the *Operational Excellence Program*, focussing on the adoption of lean manufacturing techniques across the Group's manufacturing footprint.

This Program has delivered solid benefits in FY17 and will continue to drive further improvements in FY18 and beyond.

The Group will continue to review all areas of the business for efficiency opportunities in the pursuit of operational excellence.

M&A

The Group has a track record of success in identifying value accretive acquisition opportunities, executing transactions in a disciplined and systematic manner, and delivering cost synergies and operational efficiencies through integration. Acquisitions have driven earnings growth and enabled the Group to expand and diversify its product and customer portfolio.

All M&A opportunities must meet strict assessment and evaluation criteria. Opportunities must be low risk and aligned with the Group's core sectors or close adjacencies, and expected returns must meet a minimum financial hurdle of 20% return on investment in year three.

Discipline in deal execution is provided by a centrally managed integration process. A strict timeline for transition and the centralisation of common operational and back-office functions ensures cost synergies and efficiencies are realised early.

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.

The material financial risks include:

Customer risks

Customers are fundamental to the success of the business and, in recognition of this, Pact invests in the quality of its relationships with key material customers, and in producing products to customers' required specification and standard. The loss of key material customers, a reduction in their demand for Pact's products or a claim for non-performance can have a negative effect on the future financial performance of the Group.

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.

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.

Competitor risks

Pact operates in a highly competitive environment due to factors including actions by existing or new competitors, price, product selection and quality, manufacturing capability, innovation and the ability to provide the customer with an appropriate range of products and services in a timely manner. Any deterioration in the Group's competitive position as a result of actions from competitors may result in a decline in sales revenue and margins, and an adverse effect on the Group's future financial performance.

Consumer preferences

Changes in consumer preference 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 (eg. food, dairy, beverages, personal care and other household consumables) and industrial (eg. surface coatings, petrochemical, agriculture and chemicals) industry sectors.

Factors which may influence these sectors include climate conditions, seasonality of foods, an increase of focus in Australian and New Zealand supermarket chains on private brands, and reputation of products, substrates 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.

Strategic acquisitions

Pact's strong growth over time has been aided by the acquisition of numerous businesses and assets. This growth has placed, and may continue to place, significant demands on management, information reporting systems and financial and internal control systems.

Effective management of Pact's growth, including identification of suitable acquisition candidates and effective management of integration costs will be required on an ongoing basis. If this does not occur then there may be an adverse effect on the Group's future financial performance. Large capital projects are also scrutinised to ensure the associated risks are appropriately managed to ensure return on capital investment and project milestones are achieved.

Foreign exchange rates

Pact's financial reports are prepared in Australian dollars. However, a substantial proportion of Pact's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are 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 and the Thai baht in relation to Pact's business operations. Any depreciation of the Australian dollar and adverse movement in exchange rates would have an adverse effect on the Group's future financial performance.

Supply chain

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, 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.

Interruption to operations

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.

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, work health and safety, property, environmental, competition, anti-bribery and corruption, customs and international trade, taxation and corporations.

Footnotes

This report includes certain non-IFRS financial information which has not been subject to audit by the Company'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) EBITDA before significant items is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue), tax, depreciation and amortisation.
(2) EBIT before significant items is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue) and tax.
(3) NPAT before significant items is a non-IFRS financial measure which is calculated as net profit after tax before significant items.
(4) Gearing is a non-IFRS financial measure which is calculated as net debt divided by EBITDA before significant items. Net debt is calculated as current debt plus non-current debt less cash.
(5) Interest cover is a non-IFRS financial measure which is calculated as EBITDA before significant items divided by net interest expense.

GROWTH INITIATIVES

"Pact has grown from a rigid packaging business generating $200 million in sales revenue in 2002 to a diversified provider of specialty packaging and manufacturing solutions generating almost $1.5 billion in sales revenue in FY17." Malcolm Bundey **Managing Director and CEO**

In the period the Group invested more than $200 million in initiatives which further diversified the Group's product and service portfolio in sectors offering attractive growth opportunities. These initiatives have included:

- expansion of our contract manufacturing business through the acquisition of Australian Pharmaceuticals Manufacturers (APM) and Pascoe's;
- the establishment of a leading position in crate pooling for returnable produce crates (RPCs) in Australia and New Zealand through the acquisition of the Fruit Case Company (FCC) and, a major organic growth project in Australia to support fresh produce supply to Woolworths; and
- the investment in a world-class clean-room facility to expand our rigid packaging manufacturing capacity to meet growth in the health and wellness sector.

These initiatives continue Pact's growth and diversification. Pact has grown from a rigid packaging business generating $200 million in sales revenue in 2002 to a diversified provider of specialty packaging and manufacturing solutions generating almost $1.5 billion in sales revenue in FY17. The Group now has operations across seven countries.

This growth has been underpinned by a disciplined approach to M&A; a core strategic pillar. Pact has a history of acquiring well established businesses throughout Australia, New Zealand and Asia and focuses on delivering growth and synergies through disciplined integration processes. Since inception Pact has acquired and successfully integrated 50 acquisitions, including the three acquisitions in FY17. Acquisitions have strengthened the Group's manufacturing capability, broadened its geographic presence and provided increased product and customer diversification.

ESTABLISHING A LEADING POSITION IN CRATE POOLING

"Viscount Pooling Systems showcases our innovation capability and strong customer focus. It has set a new benchmark for RPC pooling in the region." Wayne Williams, **EGM Materials Handling**

Two important strategic growth initiatives during the year have established the Group as the leader in fresh produce crate pooling services in Australia and New Zealand:

- The establishment of Viscount Pooling Systems — a new business established to provide crate pooling services for fresh produce supply to Woolworths in Australia.
- The acquisition of the Fruit Case Company — this business has a leading position in crate pooling services in New Zealand.

A transformational growth platform

- Largest organic growth initiative ever undertaken by the Group with a total capital commitment of approximately $70 million.
- Four new automated and HACCP accredited wash facilities built and staffed.
- A crate pool of four million Radio-Frequency Identification (RFID) enabled returnable produce crates manufactured.
- Development of Viscount's Intellicrate® asset tracking capability.
- Complements existing crate pooling services in Australia and New Zealand.
- Significant opportunity to leverage the platform to deliver future growth.

Viscount Pooling Systems

GROWING IN CONTRACT MANUFACTURING

"Contract manufacturing creates the opportunity for a deeper customer relationship. We are able to leverage our innovation and manufacturing capabilities and become an integral part of our customer's supply chain" Charmaine England, **EGM Contract Manufacturing**

Contract manufacturing has become a significant product portfolio through the acquisitions of APM, Pascoe's and Jalco. Our growth in this sector is strongly aligned with our rigid packaging businesses and leverages our core capabilities in innovation and manufacturing, whilst extending our customer offering. In less than two years, the contribution from contract manufacturing has increased from zero to more than 20 percent of Group revenue.

Contract manufacturing is an attractive growth sector, which moves the Group from a component manufacturer to an integral part of our customers' supply chain. Our strategic acquisitions have established the Group as a leader in contract manufacturing services for both the health and wellness and the non-food fast moving consumer goods (FMCG) sectors in Australia.

Pact completed the acquisition of APM in September 2016. APM is one of the largest providers of manufacturing and packaging services for the health and wellness sector in Australia, providing a range of therapeutic nutraceutical products including vitamin and mineral supplements, herbal remedies and amino acids. It has long-term relationships with leading participants in the health and wellness sector and a well established reputation for quality.

The acquisition of Pascoe's was completed in February 2017. Pascoe's is a leading manufacturer of aerosol and liquid based consumer products within the household and industrial chemicals category. The acquisition provides the Group with manufacturing capability in aerosol based products, a highly attractive segment in which Pascoe's occupies a leading position. It also extends our capability within liquids filling, providing alignment with our Jalco business, acquired in September 2015.

JALCO GROUP

Acquired September 2015
• Supports personal care, homecare and automotive sectors

apm quality innovation

Acquired September 2016
• Supports attractive nutraceuticals sector

Pascoe's

Acquired February 2017
• Supports personal care, homecare and aerosol food sectors

1 Assumes a full year revenue contribution from APM and Pascoe's

INNOVATION

Pact is widely recognised as an industry leading product and process innovator. In 2017, we were named as one of *Australia's Most Innovative Companies* by the *Australian Financial Year* (*AFR*). We were the only packaging company to make this prestigious list for five consecutive years.

Many new products were launched during the year, and our brands and businesses are both proud and humbled that customers and industry alike have recognised our commitment to innovation.

Our innovation methodology uses consumer insights to take creative concepts into the commercial world. This drives transformational change for our customers and enables them to win in their chosen category or, opens up new markets for them to compete in.

Awards

Industry

2017 Australian Institute of Packaging — Sustainable Packaging & Processing (Materials & Packaging) Winner
rPET Moisturelock Meat Tray

2017 Australian Institute of Packaging — Design Innovation of the Year Award (Beverage Category)
A2 Milk bottle

2017 Product of the Year (Laundry Powder)
Almat

2017 Product of the Year (Fabric Softener)
Anco Soft

2016 New Zealand Plastics Industry Design Awards Silver Winner — rPET Moisturelock meat tray (Food and Beverage category)

Corporate

2016 and 2017 Australian Financial Review (AFR's) Top 50 Most Innovative Companies

2016 Acquisition International Global Excellence Awards — Most Outstanding Packaging Solutions Firm

2016 APAC Insider Australian Business Awards — Best in Brand Packaging Solutions

2017 Lawyer International Global Awards — Company of the Year (Manufacturing) - Australia

2017 Acquisition International Business Excellence Awards — Packaging Solutions Firm of the Year

Customer

2016 Dulux Acratex Supplier of the Year Finalists

2017 Coca-Cola Amatil — Supplier of the Year Finalist (Quality)

GOVERNANCE

SUSTAINABILITY

Sustainability is fundamental to our strategic direction and vision; to enrich lives every day through sustainable packaging and manufacturing solutions.

In pursuit of our vision, Pact Group recognises that our business activities have a direct impact on a wide range of stakeholders including employees, shareholders, customers, suppliers, and the communities in which we operate.

Our annual *Sustainability Report* outlines how we've addressed these responsibilities with our stakeholders and the environment in which we operate.

Our strategy focuses on four key areas that are connected to our business: People, Environment, Society and, Ethics and Governance. Pact FY17 is available on the Company's website at www.pactgroup.com.au/sustainability.

CORPORATE GOVERNANCE OVERVIEW

The Board recognises the importance of good corporate governance and its role in ensuring the accountability of the Board and management to shareholders.

The Board is concerned to ensure that the Group is properly managed to protect and enhance shareholder interests and that the Company, its Directors, officers, and employees operate in an appropriate environment of corporate governance.

The Board has adopted a corporate governance framework comprising principles and policies that are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition) (ASX Recommendations).

The Corporate Governance Statement outlines the key aspects of the Group's corporate governance framework and is available on the Company's website at www.pactgroup.com.au/investors/corporate-governance/corporate-statement.

The Board considers that the Company's corporate governance framework and practices have complied with the ASX recommendations for the financial year, except as otherwise detailed in the Corporate Governance Statement.

FINANCIAL REPORTS

FINANCIAL REPORT

Full Year Consolidated Financial Report

For the year ended 30 June 2017

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 interest in associates and jointly controlled entities at the end of, or during the year ended 30 June 2017. This *Consolidated Financial Report* was issued in accordance with a resolution of the Directors on 16 August 2017.

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 1.2 Taxation
- Note 2.1 Business combinations
- Note 2.2 Control and significant influence
- Note 3.2 Estimation of useful lives of assets
- Note 3.2 Recoverability of property, plant and equipment
- Note 3.2 Impairment of goodwill and other intangibles
- Note 3.4 Business restructuring

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

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 2017.

Left to right: Jonathan Ling, Ray Horsburgh, Malcolm Bundey, Peter Margin, Raphael Geminder, Lyndsey Cattermole

Directors' Report

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 Masters 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
Member of the Nomination and Remuneration Committee

Lyndsey founded Aspect Computing Pty Limited and remained as Managing Director from 1974 to 2001, before selling the business to KAZ Group Limited, where she served as a Director from 2001 to 2004. Lyndsey has held many board and membership positions including with the Committee for Melbourne, the Prime Minister's Science and Engineering Council, the Australian Information Industries Association, the Victorian Premier's Round Table and the Woman'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 Treasury Wine Estates Limited, Tatts Group Limited, and the Florey Institute of Neuroscience and Mental Health and several private companies.

Ray Horsburgh AM
Independent Non-Executive Director

Member of the Board since 5 October 2015
Member of the Audit, Business Risk and Compliance Committee

Ray has extensive management experience in the glass and steel manufacturing sectors and in mergers and acquisitions. He was Managing Director and Chief Executive Officer of Smorgon Steel Group Limited (1993–2007) and held various senior roles in packaging company ACI Limited including Chief Executive Officer of ACI Glass Group.

Ray has a Bachelor of Chemical Engineering, Hon DUniv, is a fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Engineers Australia.

Other current directorships

Ray is currently the Chairman of AFL Victoria. He is also a Director of the Ricky Ponting Foundation.

Former listed company directorships in last three years

Chairman of Calibre Global Limited (2012–2015), Chairman of Toll Holdings (2007–2016).

Directors' Report

Peter Margin
Independent Non-Executive Director

Member of the Board since 26 November 2013
Chairman of the Audit, Business Risk and Compliance Committee
Member of the Nomination and Remuneration Committee

Peter has many years of leadership experience in major Australian and international food companies. He is currently the Executive Chairman of Asahi Beverages ANZ, and previously was Chief Executive Officer of Goodman Fielder Limited. Prior to that Peter was Chief Executive Officer and Chief Operating Officer of National Foods Limited. Peter has also held senior management roles in Simplot Australia Limited, Pacific Brands Limited (formerly known as Pacific Dunlop Limited), East Asiatic Company and HJ Heinz Company Australia Limited.

Peter holds a Bachelor of Science from the University of New South Wales and a Master of Business Administration from Monash University.

Other current directorships

Non-Executive Director of Bega Cheese Limited, Nufarm Limited and Costa Group Holdings Limited.

Former listed company directorships in last three years

Non-Executive Director of Ricegrowers Limited (2012–2015), PMP Limited (retired August 2016), Huon Aquaculture Ltd (retired August 2016).

Jonathan Ling
Independent Non-Executive Director

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

Jonathan has extensive experience in complex manufacturing businesses. Jonathan is currently the Chief Executive Officer and Managing Director of GUD Holdings Limited, and has previously held leadership roles with Fletcher Building Limited, Nylex, Visy and Pacifica.

He was the Chief Executive Officer and Managing Director of Fletcher Building Limited (2006–2012).

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

Other current directorships

Director of GUD Holdings Limited and various GUD Holdings Limited subsidiary companies.

Former listed company directorships in last three years

Non-Executive Director of Pacific Brands Limited (2013–2014).

Executive

Malcolm Bundey
Managing Director and Chief Executive Officer

Member of the Board since 1 December 2015

Malcolm is the Managing Director and Chief Executive Officer of Pact. He joined Pact in December 2015. Malcolm previously held several senior executive leadership positions for The Rank Group (a privately owned NZ group), based in both Australia and the USA. After joining them as CFO of Goodman Fielder in 2003, and then transferring to the United States as a Company Executive in 2007, he became the President and CEO of Evergreen Packaging, a global paper and packaging company. In 2011 he took on the concurrent roles of President and CEO of Closure System International (CSI), a global closure packaging business and Graham Packaging, a global rigid packaging and machinery business. Prior to this Malcolm was a partner at Deloitte, where he worked from 1987 to 2003.

Other current directorships

No other external directorships

Directors' Report

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 10 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	117,556,458
Lyndsey Cattermole	78,948
Peter Margin	22,092
Jonathan Ling	10,455
Ray Horsburgh	30,100
Malcolm Bundey	-

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 and Compliance Committee		Nomination and Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Raphael Geminder	8	8	NM	NM	4	4
Lyndsey Cattermole	8	8	4	4	4	4
Peter Margin	8	8	4	4	4	4
Jonathan Ling	8	8	NM	NM	4	4
Ray Horsburgh	8	8	4	4	NM	NM
Malcolm Bundey	8	8	NM	NM	NM	NM

NM — Not a member of the relevant committee

Principal activities

Pact is a leading provider of specialty packaging solutions in Australasia, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing 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 on pages 8 to 17 of this *Annual Report*.

Dividends

On 16 August 2017, the Directors determined to pay a final dividend of 11.5 cents per share partially franked to 65%. The dividend is payable on 5 October 2017. The record date for entitlement to the dividend is 24 August 2017.

The table below shows dividends paid (or payable) during the year ended 30 June 2017.

Dividends	Amount per security	Franked amount per security	Unfranked amount per security sourced from the conduit foreign income account	Date paid / payable
Current year to 30 June 2017				
Final dividend (per ordinary share)	11.50 cents	7.48 cents	4.02 cents	5 October 2017
Interim dividend (per ordinary share)	11.50 cents	7.48 cents	4.02 cents	5 April 2017
Prior Year to 30 June 2016				
Final dividend (per ordinary share)	11.00 cents	7.15 cents	3.85 cents	6 October 2016
Interim dividend (per ordinary share)	10.00 cents	6.50 cents	3.50 cents	6 April 2016

The Board's current intention is to pay out approximately 65%–75% of the Company's net profit before significant items after tax attributable to shareholders in dividends.

Franking capacity in the current year has been favourably impacted by franking credits received through acquisitions.

Other events of significance

Please refer to the Review of Operations and Financial Performance contained on pages 8 to 17 of this *Annual Report*.

Significant events after balance date

In the opinion of the Directors, there have been no material matters or circumstances which have arisen between 30 June 2017 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Workplace health, safety and environmental regulations

The Group operates under an integrated Workplace Health, Safety and Environment (WHSE) Management System, with a goal of *Towards Zero Harm* to both people and the planet. The system is aligned with ISO 14001 and operates under an *Environmental Policy* and a *Workplace Health and Safety Policy*. The system is fundamental to achieving compliance with WHSE regulations in all jurisdictions in which we operate and is implemented at all of 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 cause and ensures that there is no reoccurrence. Pact works with the appropriate authorities to address any requirements and to proactively manage any obligations.

The Group is also subject to the reporting and compliance requirements of the *Australian National Greenhouse and Energy Reporting Act 2007* (Cth). The *National Greenhouse and Energy Reporting Act 2007* requires that Pact 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 2017.

Share options and rights

Refer to the Remuneration Report (Section 3) for further details on share rights on issue. There are no share options on issue in the Company.

Directors' Report

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. In addition, a wholly owned subsidiary of the Company has entered into deeds of indemnity in 2015 for five years with its then current and former Directors and Secretaries involved in a transaction which was being contemplated at the time, to provide indemnities against losses incurred in the event of breaches of their obligations under confidentiality deeds entered into by them for the purpose of such transaction, and in the course of their employment, subject to certain exclusions including to the extent that such indemnity is prohibited by the Act. The deeds stipulate that the Company will meet the full amount of any such liabilities, costs and expenses (including legal fees).

During the financial year the Company paid insurance premiums for a Directors and officers liability insurance contract 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.

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:

$000s	2017	2016
Tax services	538	472
Other assurance related services	573	328
Total	**1,111**	**800**

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 auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Directors' Report
Remuneration Report

Remuneration Report (audited)

This Remuneration Report for the year ended 30 June 2017 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 2017
5. Executive KMP contracts
6. Non-Executive Directors' remuneration arrangements
7. Equity holdings of KMP
8. 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 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 2017
Non-Executive Directors (NEDs)		
Raphael Geminder	Non-Executive Chairman	Full Year
Lyndsey Cattermole	Non-Executive Director	Full Year
Peter Margin	Non-Executive Director	Full Year
Jonathan Ling	Non-Executive Director	Full Year
Ray Horsburgh	Non-Executive Director	Full Year
Other KMP		
Malcolm Bundey	Managing Director and CEO	Full Year
Richard Betts	Chief Financial Officer	Full Year

There have been no other changes to KMP after the reporting date and before the date the *Financial Report* was authorised for issue.

2. Governance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) is 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 four NEDS 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.

Directors’ Report
Remuneration Report

2. Governance (continued)

Use of remuneration consultants

To ensure the Committee is fully informed when making remuneration decisions it will seek remuneration advice where required.

Decisions to engage remuneration consultants are made by the Committee or the Board. Contractual engagements and briefing of the consultants is 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.

EY was engaged during the prior financial year to provide recommendations to the Group on a Long-term Incentive Plan (LTIP) for the senior executives. This engagement was concluded during the current year, and EY provided recommendations on the structure of a LTIP including the following components:

- timing of awards;
- quantum of grants;
- eligibility of employees;
- type of equity instrument as an award vehicle;
- performance measures;
- vesting schedule; and
- the performance period.

Following the work prepared by EY, the Committee approved an LTIP for the CFO and other senior executives. The scheme will be implemented in the 2018 financial year.

EY was engaged by the Committee and the CEO and CFO had no involvement in the engagement or any ongoing instruction of EY. Accordingly the Board is satisfied that the remuneration advice and recommendations received from EY were free from undue influence by the KMP to whom the advice or recommendation relates. The appointment of EY for the provision of these services did not impact on the independence of EY as auditors of the Company and the Group, because EY was not involved in the final design and implementation of the plan. The Company paid EY $19,570 for this review.

3. Executive remuneration arrangements

Remuneration principles and strategy

Pact’s executive remuneration strategy is designed to attract, retain, reward and motivate high performing individuals through remuneration arrangements that are based on performance and experience, are competitive for companies of a similar size and nature, and are aligned with the interests of shareholders.

Remuneration for executive KMP includes fixed remuneration, and benefits that are at risk, awarded only on the achievement of performance conditions. This includes a Short-term incentive plan (STI) for the CEO and CFO, and a LTIP for the CEO.

Fixed remuneration

Comprises base salary and company superannuation contributions. The Group’s strategy is to provide competitive fixed remuneration to attract high quality executives with the right experience, qualifications and industry expertise to manage the business.

STI

An “at risk” component of remuneration paid in cash, awarded on the achievement of performance conditions (financial and non-financial) over a 12 month period, that is intended to drive performance against the Group’s short-term objectives.

LTIP

An “at risk” component of remuneration comprising the issue of performance rights to acquire fully paid ordinary shares in the Company, awarded on the achievement of performance conditions over a three year period, that is intended to drive performance against the Group’s long-term objectives.

Directors' Report
Remuneration Report

3. Executive remuneration arrangements (continued)

Approach to setting remuneration

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, and the broader economic environment. The target remuneration mix for the 2017 year was as follows(1):

Executive KMP remuneration component at target	Malcolm Bundey %	Richard Betts %
Fixed remuneration	38%	68%
Short-term incentives	38%	32%
Long-term incentives (LTIP)	14%	-
Long-term incentives (Initial Share Grant)(2)	10%	-
Total	**100%**	**100%**

(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).

(2) The initial share grant will form part of Mr Bundey's total remuneration for the first three years of employment (refer to pages 34 and 37 in the Remuneration Report).

Details of incentive plans

STI

Both the CEO and CFO participate in a STI which is paid in cash and dependent on achieving agreed performance targets for the following:

- EBITDA before significant items;
- cash conversion and working capital management; and
- non-financial measures that include safety, risk management, diversity targets and talent management.

Participation in the STI is dependent on the Group exceeding an EBITDA hurdle equal to 95% of target EBITDA. If this hurdle is not achieved no rewards are payable to the CEO and CFO under the STI.

The Board considers these measures to be appropriate as they are strongly aligned with the interests of shareholders. Group EBITDA, cash conversion and working capital targets are key indicators of the underlying growth of the business, enabling the payment of dividends to shareholders.

The table on page 35 provides additional information on these performance measures, including an overview of performance versus target in the current year.

LTIP

The CEO participates in the LTIP, with an entitlement to performance rights to acquire fully paid shares in the Company, equal to 100% of annual base salary (ABS) with a vesting period of three years.

Key features of the LTIP are outlined below:

Grant value

Performance rights are granted based on the volume weighted average price (VWAP) of the Pact Group share price over the five day period following the Company's announcement of its full year financial results. The number of performance rights granted represents the CEO's entitlement for that full year. For details on the FY2016 LTIP please refer to the *2016 Annual Report*.

Share based payments expense is based on the fair value of the performance rights over the performance period.

Performance period

The performance period for the FY16 LTIP is from 1 December 2015 to 30 June 2018. For all subsequent fiscal years starting with 2017, the performance period commences on the first day of that fiscal year and is measured over three years.

Directors' Report
Remuneration Report

3. Executive remuneration arrangements (continued)

Performance hurdles

Vesting of the 2017 LTIP tranche will be subject to the Company achieving its relative Total Shareholder Return (TSR):

- This hurdle was selected by the Committee as it is clearly aligned with returns to shareholders. TSR is calculated by measuring the return to shareholders based on the Company's share price growth combined with the value of dividends declared and paid over the three year performance period.
- The TSR is then ranked on a relative basis with the TSR performance measured against the S&P/ASX 200 comparator group, excluding companies in the financials, metals and mining sector. The peer group has been selected by the Board at the time of the grant.
- The percentage of rights subject to the relative TSR hurdle that vest, if any, will be determined by the Committee with reference to the percentile ranking achieved by the Company over the relevant performance period, compared to other entities in the relative TSR comparator peer group, as follows:

Vesting schedule

TSR Relative to peer group	Vesting %
At or above the 75th percentile	100%
Between the 50th and 75th percentile	pro rata vesting between 50% to 100%
At the 50th percentile	50%
Below the 50th percentile	Nil

Cessation of employment

If an executive resigns or is terminated for cause, any unvested LTIP awards are forfeited, unless otherwise determined by the Board. A "good leaver" will retain a pro rata number of performance rights based on time elapsed since the initial grant date. Any such performance rights will be subject to the original terms and conditions, and discretion of the Board.

Rights attaching to performance rights

Performance rights do not carry any dividend or voting entitlements prior to vesting. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares.

Clawback

100% of the award can be forfeited where there has been any fraud, dishonesty, or breach of obligations, including a material misstatement of the Financial Statements.

Change of control provisions

In the event of change of control, the performance period end date will be brought forward to the date of change of control, and awards will vest based on performance over this shortened period (subject to Board discretion).

Initial share grant

The CEO was entitled to receive an initial share grant of $1 million on his appointment as Managing Director and CEO commencing on 1 December 2015. This share grant was approved at the AGM on 16 November 2016, and 209,205 performance rights were granted to the CEO. These shares will vest after three years of employment from the commencement date of 1 December 2015. Should the CEO cease employment during this time the shares will be forfeited.

Directors' Report
Remuneration Report

4. Executive remuneration outcomes for 2017

Business performance in 2017

In FY17, the Group delivered growth in all key financial metrics despite challenging market conditions, positively impacted by efficiency benefits and growth through acquisitions.

Over the last four financial years:

- compound growth in net profit after tax[1] (before significant items) was 19%;
- compound earnings per share growth[2] (before significant items) was 18%;
- an average of 18.3 cents per ordinary share per annum has been paid (or payable) to shareholders in dividends; and
- cumulative Total Shareholder Return (TSR)[3], which represents the movement in the Company's share price plus dividends received by shareholders, was 85.7%.

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

Performance measure	2014(4)	2015	2016	2017
Statutory net profit after tax ($000)	57,689	67,632	85,051	**90,341**
Net profit after tax (NPAT)[1] ($000)	59,725	85,214	94,310	**100,003**
NPAT(1) growth %	n/a	42.7%	10.7%	**6.0%**
EBITDA(1) ($000)	198,226	208,678	220,157	**233,116**
EBITDA(1) growth %	n/a	5.3%	5.5%	**5.9%**
Dividends per ordinary share (cps)	9.5	19.5	21.0	**23.0**
Closing share price (30 June)	3.43	4.68	6.03	**5.99**
Three month average share price (1 April to 30 June)	3.41	4.28	5.46	**6.44**
Earnings per share(1), (2) (cps)	20	29	32	**33**
Earnings per share(1) growth %	n/a	45.0%	10.3%	**3.1%**
Cumulative TSR %(3)	(10.3%)	17.6%	53.9%	**85.7%**

(1) Before significant items (refer to Note 1.1 in the *Consolidated Financial Report*).

(2) Earnings per share in 2014 has been calculated assuming the post IPO share capital structure existed for the entire period. The basis for the calculation is 294.1 million shares outstanding.

(3) Cumulative TSR in each year has been calculated using the share issue price at 17 December 2013 of $3.80. The three month average share price has been used in all periods.

(4) The Group was listed on the ASX on 17 December 2013.

STI outcomes — Executive KMP

The table below outlines the components of the STI and how performance has been measured in fiscal year 2017.

Performance measure	Weighting	Overview of performance v target
EBITDA	64%	EBITDA growth of 5.9% compared to last year, but minimum EBITDA hurdle of 95% of target was not achieved.
Cash conversion	8%	Cash conversion is defined as operating cash flow divided by EBITDA, with operating cash defined as EBITDA less the change in working capital, less changes in other assets and liabilities. During the year target performance was achieved.
Working capital management	8%	Working capital management is measured by rolling working capital as a percentage of sales. During the year target performance was not achieved.
Non-financial measures	20%	This measure is based on various safety, risk management, diversity and talent management targets. Performance ranged from achieved to not achieved.

LTIP outcomes — CEO

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.

Year	Performance rights granted	Fair value of right	Performance period
2016 LTIP	146,444	$3.85	1 December 2015 to 30 June 2018
2017 LTIP	192,376	$3.54	1 July 2016 to 30 June 2019

The performance measure for the LTIP is achievement of relative TSR targets. The vesting conditions have been outlined on page 34.

Directors' Report
Remuneration Report

4. Executive remuneration outcomes for 2017 (continued)
Executive KMP remuneration for the year ended 30 June 2017

Executive	Year	Short-term benefits				Post-employment benefits	Long-term benefits	Share based payments (equity settled)		Total	Performance related %
		Salary and fees	STI	Non-monetary benefits (1)	Other Benefits (2)	Super-annuation	Long Service Leave(3)	LTIP (4)	Initial Grant		
		$	$	$	$	$	$	$	$	$	%
Mr Malcom Bundey	**2017**	**1,200,000**	**-**	**62,641**	**84,676**	**25,000**	**-**	**445,253**	**333,333**	**2,150,903**	**21%**
(CEO)	2016	677,500	616,000	-	36,015	37,083	-	127,312	194,444(5)	1,688,354	44%
Mr Richard Betts	**2017**	**498,750**	**-**	**8,884**	**11,887**	**25,000**	**-**	**-**	**-**	**544,521**	**-**
(CFO)	2016	441,666	192,500	-	(3,669)	25,000	-	-	-	655,497	29%
Former Executive KMP											
Mr Brian Cridland	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 10 April 2016)	2016	766,097	325,396	67,251	15,416	45,497	(28,048)	-	-	1,191,609	27%
Total Executive KMP	**2017**	**1,698,750**	**-**	**71,525**	**96,563**	**50,000**	**-**	**445,253**	**333,333**	**2,695,424**	**17%**
remuneration	2016	1,885,263	1,133,896	67,251	47,762	107,580	(28,048)	127,312	194,444	3,535,460	36%

(1) Non-monetary benefits includes motor vehicle lease payments and FBT payments made by the Company on behalf of Mr Bundey and Mr Betts, and motor vehicle lease payments and FBT payments made by the Company on behalf of Mr Cridland for the prior year.

(2) Other benefits is the movement in the annual leave provision for Mr Bundey, Mr Betts and Mr Cridland.

(3) Long term benefits is the movement in the long service leave provision for Mr Cridland for the prior year. The Company policy is to provide for long service leave entitlements after five 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) Pro rata entitlement of the initial share grant for Mr Bundey in the prior year is based on a period of service from 1 December 2015 to 30 June 2016.

The table above 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 became entitled to during the financial year ended 30 June 2017. The table below has not been prepared in accordance with Australian accounting standards.

	Fixed Remuneration(1)	STI(2)	Other Benefits(3)	Performance rights vested in 2017(4)	Total
Mr Malcom Bundey	1,225,000	-	147,317	n/a	1,372,317
Mr Richard Betts	523,750	-	20,771	n/a	544,521

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

(2) STI relates to the 2017 performance period and is shown on an accruals basis.

(3) Other benefits include motor vehicle lease payments and FBT payments made by the Company on behalf of Mr Bundey and Mr Betts, and movement in the annual leave provision for Mr Bundey and Mr Betts, both shown on an accruals basis.

(4) Not applicable as the first opportunity for performance rights to vest will be following the 2018 financial year (the vesting of the 2016 LTIP), therefore no benefits were received during the current financial year.

Directors' Report
Remuneration Report

5. Executive KMP contracts

Remuneration arrangements for Executive KMP are formalised in employment agreements.

The following outlines the key details of contracts relating to Executive KMP:

Chief Executive Officer (CEO)

The CEO, Mr Malcolm Bundey, is employed under an employment contract with a notice period for termination of six months. There is no fixed term. Mr Bundey's remuneration package consists of the following components:

- The CEO receives fixed remuneration of $1,225,000 per annum.
- The CEO has a maximum STI of 100% of ABS. Please refer to section 3 of the Remuneration Report for further details of the CEO's STI plan.
- The CEO participates in an LTIP, key features of the LTIP are outlined on pages 33 and 34.
- The CEO received an initial share grant of $1,000,000 (209,205 performance rights). These shares will vest after three years of employment from a starting date of 1 December 2015.
- The CEO receives non-monetary benefits including motor vehicle lease payments and FBT payments made by the Company on his behalf.
- There are no provisions for redundancy payments. The Company is not required to make any payment of a benefit which is not permitted by Part 2D.2, Division 2 or Chapter 2E of the Act in the absence of shareholder approval or the ASX Listing Rules. The Company must use its reasonable endeavours to try and obtain shareholder approval, if required.

Chief Financial Officer (CFO)

The CFO, Mr Richard Betts, is employed under an employment contract, with a notice period for termination of three months. There is no fixed term. Mr Betts' remuneration package consists of the following components:

- The CFO receives fixed remuneration of $523,750 per annum.
- The CFO has a maximum STI of 50% of ABS. Please refer to section 3 of the Remuneration Report for further details of the CFO's STI plan.
- The CFO receives non-monetary benefits including motor vehicle lease payments and FBT payments made by the Company on his behalf.
- In the event a redundancy occurs, the CFO is entitled to receive a redundancy payment of three weeks for every year of service which is capped at 52 weeks. The Company is not required to make any payment of a benefit which is not permitted by Part 2D.2, Division 2 or Chapter 2E of the *Act* in the absence of shareholder approval or the ASX Listing Rules. The Company must use its reasonable endeavours to try and obtain shareholder approval, if required.

6. 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 sector).

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.

Directors' Report
Remuneration Report

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

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 the NED fees for FY17. The chair of the Nomination and Remuneration Committee receives fees of $30,000, compared to $20,000 in the prior year. All other fees remain unchanged from FY16:

Responsibility	Fees $
Board Fees	
Non-Executive Directors (excluding the Chairman)	$110,000
Audit, Business Risk and Compliance Committee	
Chair	$30,000
Member	$7,500
Nomination and Remuneration Committee	
Chair	$30,000
Member	$7,500

All NED fees are inclusive of 9.5% of superannuation. NEDs do not participate in any incentive programs.

The remuneration of NEDs for the year ended 30 June 2017 is detailed in the following table.

Non-Executive KMP remuneration for the year ended 30 June 2017

		Short-term benefits	Post-employment benefits	
		Fees $	Superannuation $	Total $
Ms Lyndsey Cattermole	**2017**	**114,155**	**10,845**	**125,000**
	2016	114,416	10,870	125,286
Mr Raphael Geminder	**2017**	**-**	**-**	**-**
	2016	-	-	-
Mr Jonathan Ling	**2017**	**127,854**	**12,146**	**140,000**
	2016	115,726	10,994	126,720
Mr Peter Margin	**2017**	**134,703**	**12,797**	**147,500**
	2016	132,307	12,569	144,876
Mr Ray Horsburgh	**2017**	**107,306**	**10,194**	**117,500**
	2016	80,479	7,646	88,125
Former non-Executive KMP				
Mr Tony Hodgson	**2017**	**-**	**-**	**-**
(retired 30 September 2015)	2016	32,036	3,043	35,079
Total non-Executive KMP remuneration	**2017**	**484,018**	**45,982**	**530,000**
	2016	474,964	45,122	520,086

7. 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 2017:

KMP	Balance 1 July 2016	Movements	Balance 30 June 2017
Raphael Geminder	117,036,546	519,912	117,556,458
Lyndsey Cattermole	78,948	-	78,948
Peter Margin	7,894	14,198	22,092
Jonathan Ling	2,365	8,090	10,455
Ray Horsburgh	20,100	10,000	30,100
Malcolm Bundey	-	-	-
Richard Betts	-	4,900	4,900

Directors' Report
Remuneration Report

8. Related party transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2017:

$'000's		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties — Directors' interests[1]	**2017**	**11,061**	**19,274**	**547**	**766**
	2016	10,051	19,048	293	681

(1) Related parties — Directors' interests includes the following group of entities: P'Auer Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited. Albury Property Holdings Pty Ltd and Green's General Foods Pty Ltd.

P'Auer Pty Ltd (P'Auer)

P'Auer an entity controlled by Mr Raphael Geminder (the non-Executive Chairman of Pact) has a supply agreement to provide label products to Pact. Pact has a Transitional Services and Support Agreement with P'Auer to provide support services. Agreements are on arm's length terms. In addition, P'Auer provides Pact with periodic warehousing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 49%, is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The agreement was extended in early 2017 through to 31 December 2021. Total value under this arrangement is approximately $4.5 million (2016: $4.9 million). The supply arrangement is at arm's length terms.

Terms and conditions of property leases with related parties

The Group leased 13 properties (10 in Australia and three 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 year ended 30 June 2017 was $6.7 million (2016: $6.6 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Of the Centralbridge leases in Australia:

- six of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the ninth term;
- two of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the eighth term; and
- two of the leases do not contain standard default provisions which give the landlord the right to terminate the lease in the event of default.

Except as set out above, the Centralbridge leases in Australia are on arm's length terms.

Of the Centralbridge leases in New Zealand, three of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the ninth term. With the exception of the early termination rights, the Centralbridge leases in New Zealand are on arm's length terms.

Terms and conditions of transactions with related parties

The purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil).

Directors' 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 41.

Rounding

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

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

Raphael Geminder
Chairman

Malcolm Bundey
Managing Director and Chief Executive Officer

16 August 2017

Building a better working world

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

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

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

As lead auditor for the audit of Pact Group Holdings Ltd for the financial year ended 30 June 2017, 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

Glenn Carmody
Partner
16 August 2017

Financial Report
Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

$'000	Notes	2017	2016
Sales revenue	1.1	**1,475,336**	1,381,338
Raw materials and consumables used		**(623,818)**	(590,049)
Employee benefits expense	5.1	**(364,377)**	(340,767)
Occupancy, repair and maintenance, administration and selling expenses		**(265,162)**	(241,581)
Interest and other income		**8,234**	6,110
Other gains / (losses)	6.2	**(11,524)**	(8,494)
Depreciation and amortisation expense	3.2	**(63,700)**	(57,688)
Finance costs and loss on de-recognition of financial assets	4.1	**(30,818)**	(30,644)
Share of profit in associates	2.3	**2,008**	2,227
Profit before income tax expense		**126,179**	120,452
Income tax expense	1.2	**(35,838)**	(35,408)
Net profit for the year		**90,341**	85,044
Net profit attributable to non-controlling interest		**-**	7
Net profit attributable to equity holders of the parent entity		**90,341**	85,051

Items that will be reclassified subsequently to profit or loss		
Cash flow hedges gains / (losses) taken to equity	**1,451**	(1,009)
Foreign currency translation (losses) / gains	**(4,157)**	6,806
Income tax on items in other comprehensive income	**(443)**	301
Other comprehensive (loss) / income for the year, net of tax	**(3,149)**	6,098
Total comprehensive income for the year	**87,192**	91,142

Attributable to:		
Equity holders of the parent entity	**87,192**	91,149
Non-controlling interests	**-**	(7)
Total comprehensive income for the Group	**87,192**	91,142

$			
Basic earnings per share	1.1	**0.30**	0.29
Diluted earnings per share	1.1	**0.30**	0.29

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

Financial Report

Consolidated Statement of Financial Position

As at 30 June 2017

$'000	Notes	2017	2016
Current assets			
Cash and cash equivalents		**39,592**	51,885
Trade and other receivables	3.1	**132,735**	114,604
Inventories	3.1	**168,906**	146,632
Other current financial assets		**155**	487
Prepayments		**9,192**	7,400
Total current assets		**350,580**	321,008
Non-current assets			
Trade and other receivables		**1,798**	905
Prepayments		**4,528**	5,289
Property, plant and equipment	3.2	**677,132**	582,723
Investments in associates and joint ventures	2.3	**18,501**	16,039
Intangible assets and goodwill	3.2	**547,333**	417,944
Deferred tax assets	1.2	**30,518**	29,130
Total non-current assets		**1,279,810**	1,052,030
Total assets		**1,630,390**	1,373,038
Current liabilities			
Trade and other payables	3.1	**383,484**	314,176
Employee benefits provisions	5.1	**35,587**	30,129
Other provisions	3.4	**3,084**	6,111
Other current financial liabilities		**2,155**	2,396
Total current liabilities		**424,310**	352,812
Non-current liabilities			
Trade and other payables		**18,694**	5,392
Employee benefits provisions	5.1	**6,425**	8,293
Other provisions	3.4	**24,932**	22,532
Interest-bearing loans and borrowings	4.1	**686,210**	561,440
Other non-current financial liabilities		**1,421**	3,481
Deferred tax liabilities	1.2	**63,290**	49,894
Total non-current liabilities		**800,972**	651,032
Total liabilities		**1,225,282**	1,003,844
Net assets		**405,108**	369,194
Equity			
Contributed equity	4.2	**1,517,097**	1,502,097
Reserves	4.2	**(905,732)**	(903,361)
Retained earnings		**(206,257)**	(229,542)
Total equity		**405,108**	369,194

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

Financial Report

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	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	Non-controlling interest	Total equity
Year ended 30 June 2017									
As at 1 July 2016	1,502,097	(928,385)	(2,498)	27,200	322	(229,542)	369,194	-	369,194
Profit for the year	-	-	-	-	-	90,341	90,341	-	90,341
Other comprehensive income / (loss)	-	-	1,008	(4,157)	-	-	(3,149)	-	(3,149)
Total comprehensive income / (loss)	-	-	1,008	(4,157)	-	90,341	87,192	-	87,192
Shares issued as consideration for business acquisitions	15,000	-	-	-	-	-	15,000	-	15,000
Dividends paid	-	-	-	-	-	(67,056)	(67,056)	-	(67,056)
Share based payments expense	-	-	-	-	778	-	778	-	778
Transactions with owners in their capacity as owners	15,000	-	-	-	778	(67,056)	(51,278)	-	(51,278)
Year ended 30 June 2017	1,517,097	(928,385)	(1,490)	23,043	1,100	(206,257)	405,108	-	405,108
Year ended 30 June 2016									
As at 1 July 2015	1,491,497	(928,385)	(1,790)	20,394	-	(255,157)	326,559	310	326,869
Profit / (Loss) for the year	-	-	-	-	-	85,051	85,051	(7)	85,044
Other comprehensive income / (loss)	-	-	(708)	6,806	-	-	6,098	-	6,098
Total comprehensive income / (loss)	-	-	(708)	6,806	-	85,051	91,149	(7)	91,142
Shares issued as consideration for business acquisitions	10,600	-	-	-	-	-	10,600	-	10,600
Acquisition of non-controlling interest	-	-	-	-	-	(327)	(327)	-	(327)
Dividends paid	-	-	-	-	-	(59,109)	(59,109)	(303)	(59,412)
Share based payments expense	-	-	-	-	322	-	322	-	322
Transactions with owners in their capacity as owners	10,600	-	-	-	322	(59,436)	(48,514)	(303)	(48,817)
Year ended 30 June 2016	1,502,097	(928,385)	(2,498)	27,200	322	(229,542)	369,194	-	369,194

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

Financial Report
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

$'000	Notes	2017	2016
Cash flows from operating activities			
Receipts from customers		**860,480**	888,574
Receipts from securitisation program		**785,898**	658,358
Payments to suppliers and employees		**(1,436,054)**	(1,344,483)
Income tax paid		**(24,326)**	(28,514)
Interest received		**180**	133
Proceeds from securitisation of trade debtors		**16,209**	18,745
Borrowing, trade debtor securitisation and other finance costs paid		**(30,921)**	(32,024)
Net cash flows provided by operating activities	4.1	**171,466**	160,789
Cash flows from investing activities			
Payments for property, plant and equipment		**(116,390)**	(52,050)
Purchase of businesses and subsidiaries, net of cash acquired	2.1	**(138,245)**	(113,936)
Proceeds from sale of property, plant and equipment		**9,785**	8,554
Sundry items		**4,289**	(1,358)
Net cash flows used in investing activities		**(240,561)**	(158,790)
Cash flows from financing activities			
Proceeds from borrowings		**515,217**	348,705
Repayment of borrowings		**(390,800)**	(273,000)
Payment of dividend		**(67,056)**	(59,109)
Payment of dividend to non-controlling interest		**-**	(303)
Net cash flows provided by financing activities		**57,361**	16,293
Net (decrease) / increase in cash and cash equivalents		**(11,734)**	18,292
Cash and cash equivalents at the beginning of the year		**51,885**	32,612
Effect of exchange rate changes on cash and cash equivalents		**(559)**	981
Cash and cash equivalents at the end of the year		**39,592**	51,885

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

Financial Report — Notes to the Financial Statements

Section 1 – Our Performance

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 2017.

1.1 Group results

Sales revenue

$'000	2017	2016
Pact Australia	**1,117,829**	1,027,939
Pact International	**357,507**	353,399
Total	**1,475,336**	1,381,338

Pact's chief operating decision maker is the Managing Director and Chief Executive Officer (CEO). The CEO monitors results by reviewing two reportable segments, Pact Australia (PA) and Pact International (PI), focusing on reported EBIT (earnings before finance costs and loss on de-recognition of financial assets, net of interest income, tax and significant items). As required by AASB 8: *Operating Segments*, the results above have been reported on a consistent basis to that supplied to the CEO.

Reportable segments	Countries of operation	Products/services
Pact Australia	Australia	Manufacture and supply of rigid plastic and metal packaging and associated services
Pact International	New Zealand China Indonesia Philippines Singapore Thailand	Contract manufacturing and packing services (Pact Australia only) Manufacture and supply of materials handling products and the provision of associated services Recycling and sustainability services

How Pact accounts for revenue

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer (through the execution of a sales agreement at the time of delivery of the goods to the customer), no further work or processing is required, the quantity and quality of the goods has been determined, the price is determined and generally title has passed. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Financial Report — Notes to the Financial Statements

Section 1 — Our Performance

1.1 Group results (continued)

EBIT

$'000	2017	2016
Pact Australia	**99,529**	95,635
Pact International	**69,887**	66,834
EBIT	**169,416**	162,469

Net profit after tax

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

$'000	2017	2016
EBIT (Pact Australia + Pact International)	**169,416**	162,469
Significant items		
Acquisition costs(1)	**(2,206)**	(2,913)
New business start-up costs(2)	**(3,335)**	-
Business restructuring programs(3)		
• restructuring costs	**(6,711)**	(7,759)
• asset write downs	**(788)**	(834)
	(7,499)	(8,593)
Total significant items	**(13,040)**	(11,506)
EBIT after significant items	**156,376**	150,963
Finance costs(4)	**(30,197)**	(30,511)
Net profit before tax	**126,179**	120,452
Income tax expense	**(35,838)**	(35,408)
Net profit after tax	**90,341**	85,044

(1) Acquisition costs include professional fees, stamp duty and all other costs associated with business acquisitions.

(2) New business start-up costs includes property, employee and other pre-conditioning costs for a new crate pooling business due to be commissioned in the 2018 financial year.

(3) The business restructuring programs relate to the optimisation of business facilities across the Group as announced in a prior period, and further restructuring activities initiated in the current year.

(4) Net finance costs includes interest income of $621,000 (2016: $207,000).

Basic and diluted earnings per share

	2017	2016
Earnings per share (EPS) ($) — basic	**0.30**	0.29
Earnings per share (EPS) ($) — diluted	**0.30**	0.29
Calculated using:		
• Net profit attributable to ordinary equity holders ($'000s)	**90,341**	85,051
• Weighted average of ordinary shares (shares) — basic	**298,705,565**	295,244,495
• Weighted average of ordinary shares (shares) — diluted	**299,253,590**	295,329,321

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 would include items such as performance rights as disclosed in Note 5.2.

Financial Report — Notes to the Financial Statements

Section 1 — Our Performance

1.2 Taxation

Reconciliation of tax expense

$'000	2017	2016
Accounting profit before tax	**126,179**	120,452
Income tax calculated at 30% (2016: 30%)	**37,854**	36,136
Adjustments in respect of income tax of previous years	**(2,911)**	(302)
Sundry items	**895**	(426)
Income tax expense reported in the Consolidated Statement of Comprehensive Income	**35,838**	35,408
Comprising of:		
• Current year income tax expense	**35,967**	23,655
• Deferred income tax expense	**2,782**	12,055
• Adjustments in respect of previous years income tax	**(2,911)**	(302)

Included in the above is a tax benefit on significant items of $3.4 million for the year ended 30 June 2017 (2016: $2.3 million).

Recognised current and deferred tax assets and liabilities

$'000	2017 Current Income tax	2017 Deferred Income tax	2016 Current Income tax	2016 Deferred Income tax
Opening balance	**(4,841)**	**(20,764)**	(6,098)	(12,867)
Charged to income	**(35,967)**	**(2,782)**	(23,655)	(12,055)
Adjustments in respect of income tax of previous years	**1,942**	**969**	(2,662)	2,964
Charged to other comprehensive income	**-**	**(443)**	-	301
Payments	**24,326**	**-**	28,712	-
Acquisitions / disposals	**(2,359)**	**(9,792)**	(211)	1,555
Foreign exchange translation movement	**(14)**	**40**	(927)	(662)
Closing balance	**(16,913)**	**(32,772)**	(4,841)	(20,764)
Comprises of:				
Deferred tax assets				
• Employee entitlements provision		**12,420**		13,040
• Provisions		**9,503**		8,678
• Hedges		**625**		1,614
• IPO transaction costs		**1,684**		2,803
• Unutilised tax losses		**-**		680
• Lease incentives and rent free		**4,334**		-
• Other		**1,952**		2,315
		30,518		29,130
Deferred tax liabilities				
• Property, plant and equipment		**(49,968)**		(46,652)
• Intangibles		**(10,751)**		–
• Other		**(2,571)**		(3,242)
		(63,290)		(49,894)

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.

Judgements and assumptions are subject to risk and uncertainty, hence if final tax determinations or future actual results do not align with current judgements, this may have an impact to the carrying value of deferred tax balances and corresponding credits or charges to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

Financial Report — Notes to the Financial Statements

Section 1 — Our Performance

1.2 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-evaluates its assessment of its 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, 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 is 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 Holding Ltd and its wholly-owned Australian subsidiaries formed a tax consolidated group (Australian tax consolidated group), effective January 2014. A tax funding agreement is also in place such that Pact Group Holdings Ltd pays any taxes owed by the Group to the Australian Tax Office.

The operation of the previously announced amendments to the income tax consolidated group legislation have been changed and deferred by the Government as outlined in the announcements in the 2016–17 Budget. It is now intended that these rules should apply from 1 July 2016, rather than 13 May 2013, therefore eliminating any potential material negative impact on Pact's financial position at 30 June 2017, but subject to the final form and content of the law if released.

There has been no further information regarding the proposed changes since the 2016–17 Budget announcement.

1.3 Dividends

$'000	2017	2016
Dividends paid during the financial year	**67,056**	59,412
Proposed dividend[1]	**34,412**	32,644

(1) Since the end of the financial year the Directors have determined payment of a 65% franked final dividend of 11.5 cents per ordinary share (2016: 11.0 cents, 65% franked). The amount disclosed is based on the number of shares on issue at reporting date. The final dividend is expected to be paid on 5 October 2017.

Franking credit balance	2017	2016
Franking account balance as at the end of the financial year at 30% (2016: 30%)	**5,014**	6,832
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**11,324**	(1,033)
Franking credits that will be utilised from the payment of dividends as at the end of the financial year	**(9,586)**	(9,094)
Total franking credit available for the subsequent financial year	**6,752**	(3,295)

Financial Report — Notes to the Financial Statements

Section 2 – Our Operational Footprint

Section 2 — Our Operational Footprint

This section provides further 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.

2.1 Businesses acquired

Summary of 30 June 2017 acquisitions

$'000	Fruit Case Company[1]	Australian Pharmaceutical Manufacturers[2]	Pascoe's[3]	Total
Comprising of:				
• Cash consideration paid[4]	14,673	73,605	40,875	129,153
• Deferred settlement[5]	715	-	10,964	11,679
• Shares issued as consideration	-	15,000	-	15,000
Consideration paid	15,388	88,605	51,839	155,832
Assets				
• Cash[4]	-	61	120	181
• Trade and other receivables	8,712	8,271	15,897	32,880
• Inventory	-	4,553	9,101	13,654
• Property, plant & equipment	8,547	7,240	10,181	25,968
• Intangible assets	-	36,650	-	36,650
• Deferred tax assets	414	110	765	1,289
• Other assets	-	10	203	213
Liabilities				
• Trade payables and other provisions	(15,122)	(9,816)	(11,760)	(36,698)
• Employee benefits provisions	(233)	(379)	(1,126)	(1,738)
• Deferred tax liabilities	-	(11,081)	-	(11,081)
Fair value of identifiable net assets	2,318	35,619	23,381	61,318
Goodwill arising on acquisition	13,070	52,986	28,458	94,514

(1) On 1 July 2016 the Group purchased the assets, brands and trademarks of the Fruit Case Company (FCC), for consideration of $15.4 million. FCC is a crate pooling and hire business in New Zealand. The acquisition aligns with the Group's strategic intent to expand within the materials handling sector.

Goodwill of $13.1 million has been recognised as a result of the purchase consideration exceeding the fair value of identifiable net assets acquired, and represents the value attributed to established networks and reputation for quality and service delivery that FCC currently enjoys with growers and retailers. Goodwill is allocated to the Pact International cash generating unit (CGU). This goodwill will not be deductible for tax purposes.

The fair value of FCC's trade and other receivables acquired amounted to $8.7 million and it was expected that the stated fair value amount would be collected.

From the date of acquisition to 30 June 2017 FCC contributed $14.5 million of revenue and $1.6 million to net profit before tax to the Group.

(2) On 16 September 2016 the Group purchased 100% of the issued capital of Australian Pharmaceutical Manufacturers Pty Ltd (APM) for consideration of $88.6 million, consisting of a $73.6 million cash payment and the issue of the equivalent of $15.0 million of shares in the Company. APM is one of the largest providers of manufacturing and packaging services for nutraceuticals in Australia. The acquisition is a further step in the Group's strategy to expand in specialised contract manufacturing.

Provisional goodwill of $53.0 million has been recognised as a result of the purchase consideration exceeding the fair value of the identifiable net assets acquired, and represents the value attributed to the reputation for quality and industry experience. Goodwill is allocated to the Pact Australia CGU. This goodwill will not be deductible for tax purposes.

The fair value of APM's trade and other receivables acquired amounted to $8.3 million. It is expected that the stated fair value amount will be collected.

From the date of acquisition to 30 June 2017 APM contributed $37.6 million of revenue and $4.1 million to the net profit before tax of the Group. If the combination had taken place at 1 July 2016, contributions to revenue for the year ended 30 June 2017 would have been $11.5 million higher and the contribution to profit before tax for the Group would have been $2.0 million higher.

Financial Report — Notes to the Financial Statements

Section 2 — Our Operational Footprint

2.1 Businesses acquired (continued)

(3) On 28 February 2017 the Group purchased 100% of the issued capital of the Pascoe's Group (consisting of Pascoe's Pty Ltd, Bidware Pty Ltd and Middleton Asset & Financing Leasing Pty Ltd) (Pascoe's) for a provisional consideration of $51.8 million. Pascoe's is a leading manufacturer of aerosol and liquid based consumer products within the household and industrial chemicals category. The acquisition strongly aligns with our recent growth in contract manufacturing.

Provisional goodwill of $28.5 million has been recognised as a result of the purchase consideration exceeding the fair value of the identifiable net assets acquired, and represents the value attributed to the reputation for quality and innovation capability. Goodwill is allocated to the Pact Australia CGU. This goodwill will not be deductible for tax purposes.

The fair value of Pascoe's trade and other receivables acquired amounted to $15.9 million. It is expected that the stated fair value amount will be collected.

From the date of acquisition to 30 June 2017 Pascoe's contributed $21.6 million of revenue and $1.9 million to the net profit before tax of the Group. If the combination had taken place at 1 July 2016, contributions to revenue for the year ended 30 June 2017 would have been $47.6 million higher and the contribution to profit before tax for the Group would have been $3.5 million higher.

(4) The difference between this balance and amounts recorded in the Consolidated Statement of Cash Flows is: the net cash acquired as part of the transactions in the current year; an additional $7.1 million consideration paid for the purchase of property associated with the Power Plastics Pty Ltd acquisition following the completion of key conditions in the related Property Sale Agreement; and deferred consideration paid during this financial year of $2.1 million relating to acquisitions in prior financial years.

(5) As part of the purchase agreements for FCC and Pascoe's, a contingent consideration has been agreed. The contingent consideration is dependent on the achievement of financial targets subsequent to acquisition date. FCC has a maximum contingent consideration of $2.4 million. Pascoe's has a maximum contingent consideration of $23.0 million.

Summary of 30 June 2016 acquisitions

(i) Jalco Group Pty Limited and controlled entities

The Group acquired 100% of the issued capital of Jalco Group Pty Limited and its controlled entities on 1 September 2015 for a total consideration of $80.1 million. Details of the preliminary fair values of the assets and liabilities acquired are disclosed in the 30 June 2016 Pact Group *Annual Report*. There have been no further fair value adjustments to these amounts in the current period and final goodwill of $43.9 million has been recognised on acquisition.

(ii) Other acquisitions

The Group acquired:

- the business assets, business records and contracts of Stowers Containment Solutions Ltd on 29 February 2016 for a total consideration of $13.9 million (NZ$15.0 million);
- 100% of the shares in Power Plastics Pty Ltd on 1 March 2016 for a total consideration of $25.2 million; and
- the business assets, business records and contracts of Ecopolymers on 3 May 2016 for a total consideration of $2.9 million.

Details of the preliminary fair values of the assets and liabilities acquired are disclosed in the 30 June 2016 Pact Group Annual Report.

There have been adjustments to the fair values of fixed assets and non-trade creditors disclosed in the 30 June 2016 Pact Group Annual Report relating to Power Plastics Pty Ltd. The fair value of fixed assets has decreased by $0.4 million and an increase in non-trade creditors of $0.9 million, resulting in an increase in goodwill of $1.3 million. Final goodwill of $25.0 million has been recognised as a result of these acquisitions.

Financial Report — Notes to the Financial Statements

Section 2 — Our Operational Footprint

2.1 Businesses acquired (continued)

Key estimates and judgements — business combinations

Certain assets and liabilities either given up or acquired as part of a business combination may not be normally traded in active markets, thus management judgement is required in determining the fair values. Management judgement is also required in ascertaining the assets and liabilities which should be recognised, in particular with respect to intangible assets such as brand names, customer relationships, patents and trademarks and contingent liabilities.

How Pact accounts for business acquisitions

When Pact acquires a business, if it satisfies the conditions of being a business combination under AASB 3: *Business Combinations*, then:

- the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree;
- where settlement of any part of the consideration is deferred, and if the impact of discounting is significant, the amounts payable in the future are discounted to their present value. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions;
- assets given, shares issued or liabilities incurred or assumed at the date of exchange are recorded at fair value;
- acquisition related costs are expensed as incurred;
- transaction costs arising on the issue of any equity instruments are recognised directly in equity;
- if the cost of the business combination is in excess of the net fair value of the Group's share of the identifiable net assets acquired, the difference is recognised as goodwill. For impairment testing, this goodwill has been allocated to and tested at the level of their respective CGUs, or group of CGUs, in accordance with the level at which management monitors goodwill; and
- if the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement.

2.2 Controlled entities

Australian incorporated entities that are party to the Deed of Cross Guarantee at 30 June 2017[1]

Pact Group Industries (ANZ) Pty Ltd	Jalco Group Pty Ltd
Australian Pharmaceutical Manufacturers Pty Ltd[2]	Jalco Automotive Pty Ltd
Pact Group Holdings (Australia) Pty Ltd	Jalco Powders Pty Ltd
Pact Group Finance (Australia) Pty Ltd	Jalco Plastics Pty Ltd
Power Plastics Pty Ltd	Jalco Australia Pty Ltd
Pascoe's Pty Ltd[2]	Jalco Care Products Pty Ltd
Bidware Pty Ltd[2]	Packaging Employees Pty Ltd
Middleton Asset Financing & Leasing Pty Ltd[2]	Jalco Cosmetics Pty Ltd
Alto Packaging Australia Pty Ltd	Jalco Promotional Packaging Pty Ltd
Summit Manufacturing Pty Ltd	VIP Plastic Packaging Pty Ltd
Astron Plastics Pty Ltd	Skyson Pty Ltd
Sunrise Plastics Pty Ltd	Brickwood (VIC) Pty Ltd
Inpact Innovation Pty Ltd	Brickwood (Dandenong) Pty Ltd
Cinqplast Plastop Australia Pty Ltd	Brickwood (NSW) Pty Ltd
Steri-Plas Pty Ltd	Brickwood (QLD) Pty Ltd
Sulo MGB Australia Pty Ltd	Alto Manufacturing Pty Ltd
VIP Steel Packaging Pty Ltd	Baroda Manufacturing Pty Ltd
VIP Drum Reconditioners Pty Ltd	Salient Asia Pacific Pty Ltd
Vmax Returnable Packaging Systems Pty Ltd	Plaspak Closures Pty Ltd
Viscount Plastics Pty Ltd	Plaspak Pty Ltd
Viscount Plastics (Australia) Pty Ltd	MTWO Pty Ltd
Viscount Rotational Mouldings Pty Ltd	Snopak Manufacturing Pty Ltd
Viscount Logistics Services Pty Ltd	Pact Group Industries (Asia) Pty Ltd
Viscount Pooling Company Pty Ltd	Viscount Plastics (China) Pty Ltd
Viscount Pooling Systems Pty Ltd	Ruffgar Holdings Pty Ltd

Financial Report — Notes to the Financial Statements

Section 2 — Our Operational Footprint

2.2 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[3]
Plaspak Management Pty Ltd[3]
Plaspak (PET) Pty Ltd[3]
Plaspak Minto Pty Ltd[4]
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[2]
Tecpak Industries Ltd
Astron Plastics Ltd
Pacific BBA Plastics (NZ) Ltd
Viscount Plastics (NZ) Ltd
Stowers Containment Solutions Ltd
Sulo NZ Ltd [10]

China
Guangzhou Viscount Plastics Co Ltd[5]
Langfang Viscount Plastics Co Ltd[5]
Changzhou Viscount Plastics Co Ltd[5]

Indonesia
PT Plastop Asia Indonesia[6]
PT Plastop Asia Indonesia Manufacturing[6]

Philippines
Plastop Asia Inc[7]

Singapore
Asia Peak Pte Ltd[8]

United States of America
Pact Group (USA) Inc[9]

(1) All entities are wholly owned unless otherwise stated
(2) Entities acquired in the 2017 financial year (see Note 2.1)
(3) Owned by Skyson Pty Ltd
(4) Owned by Snopak Manufacturing Pty Ltd
(5) Owned by Viscount Plastics (China) Pty Ltd
(6) Owned by Asia Peak Pte Ltd
(7) Owned by Ruffgar Holdings Pty Ltd
(8) Owned by Pact Group Industries (Asia) Pty Ltd
(9) Owned by Pact Group Industries (ANZ) Pty Ltd
(10) Owned by Sulo MGB Australia Pty Ltd

Key estimates and judgements — 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 (ie. 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.

Financial Report — Notes to the Financial Statements

Section 2 — Our Operational Footprint

2.3 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 has significant influence or joint control over:

Entity $'000	Principal place of operation	About	Pact's ownership interest	Carrying Value 2017	2016
Changzhou Viscount Oriental Mould Co Ltd (Oriental Mould)[1]	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%	188	216
Spraypac Products (NZ) Ltd (Spraypac)[1]	New Zealand	Is an associate company distributing plastic bottles and related spray products.	50%	861	783
Weener Plastop Asia Inc (Weener)[1]	Philippines	A joint venture with Weener Plastik GMBH which manufactures plastic jars and bottles for the personal care, food & beverage and home care markets.	50%	2,909	3,570
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%	13,538	11,470
Weener Plastop Indonesia Inc[2]	Indonesia	A joint venture with Weener Plastik GMBH which manufactures closures and roll-on balls for the personal care and home care markets.	50%	1,005	-

[1] Ownership interest at 30 June 2017 and 30 June 2016.
[2] Weener Plastop Indonesia Inc is a newly created joint venture formed on 31 March 2017.

Summary of associates and joint venture financial information at 30 June

$'000	2017	2016
Carrying value of investment		
Current assets	**15,396**	15,072
Non-current assets	**25,942**	24,250
Current liabilities	**(5,004)**	(7,899)
Net assets	**36,334**	31,423
Carrying amount of the Group's investment	**18,501**	16,039
Group's share of profit for the year		
Revenue	**30,666**	29,915
Expense	**(26,656)**	(25,461)
Net profit after tax	**4,010**	4,454
Group's share of profit for the year	**2,008**	2,227

Dividends received from associates and joint ventures during the year was $2.8 million (2016: $1.7 million).

The joint ventures and associates had no contingent liabilities or significant capital commitments at 30 June 2017 (2016: nil).

Financial Report — Notes to the Financial Statements

Section 2 — Our Operational Footprint

2.3 Associates and joint ventures (continued)

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.

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 its investments in associates and joint ventures, where it considers they have significant influence but they do not have control. Generally significant influence is deemed if Pact has more than 20% of the voting rights.

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. Goodwill included in the carrying amount of the investment in associates is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. The Group applies AASB 139: *Financial Instruments: Recognition and Measurement* to determine whether there is an indicator that the Group's net investment in associates is impaired, after first applying equity accounting in accordance with AASB 128: *Investments in Associates*. The Group must apply judgement to determine whether there is objective evidence that one or more events have had an impact on the estimated future cash flows of its associates.

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

Section 3 — 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 1.2 Taxation and employee benefits provisions are disclosed in Note 5.1 Employee Benefits Expenses and Provisions.

3.1 Working capital

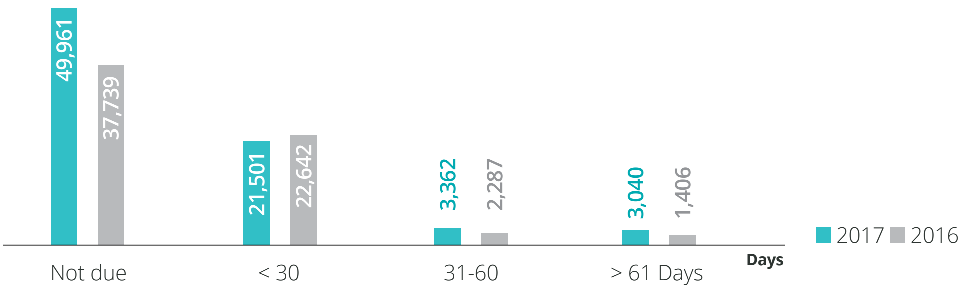
Trade and other receivables

Trade and other receivables at 30 June comprise of:

$'000	2017	2016
Trade receivables[1]	77,981	64,265
Allowance for impairment loss	(117)	(191)
Other receivables[2]	54,871	50,530
Total current trade and other receivables	**132,735**	114,604

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

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



(2) At 30 June 2017 $31.2 million (2016: $33.6 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 of the program. 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 2017, trade receivables with an invoice value of $0.1 million (2016: $0.2 million) were impaired and fully provided for. 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; and
- debtors securitisation programs includes a three year program established in June 2015 which allows Pact to sell receivables, at a discount, to a third party on a non-recourse basis.

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.1 Working capital (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.

If there is a concern over the collectability of a specific receivable and objective evidence exists, then the amount recorded may be reduced by management's best estimate of the potential impairment loss. Impairment losses incurred which were specifically provided for in previous years are eliminated against the provision for impairment. In all other cases, impairment losses are written off as an expense in the Consolidated Statement of Comprehensive Income.

Under the Group's debtors 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 under the debtors securitisation program 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 to 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	2017	2016
Raw materials and stores	**75,421**	64,625
Work in progress	**18,944**	18,093
Finished goods	**74,541**	63,914
Total inventories	**168,906**	146,632

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.

If the estimated selling price in the ordinary course of business, less estimated cost of completion and making the sale, is less than the cost of the inventory, the carrying value of inventory is reduced to this lower amount.

Trade and other payables

Current trade and other payables at 30 June comprise of:

Trade payables	**294,100**	248,339
Other payables	**72,471**	60,996
Income tax payable	**16,913**	4,841
Total current trade and other payables	**383,484**	314,176

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 to 90 days of recognition.

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.2 Non-current assets

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

$'000	2017	2016
Australia	848,504	617,610
New Zealand	304,234	311,369
Other	71,727	71,688
Total	**1,224,465**	1,000,667

Property, plant and equipment

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

$'000	Property[1]	Plant and equipment	Capital work in progress	Total
Estimated useful life	Freehold: 40–50 years Leasehold: 10–15 years	3–20 years	n/a	
Year ended 30 June 2017				
At 1 July 2016 net of accumulated depreciation	38,916	502,689	41,118	582,723
Additions and transfers	5,506	50,534	84,018	140,058
Acquisition of subsidiaries and businesses	778	23,931	1,259	25,968
Disposals	(7,832)	(289)	-	(8,121)
Asset write downs	-	(788)	-	(788)
Foreign exchange translation movement	(1,008)	(719)	(118)	(1,845)
Depreciation charge for the year	(3,167)	(57,696)	-	(60,863)
At 30 June 2017 net of accumulated depreciation	33,193	517,662	126,277	677,132
Represented by:				
At cost	52,234	1,035,590	126,277	1,214,101
Accumulated depreciation	(19,041)	(517,928)	-	(536,969)
Year ended 30 June 2016				
At 1 July 2015 net of accumulated depreciation	39,431	474,346	27,696	541,473
Additions and transfers	1,254	46,345	11,987	59,586
Acquisition of subsidiaries and businesses	1,865	32,585	954	35,404
Disposals	(4,082)	(1,892)	-	(5,974)
Asset write downs	-	(834)	-	(834)
Foreign exchange translation movement	3,430	6,420	481	10,331
Depreciation charge for the year	(2,982)	(54,281)	-	(57,263)
At 30 June 2016 net of accumulated depreciation	38,916	502,689	41,118	582,723
Represented by:				
At cost	55,372	969,276	41,118	1,065,766
Accumulated depreciation	(16,456)	(466,587)	-	(483,043)

(1) Property consists of the following: leasehold improvements of $19.0 million (2016: $17.3 million) and accumulated depreciation of $8.4 million (2016: $6.5 million), and freehold property of $33.2 million (2016: $38.1 million) and accumulated depreciation of $10.6 million (2016: $10.0 million).

Key estimates and judgements — estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and lease terms. 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.

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 assessed.

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.2 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 relating to continuing operations 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	Customer contracts[1]	Other intangibles[1]	Goodwill	Total
Year ended 30 June 2017				
At 1 July 2016 net of accumulated amortisation and impairment	-	2,472	415,472	417,944
Intangible asset arising on acquisition[2] [3]	28,106	8,544	95,760	132,410
Foreign exchange translation movements	-	(9)	(175)	(184)
Amortisation	(2,225)	(612)	-	(2,837)
At 30 June 2017 net of accumulated amortisation and impairment[4]	**25,881**	**10,395**	**511,057**	**547,333**
Represented by:				
At cost	28,106	12,554	511,057	551,717
Accumulated amortisation and impairment	(2,225)	(2,159)	-	(4,384)

(1) Customer contracts are recognised at cost and amortised over their useful lives. Other intangibles include a balance of $1.8m which has an indefinite life and is not amortised, all other intangibles are recognised at cost and amortised over their useful lives.

(2) Intangibles of $28.1 million for customer contracts, and $8.5 million for other intangibles have been recognised following the APM acquisition.

(3) Refer to Note 2.1 for goodwill recognised in the current financial year. An additional $1.3 million goodwill has also been recognised in the period on completion of the Power Plastics Pty Ltd acquisition.

(4) There are $nil impairment charges against the goodwill balance at 30 June 2017 (2016: $nil).

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.2 Non-current assets (continued)

Goodwill and other intangibles (continued)

$'000	Other intangibles	Goodwill	Total
Year ended 30 June 2016			
At 1 July 2015 net of accumulated amortisation and impairment	2,849	337,220	340,069
Intangible asset arising on acquisition	-	67,620	67,620
Foreign exchange translation movements	48	10,632	10,680
Amortisation	(425)	-	(425)
At 30 June 2016 net of accumulated amortisation and impairment	**2,472**	**415,472**	**417,944**
Represented by:			
At cost	4,125	415,472	419,597
Accumulated amortisation and impairment	(1,653)	-	(1,653)

$'000	2017	2016
Goodwill and intangible assets with indefinite lives are allocated to the following group of CGUs and segments[5]:		
Pact Australia	**304,460**	219,967
Pact International	**208,359**	195,505

[5] This is the lowest level where goodwill is monitored.

Key estimates and judgements — impairment of goodwill and other intangibles

The recoverable amount of each of the CGUs 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 five years. Management has used its current expectations and what is considered reasonably achievable when assigning values to key assumptions in its value in use calculations.

The calculations of value in use for both Pact Australia and Pact International CGUs are sensitive to the following assumptions:

- **Gross margins and raw material price movement** — Gross margins are based on average budgeted (next year's) margins which reflect current gross margins adjusted for any expected (and likely) efficiency improvements or price changes.
- **Cash Flows** — Cash flows beyond the one year period are extrapolated using growth rates which are a combination of volume growth and price growth. Rates are based on published industry research and economic forecasts relating to GDP growth rates. The long-term growth rates are in the range of 2.0%–5.6% (2016: 2.3%–6.0%).
- **Discount rates** — The discount rates for each CGU are calculated using rates based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk factors specific to the countries in which the CGUs operate. Foreign currency cash flows are discounted using the functional currency of the CGUs and then translated to Australian Dollars using the closing exchange rate. The pre-tax discount rates applied to cash flow projections are in the range of 11.8%–19.8% (2016: 11.3%–20.0%).

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 CGUs), to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a CGU (or group of CGUs) 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 CGUs retained.

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.3 Commitments and contingencies

Operating leases

$'000	2017	2016
Operating lease and rental expense[1]	**51,991**	46,746

[1] The Group leases buildings and plant and equipment such as office equipment and motor vehicles. The Group has determined that it does not obtain all the significant risks and rewards of the leased property and has thus classified the leases as operating leases. Rental payments are generally fixed, but with inflation escalation clauses. These are accounted for through the fixed rent provision. Property leases generally provide the Group with a right of renewal at which time terms are renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

The future minimum lease payments under non-cancellable operating leases contracted for but not capitalised in the financial statements are payable as follows:

$'000		
Within one year	**56,184**	48,901
After one year but not more than five years	**179,364**	160,163
More than five years	**151,532**	142,791
Total lease expenditure commitments	**387,080**	351,855

How Pact accounts for Operating lease commitments

Operating lease payments are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Other expenditure commitments

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

$'000		
Payable within one year	**11,887**	29,913
Payable after one year but not more than five years	**27**	4,792
Total	**11,914**	34,705

Contingencies

From time to time, the Group may be involved in litigation relating to claims arising out of its operations. The Group is not party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial position or operating results.

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

3.4 Other provisions

Total other provisions at 30 June comprise of:

$'000	2017	2016
Current		
Business restructuring	**3,084**	6,082
Other	**-**	29
Total current provisions	**3,084**	6,111
Non-current		
Fixed rent	**16,169**	12,635
Make good on leased premises	**8,763**	9,897
Total non-current provisions	**24,932**	22,532

Financial Report — Notes to the Financial Statements

Section 3 — Our Operating Assets

3.4 Other provisions (continued)

Movement in provisions

$'000	Business restructuring[1]	Fixed rent provision[2]	Make good on leased premises[3]	Other	Total
Year ended 30 June 2017					
At 1 July 2016	6,082	12,635	9,897	29	28,643
Acquisition of subsidiaries and businesses	-	-	459	-	459
Provided for during the year	3,932	3,532	965	(29)	8,400
Utilised	(6,930)	-	(532)	-	(7,462)
Unutilised amounts reversed	-	-	(2,024)	-	(2,024)
Foreign exchange translation movement	-	2	(2)	-	-
At 30 June 2017	3,084	16,169	8,763	-	28,016

(1) Business restructuring — The business restructuring programs relate to the optimisation of business facilities across the Group as announced in a prior period, and further restructuring activities initiated in the current year.

(2) Fixed rent — Annual rentals for some of the property operating leases increase annually by fixed increments. The provision has been recognised to apportion these increments on a straight line basis over the minimum non-cancellable lease term.

(3) 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.

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

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 non-current interest bearing loans and borrowings at 30 June 2017:

$'000	2017	2016
Syndicated Facility Agreements[(1)]	**688,500**	564,240
Capitalised borrowing costs	**(2,290)**	(2,800)
Total non-current interest bearing loans and borrowings	**686,210**	561,440

(1) The Group has several revolving debt facilities and a working capital facility with total commitments of $935.2 million. The facilities are spread across multiple maturities, with the working capital facility revolving with an annual review. The debt facilities include a $380.7 million loan facility maturing in July 2018, a $383.0 million loan facility maturing in July 2020, and a $150.0 million loan facility maturing in October 2021.

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

(a) Fair values

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

Fair values 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 2017 was assessed to be insignificant.

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

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

	2017 $'000's		2016 $'000's	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Syndicated Facility Agreements	688,500	688,500	564,240	564,240
Total borrowings	**688,500**	**688,500**	**564,240**	**564,240**

(b) Defaults and breaches

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

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

$'000	Notes	2017	2016
Interest expense		**26,403**	25,443
Capitalised interest		**(1,046)**	-
Borrowing costs amortisation		**1,249**	1,446
Amortisation of securitisation program		**461**	580
Sundry items		**861**	392
Total finance costs		**27,928**	27,861
Loss on de-recognition of financial assets	3.1	**2,890**	2,783
Total finance costs & loss on de-recognition of financial assets		**30,818**	30,644

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

4.1 Net Debt (continued)

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; and
- 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 2017 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.

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

$'000	2017	2016
Net profit for the year	**90,341**	85,044
Non-cash flows in operating profit:		
Depreciation and amortisation	**63,700**	57,688
Gain on sale of property, plant and equipment	**(1,664)**	(2,580)
Share of net profit in associates	**(2,008)**	(2,227)
Share based payments expense	**778**	382
Other	**140**	2,367
Changes in assets and liabilities:		
Decrease in trade and other receivables	**8,941**	16,985
Increase in inventory	**(9,625)**	(7,550)
(Increase) / decrease in deferred tax assets	**(508)**	2,050
Increase in trade and other payables	**8,724**	9,889
Increase / (decrease) in employee entitlement provisions	**1,897**	(453)
Decrease in other provisions	**(1,329)**	(6,498)
Increase / (decrease) in current tax liabilities	**9,766**	(581)
Increase in deferred tax liabilities	**2,313**	6,273
Net cash flow provided by operating activities	**171,466**	160,789

Non-cash activities

$'000	Notes	2017	2016
Acquisition of assets, liabilities and business via issue of shares	2.1	**15,000**	10,600

How Pact accounts for cash and cash equivalents

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

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft balances. Bank overdrafts are included 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.

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

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.

	2017		2016	
	Number of shares	$'000's	Number of shares	$'000's
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**296,760,880**	**1,502,097**	294,555,855	1,491,497
Issued during the year[1]	**2,473,206**	**15,000**	2,205,025	10,600
End of the year	**299,234,086**	**1,517,097**	296,760,880	1,502,097

(1) Shares issued during the year include:

- On 16 September 2016, 2,473,206 shares in the Company were issued as consideration for the acquisition of Australian Pharmaceutical Manufacturers Pty Ltd (refer to Note 2.1), 1,236,603 shares are subject to voluntary escrow for 12 months and will be released from escrow on 16 September 2017. The remaining 1,236,603 shares are subject to voluntary escrow for 24 months and will be released from escrow on 16 September 2018.

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	2017	2016
Foreign currency translation reserve[1]	**23,043**	27,200
Cash flow hedge reserve[2]	**(1,490)**	(2,498)
Common control transaction reserve[3]	**(928,385)**	(928,385)
Share based payments reserve[4]	**1,100**	322
Total reserves	**(905,732)**	(903,361)

(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 on the valuation of employee rights issues.

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

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 2017
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 2017, the Group hedge cover is 36% (2016: 44%) of its long-term variable debt excluding working capital facilities. Sensitivity analysis performed by management showed that a +1% in AUD interest rates would reduce net profit after tax by $1.8 million and increase equity by $1.0 million (2016: $1.1 million reduction in net profit after tax and reduce equity by $0.5m). Sensitivity analysis performed by management showed that a +1% in NZD interest rates would reduce net profit after tax and equity by $1.4 million (2016: $1.1 million reduction).

(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 entities functional currency, (ii) financing activities, and (iii) net investments in foreign subsidiaries.

The Group currently operates in six countries outside of Australia, with the following functional currencies:

Country of domicile	New Zealand	Thailand	Singapore	China	Philippines	Indonesia
Functional currency	NZD	THB	USD	RMB	PHP	IDR

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

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 2016
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 2017, the Group has the majority of its foreign currency committed purchase orders hedged. Sensitivity analysis of the foreign currency contracts 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 or equity.
As Pact's overseas entities 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 AUD and NZD rates as at 30 June 2017 would have a $10 million impact on equity. Sensitivity analysis performed by management showed that a 10% +/- movement in AUD and NZD rates during the year, would have a $4 million impact on net profit after tax and equity.

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; and
- 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 currency are translated into the presentation currency of Pact at the rate of exchange at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rate for the year (where appropriate).

The exchange rate differences arising on the translation to presentation currency are taken directly to the foreign currency translation reserve, in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Consolidated Statement of Comprehensive Income.

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

4.3 Managing our financial risks (continued)

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 2017
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 Group is in a net current asset deficiency of $73.7 million at balance date, however it has: • $225.1 million of unused credit within its syndicated facilitates; and • $21.5 million unused overdraft facility. 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 its debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

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 2017				
Financial assets[1]				
Cash and cash equivalents	**39,592**	**-**	**-**	**39,592**
Trade and other receivables	**132,734**	**-**	**1,798**	**134,532**
Foreign exchange forward contracts[2]	**72,414**	**5,348**	**-**	**77,762**
Interest rate swaps	**-**	**-**	**18**	**18**
Total inflows	**244,740**	**5,348**	**1,816**	**251,904**
Financial liabilities[1]				
Trade and other payables	**(351,592)**	**(14,979)**	**(18,694)**	**(385,265)**
Foreign exchange forward contracts[2]	**(74,250)**	**(5,512)**	**-**	**(79,762)**
Interest rate swaps	**(1,068)**	**(452)**	**(53)**	**(1,573)**
Syndicated Facility Agreement[3]	**(11,232)**	**(11,049)**	**(713,659)**	**(735,940)**
Total outflows	**(438,142)**	**(31,992)**	**(732,406)**	**(1,202,540)**
Net outflow	**(193,402)**	**(26,644)**	**(730,590)**	**(950,636)**
Year ended 30 June 2016				
Financial assets[1]				
Cash and cash equivalents	51,885	-	-	51,885
Trade and other receivables	114,604	-	905	115,509
Foreign exchange forward contracts[2]	87,255	1,723	455	89,433
Total inflows	253,744	1,723	1,360	256,827
Financial liabilities[1]				
Trade and other payables	(309,335)	-	(5,392)	(314,727)
Foreign exchange forward contracts[2]	(88,728)	(2,024)	(590)	(91,342)
Interest rate swaps	(1,226)	(1,394)	(956)	(3,576)
Syndicated Facility Agreement[3]	(9,932)	(9,824)	(601,481)	(621,237)
Total outflows	(409,221)	(13,242)	(608,419)	(1,030,882)
Net outflow	(155,477)	(11,519)	(607,059)	(774,055)

(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.

Financial Report — Notes to the Financial Statements

Section 4 — Our Capital Structure

4.3 Managing our financial risks (continued)

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 3.1, 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, mainly resin. In managing this risk the Group is generally able to pass on the price risk contractually with customers through rise and fall adjustments.

Utilising hedging contracts to manage risk

As discussed above, the Group utilises interest rate swaps and foreign exchange forward contracts to hedge its risks associated with interest rate and foreign currency fluctuations. 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;
- the hedged item or transaction; and
- the nature of the risk 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; and
- 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 is 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); and
- cross currency interest rate swaps and interest rate swap contracts is determined by reference to market values for similar instruments.

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

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

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

Financial Report — Notes to the Financial Statements

Section 5 — Remunerating Our People

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 Company and its shareholders.

This section should be read in conjunction with the Remuneration Report, contained within the Directors' Report, which provides specific details on the setting of remuneration for key management personnel.

5.1 Employee benefits expenses and provisions

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

$'000	2017	2016
Wages and salaries	**324,080**	300,414
Defined contribution superannuation expense	**17,412**	16,197
Other employee benefits expense	**22,107**	23,834
Share based payments expense	**778**	322
Total employee benefits expense	**364,377**	340,767

The Group's non-current employee benefits provisions of $6,425,000 (2016: $8,293,000) relate to long service leave entitlements, while the current employee benefits provisions as at 30 June comprise of the following:

Annual leave	**19,149**	16,807
Long service leave	**16,438**	13,322
Total current provisions	**35,587**	30,129

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 12 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.

Financial Report — Notes to the Financial Statements

Section 5 — Remunerating Our People

5.2 Share based payments

Long-term Incentive Plan (LTIP)

An LTIP was introduced in 2016 as a component of the CEO's remuneration. The CEO is the sole participant in the LTIP and is entitled to performance rights equal to 100% of annual base salary with a vesting period of three years. The 2016 LTIP commenced on 1 December 2015.

At the Annual General Meeting on 16 November 2016, a resolution was approved for a grant of 192,376 performance rights to the CEO as part of the 2017 LTIP. The 2017 LTIP commenced on 1 July 2016, and the CEO is entitled to performance rights equal to 100% of annual base salary with a vesting period of three years. These 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 16 November 2016 is $3.54.

Details of both the 2017 LTIP and 2016 LTIP can be found on page 35 in the 2017 Remuneration Report.

A total share based payment expense of $445,000 (June 2016: $127,000) has been recognised in the current year in relation to both the 2016 LTIP and 2017 LTIP.

The key assumptions in the independent valuation in relation to 2017 LTIP were as follows:

Share price at valuation date	**$6.01**
Annualised volatility	**25.0%**
Annual dividend yield	**4.5%**
Risk free rate	**1.8%**
Expected life of performance right	**36 months**
Model used	**Monte Carlo Simulation Model**

Initial share grant

The CEO was entitled to receive an initial share grant of $1.0 million on his appointment as Managing Director and CEO commencing on 1 December 2015. This share grant was approved at the AGM on 16 November 2016, and 209,205 performance rights were granted to the CEO. The shares will vest after three years of employment from a commencement date of 1 December 2015. Should the CEO cease employment during this time the shares will be forfeited.

The share based payments expense in relation to the initial share grant recognised in the current year was $333,000 (June 2016: $195,000).

5.3 Key management personnel

Compensation of key management personnel (KMP) of the Group

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

$'000	2017	2016
Short-term employee benefits	**2,351**	3,609
Post-employment benefits	**96**	153
Long-term benefits	**-**	(28)
Share based payments expense	**778**	322
Total compensation	**3,225**	4,056

Financial Report — Notes to the Financial Statements

Section 5 — Remunerating Our People

5.3 Key management personnel (continued)

The following table provides the total amount of transactions with related parties for the year ended 30 June 2017:

$'000		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties — Directors' interests[(1)]	**2017**	**11,061**	**19,274**	**547**	**766**
	2016	10,051	19,048	293	681

(1) Related parties — Directors' interests includes the following group of entities: P'Auer Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited, Albury Property Holdings Pty Ltd and Green's General Foods Pty Ltd.

P'Auer Pty Ltd (P'Auer)

P'Auer, an entity controlled by Mr Raphael Geminder (the non-Executive Chairman of Pact), has a supply agreement to provide label products to Pact. Pact has a Transitional Services and Support Agreement with P'Auer to provide support services. Agreements are on arm's length terms. In addition, P'Auer provides Pact with periodic warehousing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 49%, is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The agreement was extended in early 2017 through to 31 December 2021. Total value under this arrangement is approximately $4.5 million (2016: $4.9 million). The supply arrangement is at arm's length terms.

Terms and conditions of property leases with related parties

The Group leased 13 properties (10 in Australia and 3 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 year ended 30 June 2017 was $6.7 million (2016: $6.6 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Of the Centralbridge Leases in Australia:

- six of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the ninth term;
- two of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the eighth term; and
- two of the leases do not contain standard default provisions which give the landlord the right to terminate the lease in the event of default.

Except as set out above, the Centralbridge Leases in Australia are on arm's length terms.

Of the Centralbridge Leases in New Zealand, three of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the ninth term. With the exception of the early termination rights, the Centralbridge Leases in New Zealand are on arm's length terms.

Terms and conditions of transactions with related parties

The purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions, except as detailed above. Outstanding balances at the end of the year are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil).

.

Financial Report — Notes to the Financial Statements

Section 6 — Other Disclosures

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 2.2;
- 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 the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or as part of the expense item to which it relates. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position;
- has research and development costs of $345,000 (2016: $430,000);
- 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; and
- 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.

New accounting standards and interpretations

There were no standards that were adopted during the year ended 30 June 2017 that have had a material impact on the Group.

There are a number of Australian Standards and Interpretations that have been issued but are not yet effective and have not been adopted by the Group at 30 June 2017. The following has been identified as those which may impact the Group in the period of initial application:

New standards, interpretations or amendments	Pact financial year that it is effective if not early adopted	Impact on Pact financial results
AASB 9: Financial Instruments[1]	Commencing 1 July 2018	Management has commenced an assessment of AASB9, which will be completed in the 2018 financial year.
AASB 15: Revenue from contracts with customers[1]	Commencing 1 July 2018	During fiscal year 2017, management has completed a high level impact assessment of AASB15 including a risk-based analysis to identify key areas of focus. Management has identified key milestones to be completed in the transition to AASB15, and will undertake a detailed assessment in the 2018 financial year.
AASB 16: Leases[1]	Commencing 1 July 2019	Management is currently assessing the impact of AASB 16.

(1) Including the associated amendments issued by the AASB that would need to be adopted upon adopting this standard.

Comparatives

Comparative figures can be adjusted to conform to changes in presentation for the current financial year 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 year disclosure. No material reclassifications have been made to prior year disclosures.

Financial Report — Notes to the Financial Statements

Section 6 — Other Disclosures

6.2 Other gains / (losses)

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

$'000	2017	2016
Significant items		
Acquisition costs	**(2,206)**	(2,913)
New business start-up costs	**(3,335)**	-
Business restructuring programs		
• restructuring costs	**(6,711)**	(7,759)
• asset write downs	**(788)**	(834)
Business restructuring programs total	**(7,499)**	(8,593)
Total significant items before tax	**(13,040)**	(11,506)
Other gains / (losses)		
Unrealised gains / (losses) on revaluation of foreign exchange forward contracts	**3**	(49)
Gain on sale of property, plant and equipment	**1,664**	2,580
Realised net foreign exchange (losses) / gains	**(151)**	481
Total other gains / (losses)	**1,516**	3,012
Total other gains / (losses) before tax	**(11,524)**	(8,494)

6.3 Pact Group Holdings Ltd — Parent Entity Financial Statements Summary

$'000	2017	2016
Current assets	**162,307**	346,944
Total assets	**1,377,543**	1,358,503
Net assets	**1,377,543**	1,358,503
Issued capital	**1,337,098**	1,322,097
Reserves	**1,100**	322
Retained earnings	**64**	64
Profit reserve	**39,281**	36,020
Total equity	**1,377,543**	1,358,503
Profit of the parent entity	**70,317**	63,205
Total comprehensive income of the parent entity	**70,317**	63,205

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 Level 1, Building 6, 650 Church Street, Richmond, 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.

Financial Report — Notes to the Financial Statements

Section 6 — Other Disclosures

6.4 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:

$'000	2017	2016
Ernst & Young		
Audit and assurance services		
Audit and review of financial statements	**1,267**	1,500
Other assurance related services	**573**	328
Total remuneration for audit and other assurance services	**1,840**	1,828
Other services		
Tax compliance services and reviewing of company income tax returns	**136**	138
Tax consulting services and advice	**402**	334
Total remuneration for other services	**538**	472
Total auditor's remuneration of Ernst & Young	**2,378**	2,300

6.5 Deed of Cross Guarantee

$'000	2017	2016
Closed group consolidated income statement		
Profit before income tax	**63,529**	65,894
Income tax expense	**(17,427)**	(18,356)
Net profit for the year	**46,102**	47,538
Retained earnings at beginning of the year	**34,920**	8,120
Net profit for the year	**46,102**	47,538
Dividends provided for or paid	**(20,225)**	(20,738)
Retained earnings at end of the year	**60,797**	34,920

Financial Report — Notes to the Financial Statements

Section 6 — Other Disclosures

6.5 Deed of Cross Guarantee (continued)

$'000	2017	2016
Closed group consolidated balance sheet		
Current assets		
Cash and cash equivalents	**19,728**	29,247
Trade and other receivables	**85,676**	70,620
Inventories	**134,279**	116,274
Loans to related parties	**78,671**	88,780
Current tax assets	**-**	837
Other financial assets	**156**	488
Prepayments	**12,073**	10,198
Total current assets	**330,583**	316,444
Non-current assets		
Trade and other receivables	**1,798**	905
Property, plant and equipment	**509,830**	422,472
Investments in subsidiaries	**363,322**	363,322
Investments in associates	**16,700**	15,256
Intangible assets and goodwill	**338,673**	221,995
Deferred tax assets	**27,637**	25,932
Total non-current assets	**1,257,960**	1,049,882
Total assets	**1,588,543**	1,366,326
Current liabilities		
Trade and other payables	**261,887**	216,851
Loans from related parties	**77,010**	73,804
Current tax liabilities	**12,668**	-
Provisions	**31,587**	26,307
Other current financial liabilities	**3,576**	5,877
Total current liabilities	**386,728**	322,839
Non-current liabilities		
Trade and other payables	**18,694**	5,392
Provisions	**29,288**	31,935
Interest bearing loans and borrowings	**498,000**	407,000
Deferred tax liabilities	**49,999**	37,036
Total non-current liabilities	**595,981**	481,363
Total liabilities	**982,709**	804,202
Net assets	**605,834**	562,124
Equity		
Contributed equity	**1,517,097**	1,502,097
Reserves	**(972,060)**	(974,893)
Retained earnings	**60,797**	34,920
Total equity	**605,834**	562,124

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 to Note 4.3 Managing our liquidity risks).

Financial Report — Notes to the Financial Statements

Section 6 — Other Disclosures

6.6 Segment assets and segment liabilities

Segment assets

$'000	2017	2016
Pact Australia	**1,140,472**	905,714
Pact International	**489,918**	467,324
Total segment assets	**1,630,390**	1,373,038

Segment liabilities

$'000	2017	2016
Pact Australia	**926,877**	750,079
Pact International	**298,405**	253,765
Total segment liabilities	**1,225,282**	1,003,844

6.7 Geographic sales

Australia is Pact's largest sales region with $1,117.8 million sales made to Australian based customers during the year ended 30 June 2017 (2016: $1,027.9 million). Pact's second largest region is New Zealand, with $286.0 million sales made to New Zealand based customers during the year ended 30 June 2017 (2016: $288.2 million).

6.8 Subsequent events

In the opinion of the Directors, there have been no material matters or circumstances which have arisen between 30 June 2017 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 2017 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 6.5 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee described in Note 6.5.

This Declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the C*orporations Act 2001* for the financial year ended 30 June 2017.

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

Raphael Geminder
Chairman

Malcolm Bundey
Managing Director and Chief Executive Officer

Dated 16 August 2017

Building a better working world

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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2017, 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 2017 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* (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.

Building a better working world

Recoverability of non-current assets including goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
The Group performs an annual impairment test of goodwill and intangible assets. Goodwill and intangible assets of $547.3 million represents 34% of total assets. The annual impairment tests were significant to our audit as the assessment process is complex and is based upon the use of judgment in determining future market conditions. Items that are subject to judgment which were key areas of focus of the audit include: • Future cash flow assumptions; • Discount and long term growth rate assumptions; and • Appropriateness of sensitivities applied to the impairment test. The Group's disclosures regarding goodwill and intangible assets are included in Note 3.2.	We examined the Group's forecast cash flows used in the impairment models, which underpin the Group's impairment assessment. We tested the basis of preparing those forecasts taking into account the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. In obtaining sufficient audit evidence regarding future cash flow assumptions, we: • performed a comparison to the Group's current trading performance; • obtained supporting evidence to corroborate the Group's assumptions; and • enquired with the Group in respect of key growth and trading assumptions. We involved our valuation specialists in performing these procedures. The appropriateness of other key assumptions such as the discount rate and long term growth rate were assessed with involvement from our valuation specialists, applying an independent assessment based on general market indicators. We 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 the goodwill and intangible assets disclosure.

Building a better working world

Fair value measurement on business combinations

Why significant	How our audit addressed the key audit matter

The Group completed the acquisition of The Fruit Case Company, Australian Pharmaceutical Manufacturers and Pascoe's Group during the financial year. The assessment of the fair value of assets acquired and liabilities assumed, and resultant purchase price allocation requires the Group to exercise judgment.
 	
The key judgments subject to audit focus included those used in:
• the valuation of property, plant and equipment;
• the assessment of tax cost base;
• the assessment of the fair value of liabilities to be provided for at acquisition date; and
• the assessment of contingent considerations payable.
 	
The Group has disclosed key matters relating to the business combinations completed during the year ended 30 June 2017 in Note 2.1 to the financial report.
	In obtaining sufficient audit evidence, we:
	• Involved our valuation specialists to evaluate the assumptions used by the Group in valuing intangibles acquired.
	• Involved our tax specialists to evaluate the assumptions used by the Group in deriving the tax cost base for acquired balances.
	• Assessed the Group's identification and quantification of the fair value of liabilities assumed at the date of acquisition. In performing our procedures, we:
	  ◦ assessed the assumptions used in determining the value of liabilities against historic costs incurred to settle similar liabilities;
	  ◦ assessed whether liabilities provided for related to events that occurred pre-acquisition date; and
	  ◦ evaluated the contracts that gave rise to acquired liabilities.
	• Assessed the Group's assumptions used in calculating the contingent consideration payable.
	
	We also assessed the adequacy of disclosures within the financial report to determine whether these were made in accordance with the requirements of Australian Accounting Standard - AASB 3 *Business Combinations*.

Building a better
working world

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 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.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Pact Group Holdings Ltd for the year ended 30 June 2017, 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

Ernst & Young

Glenn Carmody
Partner
Melbourne
16 August 2017


Swisse
KIDS
MULTI
Swisse
PREGNANCY+
ULTIVITE
WOMEN'S HEALTH


HOLDER
MATION
BANANA BOAT
EveryDay
SENSITIVE
SPF 50+

SHAREHOLDER INFORMATION

The shareholder information set out below is based on the information in the Pact Group Holdings Ltd share register as at 18 September 2017.

Ordinary shares

Pact has on issue 299,234,086 fully paid ordinary shares.

Voting rights

The voting rights attaching to the only class of equity securities, being fully paid ordinary shares, are on a show of hands every member present at a meeting in person or by proxy, attorney or representative has one vote and on a poll has one vote for each fully paid ordinary share held.

Substantial shareholders

The following is a summary of the current substantial shareholders in the Company pursuant to notices lodged with the ASX in accordance with section 671B of the *Corporations Act* as at 18 September 2017:

Name	Date of interest	Number of ordinary shares	% of issued capital
Kin Group Pty Ltd	17/12/13	117,556,458	39.29
Investors Mutual Ltd	29/02/16	24,458,760	8.17
Mondrian Investment Partners Limited (in the capacity of Fund Manager)	06/06/14	17,650,798	5.9

On market buy-back

There is no current on-market buy-back in respect of the Company's ordinary shares.

Distribution of securities held

Analysis of number of ordinary shareholders by size of holding.

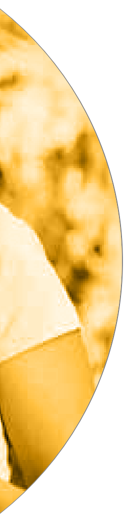
	Ordinary Shares	
Range	Number of holders	Number of securities
1-1,000	700	359,661
1,001 – 5,000	1,409	4,001,262
5,001 – 10,000	536	4,047,476
10,001 - 100,000	371	8,543,759
100,001 and over	39	282,281,928
Total	**3,055**	**299,234,086**

There were 93 holders of less than a marketable parcel of ordinary shares (minimum of $500 which is equivalent to 94 ordinary shares based on a market price of $5.37 at the close of trading on 18 September 2017).

Top 20 largest shareholders

The names of the 20 largest quoted equity security holders as they appear on the Pact Group Holdings Ltd share register are listed below:

	Ordinary Shares	
Name	Number of shares	% of total shares
Kin Group Pty Ltd	113,764,210	38.02
HSBC Custody Nominees (Australia) Limited	76,021,656	25.41
J P Morgan Nominees Australia Limited	34,886,979	11.66
Citicorp Nominees Pty Limited	17,568,564	5.87
National Nominees Pty Limited	10,401,077	3.48
Salvage Pty Ltd	3,272,336	1.09
Argo Investments Limited	3,237,038	1.08
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,630,036	0.88
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,356,646	0.79
Gaja Consolidated Pty Ltd	1,737,008	0.58
Perpetual Corporate Nominees Pty Ltd	1,694,146	0.57
Russell Stanley Barber	1,576,520	0.53
BNP Paribas Noms Pty Ltd <DRP>	1,431,831	0.48
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,430,334	0.48
Custodial Services Limited <Beneficiaries Holding A/C>	1,427,067	0.48
S&J Capital Pty Limited	1,329,663	0.44
Sandhurst Trustees Ltd <SISF A/C>	1,300,000	0.43
BNP Paribas Noms (NZ) Ltd <DRP>	936,500	0.31
Salisbury Cove Corporate Ltd <Salisbury Cove S/F A/C>	779,060	0.26
Bennamon Pty Ltd	519,912	0.17
Total: Top 20 holders of fully paid ordinary shares (Total)	**278,300,583**	93.00
Total Remaining Holders Balance	**20,933,503**	7.00



Unquoted equity securities

There are no unquoted equity securities on issue.

Restricted equity securities

There are no restricted equity securities in the Company. However, there are 2,221,928 ordinary shares which are subject to voluntary escrow. 985,325 shares will cease to be subject to voluntary escrow on 1 March 2018 and the balance of 1,236,603 shares will cease to be subject to voluntary escrow on 16 September 2018.

Manage your shareholding online

To view and update your details online and access all your holdings and other valuable information, visit the Computershare Investor Centre www.investorcentre.com.

FY18 SHAREHOLDER CALENDAR

Event	Dates
Half-year results announcement	21 February 2018
Ex-dividend	1 March 2018
Record date	2 March 2018
Dividend payment	5 April 2018
Full year results announcement	15 August 2018
Ex-dividend	22 August 2018
Record date	23 August 2018
Dividend payment	4 October 2018
Annual General Meeting	14 November 2018

All dates may be subject to change.

CORPORATE DIRECTORY

Registered and Principal Administrative office in Australia

Pact Group Holdings Limited
Level 1, Building 6, 650 Church Street
Richmond, Victoria 3121, Australia
Telephone: + 61 3 8825 4100
ABN: 55 145 989 644

Website Address

www.pactgroup.com.au

Australian Securities Exchange (ASX) Listing

Pact Group Holdings Ltd shares are listed on the ASX under the code PGH.

Directors

Refer to profiles on pages 25–28.

Senior Executives

Refer to profiles on page 6.

General Counsel, Company Secretary & Head of Corporate Development

Jonathon West

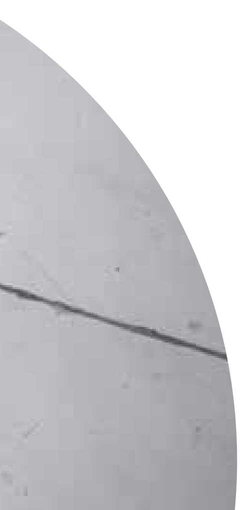
Auditor

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000, Australia

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067, Australia

Telephone within Australia: 1300 850 505
Telephone outside of Australia: +61 3 9415 5000
Fax: +61 3 9473 2500



www.pactgroup.com.au

6/650 Church Street, Richmond VIC 3121 Australia
Telephone +61 3 8825 4100