



ASX ANNOUNCEMENT

DATE: 26 February 2014

Interim Financial Report – 31 December 2013

In accordance with the ASX Listing Rules, the documents which follow are for immediate release to the market:

1. Half-year Report for the half-year ended 31 December 2013 (Appendix 4D)
2. Interim Financial Report including the Directors' Report for the half-year ended 31 December 2013.

The information contained in this release should be read in conjunction with the Company's Prospectus dated 27 November 2013.

For further information, contact:

NAME: Darren Brown
POSITION: Chief Financial Officer
CONTACT NUMBER: +613 8825 4100

PACT GROUP HOLDINGS LTD
ABN 55 145 989 644

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APPENDIX 4 D

Half-year report

Pact Group Holdings Ltd

ABN 55 145 989 644

1. Details of the reporting period and the previous corresponding period

Reporting Period:
Half year ended 31 December 2013

Previous Corresponding Period:
Half year ended 31 December 2012

2. Results for announcement to the market

	31 Dec 2013 \$'000	31 Dec 2012 \$'000	% Change	Note
2.1 Revenue from ordinary activities	582,726	570,764	2.1%	1
2.2 Net profit/(loss) from ordinary activities after tax attributable to members	(1,986)	45,632	(104.4%)	1
2.3 Net profit/(loss) for the period attributable to members	(1,986)	45,632	(104.4%)	1
2.4 No interim dividend will be paid consistent with statements in the Company's Prospectus dated 27 November 2013				
2.5 Record date for determining entitlements to the dividend: Not Applicable				
Note:				
1. Refer to the Interim Financial Report, the Media Release and Results Presentation released today for further explanations of the figures presented in 2.1 – 2.3 above.				

3. Net tangible assets

	31 Dec 2013	31 Dec 2012
Net tangible asset backing per ordinary security	\$3.13	Not Applicable ²

²As Pact Group Holdings Ltd had not issued any listed securities as at 31 December 2012, no comparative for this period has been provided.

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4. Control gained or lost over entities during the period having a material effect

Refer the attached Interim Financial Report, Note 16 Business Combinations. There were no business disposals during the interim period.

5. Details of individual dividends and payment dates

There have been no dividends determined or paid during the interim period.

6. Details of dividend reinvestment plan

There is a dividend reinvestment plan (DRP); however, the Directors have determined not to activate the DRP at this time.

7. Details of associates and joint venture entities

Refer the attached Interim Financial Report, Note 7 Investments in Associates and Joint Ventures.

8. Independent review report

The Interim Financial Report is not subject to a review report that is subject to a modified opinion, emphasis of matter or other matter paragraph. A copy of the review report is included in the Interim Financial Report attached.



Penny Grau
Company Secretary

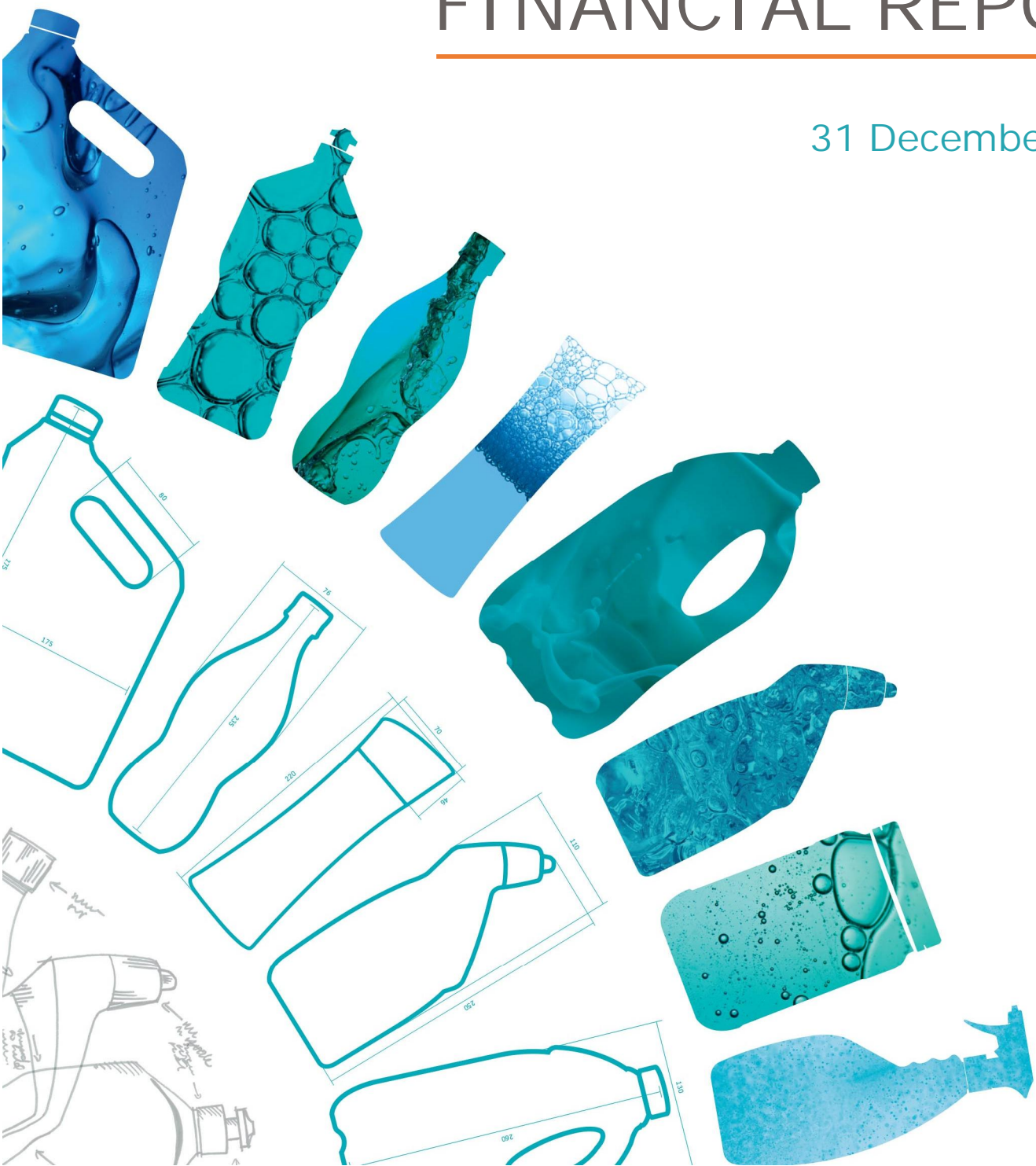
Dated: 26 February 2014



Pact Group Holdings Ltd
ABN 55 145 989 644

INTERIM FINANCIAL REPORT

31 December 2013



PACT GROUP HOLDINGS LTD
Condensed Consolidated Interim Financial Report

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Pact Group Holdings Ltd
ABN 55 145 989 644

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" the "Company") and the entities it controlled at the end of, or during the half year ended 31 December 2013 (the "Group").

On 27 November 2013, Pact lodged with the Australian Securities and Investments Commission a Prospectus for an initial public offering ("IPO") of its fully paid ordinary shares to be listed on the Australian Securities and Exchange ("ASX") ("Prospectus"). On 17 December 2013 trading of shares on the ASX commenced on a deferred settlement basis under the ticker symbol "PGH".

Pact, previously Pact Group Holdings Pty Ltd, changed its name on 1 October 2013 to A.C.N. 145 989 644 Pty Ltd and on 26 November 2013 the Company changed its name to Pact Group Holdings Ltd.

DIRECTORS

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

Non-Executive:

Raphael Geminder (Non-Executive Chairman)

Lyndsey Cattermole AM (appointed 26 November 2013)

Tony Hodgson AM (appointed 26 November 2013)

Peter Margin (appointed 26 November 2013)

Executive:

Brian Cridland (Chief Executive Officer appointed 26 November 2013)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were the conversion of plastic resin, steel and tinplate into rigid plastics and metals packaging and related products for customers in the food, dairy, beverage, personal care, other household consumables, chemicals, agricultural, industrial and other sectors. The Group also provides a range of sustainability, recycling and environmental services to assist customers in reducing the environmental impact of their product packaging and related processes.

REVIEW OF RESULTS AND OPERATIONS

The net loss after tax for the half-year ended 31 December 2013 was \$(2.0) million (31 December 2012: profit after tax of \$45.6 million).

Half-year ended 31 December, A\$ in millions	31 Dec 13	31 Dec 12	Change %
Sales revenue	567.6	566.6	0.2%
Other revenue (excluding interest revenue)	8.7	2.5	257.1%
Total Revenue (excluding interest revenue)	576.3	569.1	1.3%
Expenses	(476.7)	(469.9)	1.5%
Depreciation and amortisation	(24.6)	(24.3)	1.2%
EBIT (before significant items) ⁽¹⁾	75.0	74.9	0.2%
Significant items			
Mark to market on US\$ Term Loan B facility and derivative instruments	(3.8)	-	
Swap break costs	(6.4)	-	
Gains on business acquisitions and disposals	10.8	23.0	
IPO transaction costs	(5.2)	-	
Write-off of capitalised borrowing costs associated with Term Loan B & Revolving Credit Facilities	(21.6)	-	
Total significant items	(26.2)	23.0	
EBIT	48.8	97.9	(50.1%)
Net finance costs expense	(49.9)	(44.4)	12.4%
Income tax expense	(0.8)	(7.8)	(89.6%)
Net profit/(loss) after tax	(1.9)	45.7	(104.1%)
Minority interests	(0.1)	(0.1)	0.0%
Net profit/(loss) after tax attributable to shareholders	(2.0)	45.6	(104.4%)

(1) EBIT and EBIT before significant items are non-IFRS financial measures which are used to measure segment performance and have been extracted from the segment information disclosed in the Interim Financial Report. EBIT is calculated as earnings before finance costs, net of interest revenue, and tax.

Notes:

1. Sales revenue remained relatively constant compared to the prior period. Sales were positively affected by both increased sell prices on the back of increased raw material costs along with strengthened market demand in New Zealand, however these effects were offset by the loss of a major customer which occurred in the second half of the 2013 financial year.
2. Operating expenditure was higher as a result of increases in raw material and other costs however offset by business rationalisation savings and efficiency improvement programs implemented to lower the Group's overall cost of manufacture.
3. Significant items for the period were a net expense of \$26.2 million (before tax) and relate entirely to transactions associated with the IPO. The equivalent value as estimated in the Prospectus was \$30.1 million.

The major item giving rise to the favourable result was in relation to the swap break costs which were \$3.2 million less than allowed for in the Prospectus. This was due to the actual foreign exchange and interest rates as at the time of the close-out of the cross currency interest rate swaps being better than those allowed for in the Prospectus.

- Net financing costs for the period of \$49.9 million include gross financing costs of \$56.3 million, net of \$6.4 million interest revenue. Gross financing costs primarily include interest costs associated with the now terminated Term Loan B and Revolving Credit facilities of \$31.4 million (including amortisation of associated borrowing costs) and net interest on the Promissory Note owed to the former holding company of the Group of \$22.0 million.

SEGMENT RESULTS

The following represents the results of segment operations during the first half of the year compared to the prior year. Sales revenue was up \$1 million or 0.2%, and EBIT before significant items increased by \$0.1 million compared to the prior period.

A\$ in millions	31 Dec 13	31 Dec 12	Change %
Sales revenue			
Pact Australia	\$409.9	\$414.1	(1.0%)
Pact International	\$157.7	\$152.5	3.4%
Total	\$567.6	\$566.6	0.2%
EBIT (before significant items) ⁽¹⁾			
Pact Australia	\$39.2	\$47.5	(17.5%)
Pact International	\$35.8	\$27.4	30.7%
Total	\$75.0	\$74.9	0.1%

(1) EBIT and EBIT before significant items are non-IFRS financial measures which are used to measure segment performance and have been extracted from the segment information disclosed in the Interim Financial Report. EBIT is calculated as earnings before finance costs, net of interest revenue, and tax.

Notes:

- Total sales revenue remained relatively constant between periods. Pact Australia sales were positively affected by increased sell prices as higher raw material input costs, driven by the weakened \$A, were recovered from the market. This was offset by the loss of sales to a major customer which occurred in the second half of the 2013 financial year. Pact International sales were 3.4% higher due to strengthened NZ demand and a stronger \$NZ which creates a favourable variance when converted into \$A.
- EBIT was down in Pact Australia due to changes in earnings resulting from the combination of rapidly increasing raw material prices and contractual lags from passing these cost increases to contracted customers, together with the effect of losing a major customer. The impacts in Pact Australia were offset by Pact International whereby improved volumes and stronger demand in New Zealand, together with the strengthening NZ dollar, increased the overall group result.

Currently the majority of the group's return is derived from the Australian segment; however the relative size of Pact International will grow with the inclusion of the entities acquired on 17 December 2013.

OTHER EVENTS OF SIGNIFICANCE RELATING TO THE CAPITAL AND DEBT STRUCTURE

Events which occurred during the period in connection with the IPO are as follows:

- \$648.8 million in cash was generated as a result of the share issue;

2. The Group repaid its existing US dollar denominated Term Loan B and Revolving Credit Facilities and closed out the associated cross currency interest rate swaps;
3. The Group entered into a new secured revolving credit facility with a syndicate of nine banks with available committed lines totalling A\$590 million and NZ\$180 million. As at 31 December 2013, the net debt of the Group was \$661.3 million;
4. On 17 December 2013 the Group acquired 100% of the shares in Viscount Plastics (China) Pty Ltd, Asia Peak Pte Ltd, Ruffgar Holdings Pty Ltd, and the remaining 49% interest in Cinqplast Plastop Australia Pty Ltd; and
5. Pact repaid the outstanding promissory note owed to the former holding company of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

All material matters relating to the outlook remain consistent with the Prospectus.

DIVIDENDS PAID

The Directors have not determined an interim dividend in the current or previous interim period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 5.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

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



Raphael Geminder
Chairman



Brian Cridland
Executive Director and Chief Executive
Officer

Dated: 26 February 2014



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

In relation to our review of the financial report of Pact Group Holdings Ltd for the half year ended 31 December 2013, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tim Wallace
Partner
26 February 2014

PACT GROUP HOLDINGS LTD

Interim condensed consolidated statement of comprehensive income
for the half year ended 31 December 2013

	Note	For the 6 months ended	
		31 December 2013 \$'000's	31 December 2012 \$'000's
Revenue	3	582,726	570,764
Raw materials and consumables used		(229,953)	(226,785)
Employee benefits expense	3	(144,449)	(138,490)
Occupancy, repair and maintenance, administration and selling expenses		(102,483)	(105,630)
Other gains / (losses)	3	(26,085)	23,971
Depreciation, amortisation and impairment	3	(24,578)	(24,323)
Finance costs expense	3	(56,341)	(46,019)
(Loss) / Profit before income tax expense		(1,163)	53,488
Income tax expense	4	(766)	(7,747)
Net (loss) / profit for the period		(1,929)	45,741
Profit attributable to minority interests		(57)	(109)
Net (loss) / profit attributable to equity holders of the parent entity	15	(1,986)	45,632
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gains / (losses) taken to equity		(439)	1,368
Foreign currency translation		6,938	1,164
Income tax on items of other comprehensive income		132	(425)
Other comprehensive income for the period, net of tax		6,631	2,107
Total comprehensive income for the period		4,702	47,848
		\$	\$
Earnings per share			
Basic/diluted earnings per share	18	(0.054)	3,802,666.667

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

PACT GROUP HOLDINGS LTD

**Interim condensed consolidated statement of financial position
as at 31 December 2013**

	Note	December 2013 \$'000's	June 2013 \$'000's
CURRENT ASSETS			
Cash and cash equivalents		20,114	22,899
Trade and other receivables	6	205,018	253,205
Inventories		112,228	105,350
Derivatives	10	2,016	4,247
Prepayments		9,481	8,031
TOTAL CURRENT ASSETS		348,857	393,732
NON-CURRENT ASSETS			
Other receivables		3	522
Prepayments		1,475	-
Property, plant and equipment		534,217	492,770
Investments in associates and joint ventures	7	3,362	8,771
Intangible assets and goodwill	8	329,575	251,042
Derivatives	10	-	56,276
Deferred tax assets	4	32,679	25,155
TOTAL NON-CURRENT ASSETS		901,311	834,536
TOTAL ASSETS		1,250,168	1,228,268
CURRENT LIABILITIES			
Trade and other payables	9	187,223	164,560
Interest bearing loans and borrowings	11	2,435	7,475
Provisions		50,397	55,050
Derivatives	10	112	311
TOTAL CURRENT LIABILITIES		240,167	227,396
NON-CURRENT LIABILITIES			
Provisions		27,611	25,893
Interest bearing loans and borrowings	11	678,961	2,001,828
Derivatives	10	-	735
Deferred tax liabilities	4	53,677	49,171
TOTAL NON-CURRENT LIABILITIES		760,249	2,077,627
TOTAL LIABILITIES		1,000,416	2,305,023
(NET LIABILITIES) / NET ASSETS		249,752	(1,076,755)
EQUITY			
Contributed equity	13	1,487,437	180,000
Reserves	14	(911,304)	(932,303)
Retained earnings	15	(326,581)	(324,595)
Parent entity interest		249,552	(1,076,898)
Non-controlling interests		200	143
TOTAL EQUITY		249,752	(1,076,755)

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

PACT GROUP HOLDINGS LTD

**Interim condensed consolidated statement of changes in equity
for the half year ended 31 December 2013**

Attributable to owners of the parent								
	Contributed equity \$'000's	Common control reserve \$'000's	Cash flow hedge reserve \$'000's	Foreign currency translation reserve \$'000's	Retained earnings \$'000's	Total \$'000's	Non-controlling interest \$'000's	Total equity
At 1 July 2013	180,000	(942,000)	964	8,733	(324,595)	(1,076,898)	143	(1,076,755)
Profit / (Loss) Loss for the period	-	-	-	-	(1,986)	(1,986)	57	(1,929)
Issuance of share capital	1,327,643	-	-	-	-	1,327,643	-	1,327,643
Transaction costs taken to equity	(20,206)	-	-	-	-	(20,206)	-	(20,206)
Acquisitions under common control	-	14,368	-	-	-	14,368	-	14,368
Other comprehensive income/(loss)	-	-	(307)	6,938	-	6,631	-	6,631
Total equity transactions	1,307,437	14,368	(307)	6,938	(1,986)	1,326,450	57	1,326,507
Transactions with owners in their capacity as owners								
Dividends paid	-	-	-	-	-	-	-	-
As at 31 December 2013	1,487,437	(927,632)	657	15,671	(326,581)	249,552	200	249,752

Attributable to owners of the parent								
	Contributed equity \$'000's	Common control reserve \$'000's	Cash flow hedge reserve \$'000's	Foreign currency translation reserve \$'000's	Retained earnings \$'000's	Total \$'000's	Non-controlling interest \$'000's	Total equity
At 1 July 2012	180,000	(942,000)	(4,228)	(3,893)	114,444	(655,677)	98	(655,579)
Profit for the period	-	-	-	-	45,632	45,632	109	45,741
Other comprehensive income/(loss)	-	-	943	1,164	-	2,107	-	2,107
Total equity transactions	-	-	943	1,164	45,632	47,739	109	47,848
Transactions with owners in their capacity as owners								
Dividends paid	-	-	-	-	-	-	-	-
As at 31 December 2012	180,000	(942,000)	(3,285)	(2,729)	160,076	(607,938)	207	(607,731)

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

PACT GROUP HOLDINGS LTD

**Interim condensed consolidated statement of cash flows
for the half year ended 31 December 2013**

		For the 6 months ended	
		31 December 2013	31 December 2012
	Note	\$'000's	\$'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		584,555	573,764
Interest received		1,009	59
Payments to suppliers and employees (inclusive of GST)		(552,604)	(556,459)
Income tax paid		(13,665)	(17,261)
Borrowing and other finance costs paid		(50,633)	(16,437)
Net cash used in operating activities		(31,338)	(16,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(20,611)	(21,930)
Proceeds on sale of property, plant and equipment		345	1,275
Purchase of shares in associates		-	(4,649)
Purchase of businesses and subsidiaries	16	(46,424)	(104,313)
Net cash used in investing activities		(66,690)	(129,617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings net of borrowing costs		674,752	159,681
Repayment of borrowings		(914,276)	(401)
Repayment of promissory note		(549,407)	-
Proceeds from IPO		648,800	-
Issuance of shares		255,000	-
IPO costs		(15,148)	-
Swap break cost		(6,407)	-
Repayment of related-entity subordinated loan		-	(12,261)
Net cash provided by financing activities		93,314	147,019
Net (decrease) / increase in cash and cash equivalents		(4,714)	1,068
Cash and cash equivalents at beginning of year		22,629	1,359
Effect of exchange rate changes on cash and cash equivalents		2,143	(28)
Cash and cash equivalents at end of year	5	20,058	2,399

The Statement of Cashflows should be read in conjunction with the accompanying notes.

PACT GROUP HOLDINGS LTD

Condensed notes to the consolidated interim financial report for the half year ended 31 December 2013

Note 1. CORPORATE INFORMATION

Pact Group Holdings Ltd ("Pact" or the "Company") is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. This condensed consolidated interim financial report includes the financial statements of the Company and the entities it controlled at the end of, or during the half year ended 31 December 2013 (the "Group").

Pact's primary activities relate to the conversion of plastic resin and steel into rigid plastics and metals packaging and related products for customers in the food, dairy, beverage, personal care, other household consumables, chemicals, agricultural, industrial and other sectors.

Pact also provides a range of sustainability, recycling and environmental services to assist consumers in reducing the environmental impact of their product packaging and related processes.

The Financial Report of the consolidated entity as at and for the year ended 30 June 2013 is available from the Australian Securities Exchange ("ASX") website.

The Company's registered office is at Como Towers, Level 16, 644 Chapel Street, South Yarra, Victoria, Australia.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the condensed consolidated interim financial report

The interim condensed consolidated financial statements for the six months ended 31 December 2013 have been prepared in accordance with AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001*.

The condensed interim financial report does not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 30 June 2013 and any public announcements made by the Group during the half year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The consolidated entity is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed consolidated interim financial report have been rounded off to the nearest \$1,000, unless otherwise specifically stated.

(b) Critical accounting estimates

The preparation of this condensed consolidated interim financial report requires management to exercise its judgements and make estimates and assumptions in applying the Group's accounting policies which impact the reported amounts of assets, liabilities, income, and expenses.

Estimates and judgements are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from these accounting estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements as at and for the year ended 30 June 2013.

PACT GROUP HOLDINGS LTD

**Condensed notes to the consolidated interim financial report
for the half year ended 31 December 2013**

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and revised standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations noted below:

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG 112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, and the impact of potential voting rights when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.

The adoption of this standard from 1 July 2013 did not affect the control assessment for the Group's investments in other entities. There were no adjustments as a result of this new accounting standard in the current or comparative period.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG 113 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists. In addition, it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers the right to the net assets is accounted for using the equity method.

The adoption of this standard from 1 July 2013 did not affect the accounting treatment of the Group's interests in joint arrangements, therefore, there were no adjustments as a result of this new accounting standard in the current or comparative period.

AASB 119 Employee Benefits (AASB 119)

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The change to the distinction between short-term and other long-term employee benefits did not have a material impact on the Group's employee provisions.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The new standard has not impacted the Group's measurement of those assets and liabilities at fair value, which are only forward exchange derivative contracts. As a result of the new standard the Group has introduced additional disclosures in these condensed consolidated interim financial statements. These disclosures are in Notes 10 to 12.

Other new standards and amendments applicable for the first time in these interim condensed consolidated financial statements are AASB 12 *Disclosure of Interests in Other entities* and AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*. These standards change the disclosure requirements for the annual financial statements and did not have an impact on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

PACT GROUP HOLDINGS LTD

Condensed notes to the consolidated interim financial report
for the half year ended 31 December 2013

NOTE 3. REVENUE AND EXPENSES

	For the 6 months ended 31 December	
	2013 \$'000's	2012 \$'000's
Sales revenue	567,607	566,621
Other revenue		
<i>Interest Revenue</i>		
Interest revenue (external)	1,009	59
Interest income on related party loans	5,388	1,580
	6,397	1,639
<i>Other Revenue</i>		
Management fees received	479	500
Share of net profit of associates	435	760
Sundry revenue items	7,808	1,244
	8,722	2,504
	15,119	4,143
Total Revenue	582,726	570,764
Profit before income tax expense has been determined after:		
(a) Expenses		
(i) Depreciation of non-current assets		
Depreciation of buildings - freehold	60	57
Depreciation of buildings - leasehold	594	411
Depreciation of plant and equipment	23,845	23,776
Total depreciation of non-current assets	24,499	24,244
(ii) Amortisation / impairment of non-current assets		
Amortisation of patents, trademarks and licences	79	79
Total amortisation and impairment of non-current assets	79	79
Total depreciation, amortisation and impairment expenses	24,578	24,323
(iii) Borrowing, fees and other finance expenses		
Interest and borrowing costs on A\$750m Syndicated Revolving Loan Facility ⁽¹⁾	1,793	-
Interest on A\$650m Syndicated Revolving Loan Facility	-	16,040
Interest on Revolving Credit Facility	1,895	-
Interest on Term Loan B Facility	29,492	-
Interest on overdraft facility	584	570
Finance charges payable under finance lease and hire purchase contracts	65	126
Borrowing costs amortisation	351	459
Interest on promissory note	22,116	28,759
Property make good provision discount adjustment	45	65
Total finance costs	56,341	46,019
(iv) Employee benefits expense		
Provision for employee entitlements	990	2,459
Wages and salaries	127,719	122,234
Defined contribution superannuation expense	7,218	6,761
Other employee benefits expense	8,522	7,036
	144,449	138,490
(v) Other expense items:		
Operating lease and rental expense	20,409	19,010
Research and development costs	172	130
Fixed rent adjustment	464	546
Make good expense	480	327
Provision for impairment of trade receivables	593	635

⁽¹⁾ On 17 December 2013 the Group entered into new 3 and 5 year syndicated debt facilities, together referred to as the A\$750m Syndicated Revolving Loan Facility. These new borrowings have been disclosed in Note 11.

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NOTE 3. REVENUE AND EXPENSES (continued)

	For the 6 months ended 31 December	
	2013 \$'000's	2012 \$'000's
(b) Other gains / (losses)		
<i>Significant items</i>		
Loss on revaluation of CCS / IRS associated with the Term Loan B Facility	(3,791)	-
Swap break costs ⁽¹⁾	(6,407)	-
Gain on business acquisition ⁽²⁾	10,834	21,103
Gain on disposal of shares in associate	-	1,853
IPO transaction costs	(5,245)	-
Write-off of capitalised borrowing costs in relation to the Term Loan B Facility	(21,576)	-
	<u>(26,185)</u>	<u>22,956</u>
<i>Other gains / (losses)</i>		
Unrealised gain on revaluation of foreign exchange forward contracts	279	247
Gain / (loss) on sale of property, plant and equipment ⁽³⁾	(5)	118
Realised net foreign exchange gains / (losses)	(174)	650
	<u>100</u>	<u>1,015</u>
	<u>(26,085)</u>	<u>23,971</u>

⁽¹⁾ Swap break costs relate to the early termination of the cross currency interest rate swaps and other derivative instruments associated with the Term Loan B Facility, refer to Note 10.

⁽²⁾ On 17 December 2013 the Group acquired the remaining 49% of Cinqplast Plastop Australia Pty Ltd. In accordance with AASB 3 *Business Combinations* the Group's investment in the associate was remeasured at its acquisition date fair value. Refer to Note 16 for further details on the assets and liabilities acquired as part of this business combination.

⁽³⁾ Profit / (loss) on sale of property, plant and equipment is determined as follows:

Proceeds on sale of property, plant and equipment	345	1,275
Carrying amount of property, plant and equipment disposed	(350)	(1,157)
Profit / (loss) on disposal of property, plant and equipment	<u>(5)</u>	<u>118</u>

NOTE 4. INCOME TAX

	For the 6 months ended 31 December	
	2013 \$'000's	2012 \$'000's
Consolidated Income Statement		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	1,549	6,402
Adjustment in respect of current income tax of previous years following tax returns	(4,320)	-
Deferred income tax		
Relating to origination and reversal of temporary differences	3,537	1,345
Income tax expense reported in the statement of comprehensive income	<u>766</u>	<u>7,747</u>

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NOTE 4. INCOME TAX (continued)

	For the 6 months ended 31 December	
	2013 \$'000's	2012 \$'000's
Statement of changes in equity		
Deferred income tax relating to items charged directly to equity:		
Tax on IPO transaction costs charged to equity	6,241	-
Net gain / (loss) on interest rate and foreign exchange hedging instruments	132	(425)
Income tax expense reported in equity	6,373	(425)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax	(1,163)	53,488
Income tax at 30% (2012: 30%)	(349)	16,046
Adjustments in respect of income tax of previous years	(4,320)	-
Adjustments to tax cost base	1,980	-
Non-assessable income for income tax purposes	448	-
Gains on acquisitions and disposals	(3,250)	(6,887)
Non deductible write-off of capitalised borrowing costs	5,326	-
Non deductible break fees on swaps	1,196	-
Non-deductible expenses for tax purposes	-	231
Difference between book and tax values for asset additions	43	(1,154)
Overseas tax rate differential	(308)	(489)
Income tax expense reported in the interim condensed consolidated statement of comprehensive income	766	7,747

Up until 17 December 2013 Pact Group Holdings Ltd, previously Pact Group Holdings Pty Ltd, and its 100% owned Australian resident subsidiaries were members of a tax consolidated group which was formed on 1 July 2003. Geminder Holdings Pty Ltd, the previous parent entity of Pact, was head of the tax consolidated group. As a result of the initial public offering on 17 December 2013, Pact and its 100% owned Australian resident subsidiaries have exited the tax consolidated group. As a result of the exit, Pact Group Holdings Ltd and its 100% owned Australian resident subsidiaries were released from the previous tax sharing and funding agreement with Geminder Holdings Pty Ltd.

From 17 December 2013 until the formation of the new tax consolidated Group on 1 January 2014, each entity was recognised as a stand alone tax payer. Below summarises the accounting treatment applied during the interim period until 17 December 2013.

(i) Members of the tax consolidated group and the tax sharing arrangement

The previous tax sharing arrangement provided for the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts were recognised in the financial statements in respect of this agreement.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group accounted for their own current and deferred tax amounts. The Group applied a modified "stand alone taxpayer" approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group - as if each member continued to be a taxpayer entity in its own right, subject to certain adjustments. The current and deferred tax amounts were measured in a systematic manner, consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognised current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

The tax funding agreement required payments to/from the head entity to be recognised via an inter-entity receivable / payable at call. To the extent that there was a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounted for these as equity transactions with the subsidiaries.

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NOTE 4. INCOME TAX (continued)

Recognised deferred tax assets and liabilities

	December 2013 \$'000's	December 2013 \$'000's	June 2013 \$'000's	June 2013 \$'000's
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	928	(24,016)	2,120	(21,479)
Charged to income	2,771	(3,537)	(7,575)	(389)
Charged to other comprehensive income	-	132	-	(2,273)
Other payments / (receipt)	(6,105)	-	7,979	-
IPO transaction costs charged to equity	-	6,241	-	-
Acquisitions / disposals	1,044	696	(498)	418
Foreign exchange translation movement	(560)	(514)	(1,098)	(293)
Closing balance	(1,922)	(20,998)	928	(24,016)

Amounts recognised in the statement of financial position:

	December 2013 \$'000's	June 2013 \$'000's
Deferred tax asset	32,679	25,155
Deferred tax liability	(53,677)	(49,171)
	(20,998)	(24,016)

Deferred income tax relates to the following:

	December 2013 \$'000's	June 2013 \$'000's
(i) Deferred tax assets		
Doubtful debts provision	136	120
Business reorganisation provision	5,659	6,795
Make good provision	3,427	3,197
Rent provision	3,209	2,960
Employee entitlements	10,336	10,626
Other provisions	504	591
IPO costs	7,815	-
Other	1,593	866
Deferred tax assets	32,679	25,155
(ii) Deferred tax liabilities		
Property, plant and equipment (including depreciation)	52,902	47,878
Unrealised foreign currency gains	212	1,293
Other	563	-
Deferred tax liabilities	53,677	49,171

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**Condensed notes to the consolidated interim financial report
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NOTE 5. CASH AND CASH EQUIVALENTS

	December 2013 \$'000's	December 2012 \$'000's
For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank	20,114	26,176
Bank overdraft	(56)	(23,777)
	20,058	2,399

NOTE 6. TRADE AND OTHER RECEIVABLES

	December 2013 \$'000's	June 2013 \$'000's
CURRENT		
Trade receivables	191,857	126,274
Allowance for impairment loss	(1,109)	(440)
Other receivables	14,270	10,674
Receivable from Geminder Holdings ⁽¹⁾	-	112,595
Income tax receivable from head entity in tax group ⁽¹⁾	-	4,102
	205,018	253,205

⁽¹⁾ During the period receivables owed by Geminder Holdings Pty Ltd to Pact Group Holdings Ltd were assigned in exchange for partial repayment of the outstanding promissory note payable to Geminder Holdings Pty Ltd.

NOTE 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	December 2013 \$'000's	June 2013 \$'000's
Investments in associates and joint ventures ⁽¹⁾	3,362	8,771

⁽¹⁾ On 30 June 2013 the Group held a 51% interest in the shares of Cinqplast Plastop Australia Pty Ltd which is involved in the manufacture of rigid plastics products. The Group assessed its 51% interest as an investment in an associate, as the Group did not control the relevant activities of the business due to the existence of an option held by the other 49% shareholder. On 17 December 2013 the Group acquired the remaining interest in Cinqplast Plastop Australia Pty Ltd. Cinqplast Plastop Australia Pty Ltd is a private entity that is not listed on any public exchange.

The Group holds a 50% interest in Spraypac Products (NZ) Ltd. Spraypac Products (NZ) is a private company which distributes plastic bottles and related spray products.

The Group holds a 40% interest in Changzhou Viscount Oriental Mould Co Ltd, which was acquired as part of the Viscount Plastics (China) Pty Ltd acquisition. Changzhou Viscount Oriental Mould Co Ltd manufactures moulds, of which a portion are purchased for use in the Viscount Plastics (China) Pty Ltd manufacturing operations.

The Group acquired a 50% interest in Weener Plastop Asia Inc (Weener Plastop) as part of its acquisition of Ruffgar Holdings Pty Ltd (Ruffgar) on 17 December 2013. Weener Plastop is a joint venture, integrated with Plastop Asia Pty Ltd operations which was also acquired as part of the Ruffgar acquisition.

Information relating to the acquisitions of Ruffgar Holdings Pty Ltd, Cinqplast Plastop Australia Pty Ltd, and Viscount Plastics (China) Pty Ltd is disclosed in Note 16.

PACT GROUP HOLDINGS LTD

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NOTE 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group accounts for its investments in associates and joint ventures using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investments in associates and joint ventures at 31 December 2013, and the reconciliation to the carrying amount of the investment:

	31 December 2013 \$'000's			
	Oriental Mould	Spraypac	Weener Plastop	Total
Associate and joint venture summarised financial information				
Current assets	886	533	3,474	4,893
Non-current assets	179	121	5,013	5,313
Current liabilities	315	32	3,650	3,997
Non-current liabilities	-	44	27	71
Equity	750	578	4,810	6,138
Proportion of the Group's ownership interest	40%	50%	50%	
Carrying amount of the investment	300	657	2,405	3,362

The Group's investment in Spraypac Products (NZ) Ltd includes \$0.4 million of goodwill.

The joint ventures and associates had no contingent liabilities or significant capital commitments at 31 December 2013 and did not contribute significantly to the revenue or net profit of the Group during the interim period.

	30 June 2013 \$'000's		
	Spraypac	Cinqplast	Total
Associate and joint venture summarised financial information			
Current assets	432	8,394	8,826
Non-current assets	90	13,516	13,606
Current liabilities	84	5,490	5,574
Non-current liabilities	-	7,504	7,504
Equity	438	8,916	9,354
Proportion of the Group's ownership interest	50%	51%	
Carrying amount of the investment	604	8,167	8,771

Investments in Cinqplast Plastop Australia Pty Ltd and Spraypac Products (NZ) Ltd contained \$3.6 million and \$0.4 million of goodwill, respectively.

	30 June 2013 \$'000's		
	Spraypac	Cinqplast	Total
Revenue	852	33,600	34,452
Expenses	(698)	(32,210)	(32,908)
Net profit after tax	154	1,390	1,544
Group's share of the profit for the year	77	709	786

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NOTE 8. INTANGIBLE ASSETS AND GOODWILL

	Patents, trademarks and licences \$'000's	Goodwill \$'000's	Total \$'000's
For the six months ended 31 December 2013			
At 1 July 2013 net of accumulated amortisation and impairment	1,065	249,977	251,042
Additions	15	-	15
Intangible asset arising on acquisition (Note 16)	-	66,942	66,942
Foreign exchange translation movements	30	11,625	11,655
Amortisation	(79)	-	(79)
At 31 December 2013 net of accumulated amortisation and impairment	1,031	328,544	329,575

At 31 December 2013			
Cost (gross carrying amount)	2,234	328,544	330,778
Accumulated amortisation and impairment	(1,203)	-	(1,203)
Net carrying amount	1,031	328,544	329,575

	Patents, trademarks and licences \$'000's	Goodwill \$'000's	Total \$'000's
Year ended 30 June 2013			
At 1 July 2012 net of accumulated amortisation and impairment	1,058	227,391	228,449
Additions	139	-	139
Intangible asset arising on acquisition	2,347	12,869	15,216
Disposals	(2,181)	-	(2,181)
Foreign exchange translation movements	(141)	9,718	9,576
Amortisation	(157)	-	(157)
At 30 June 2013 net of accumulated amortisation and impairment	1,065	249,977	251,042

At 30 June 2013			
Cost (gross carrying amount)	2,235	249,977	252,212
Accumulated amortisation and impairment	(1,170)	-	(1,170)
Net carrying amount	1,065	249,977	251,042

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**Condensed notes to the consolidated interim financial report
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NOTE 8. INTANGIBLE ASSETS AND GOODWILL (continued)

Patents, trademarks and licences

Patents, trademarks and licences are carried at cost less accumulated amortisation and accumulated impairment losses. They have a finite life and are amortised using the straight line method over their economic life.

Acquisition during the year

As a result of business acquisitions during the interim period, \$66.9 million of goodwill was recognised. Business combinations are disclosed in Note 16.

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration paid over the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment tests for goodwill

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or groups of cash-generating units), to which the goodwill relates. Recoverable amount is determined by using a value in use, discounted cash flow methodology. Impairment losses recognised for goodwill are not subsequently reversed.

At the interim period, there were no indicators of impairment and no impairment losses recognised.

NOTE 9. TRADE AND OTHER PAYABLES

	December 2013 \$'000's	June 2013 \$'000's
CURRENT		
Trade payables	143,447	143,318
Other payables ⁽¹⁾	41,854	18,068
Income tax payable	1,922	3,174
	187,223	164,560

⁽¹⁾ Other payables includes transaction costs of \$16.5 million which were incurred but not yet paid in connection with the initial public offering.

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NOTE 10. DERIVATIVES

	December 2013 \$'000's	June 2013 \$'000's
Current financial assets		
Cross currency interest rate swaps ⁽¹⁾	-	684
Foreign exchange forward contracts ⁽²⁾	2,016	3,563
	2,016	4,247
Non-current financial assets		
Cross currency interest rate swaps ⁽¹⁾	-	56,276
	-	56,276
Current financial liabilities		
Foreign exchange forward contracts ⁽²⁾	112	311
	112	311
Non-current financial liabilities		
Cross currency interest rate swaps ⁽¹⁾	-	735
	-	735
Derivatives designated as cash flow hedges		
Foreign exchange forward contracts ⁽²⁾	1,904	3,252
	1,904	3,252

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest, currency basis, and foreign currency rates.

⁽¹⁾ Cross currency interest rate swaps (CCIRS)

On 17 December 2013 the Group's 7 year US\$885 million Term Loan B was repaid using the proceeds from the initial public offering as well as drawdowns on the new A\$750m Syndicated Revolving Loan Facility. As a result, the cross currency interest rate swap positions were terminated. Further details on the Group's borrowings are disclosed in Note 11.

⁽²⁾ Foreign exchange forward contracts - cash flow hedges

To protect against exchange rate movements, the Group has entered into forward currency contracts to purchase foreign currency. These contracts are hedging highly probable forecasted purchases or payment obligations and their terms reflect those of the underlying payment obligations.

For purchases of inventory, the cash flows are expected to occur within six months of balance date and the profit or loss within cost of sales will be affected over the following period as the inventory is either used in production or sold. For the purchases of capital goods and financing payments, the cashflows are expected to occur over a period of up to two years.

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NOTE 10. DERIVATIVES (continued)

(b) Fair value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group's financial instruments measured at fair value are comprised of derivatives only. The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. These derivatives are not quoted in active markets. Therefore, the Group uses 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; unobservable market inputs are not considered to be significant.

As the Group does not seek security from the counterparties with whom it enters into derivative financial instruments, the Group also takes into account the risk of counterparty non-performance. As at 31 December 2013 the Group assessed these risks to be insignificant.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of all of the Group's derivatives are considered to be Level 2 financial instruments in both the current and comparative periods.

There have been no transfers between categories at any time during the current or previous comparative period.

NOTE 11. INTEREST BEARING LOANS AND BORROWINGS

	Note	December 2013 \$'000's	June 2013 \$'000's
CURRENT			
Bank overdraft	12	56	270
Commercial bill facility ⁽¹⁾	12	3,000	-
Term Loan B Facility	12	-	9,596
Capitalised borrowing costs		(1,584)	(3,244)
Obligations under finance leases and hire purchase contracts		963	853
		2,435	7,475
NON-CURRENT			
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m) ⁽²⁾	12	295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m) ⁽²⁾	12	220,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m) ⁽²⁾	12	83,033	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m) ⁽²⁾	12	83,033	-
Term Loan B Facility	12	-	949,962
Obligations under finance leases and hire purchase contracts		520	975
Capitalised borrowing costs		(2,625)	(18,541)
Promissory note (including interest capitalised) ⁽³⁾	17	-	1,069,432
		678,961	2,001,828

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**Condensed notes to the consolidated interim financial report
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NOTE 11. INTEREST BEARING LOANS AND BORROWINGS (continued)

⁽¹⁾ The commercial bill facility forms part of the debt assumed upon the acquisition of Cinqplast Plastop Australia Pty Ltd on 17 December 2013. The loan bears interest at a rate of 5.87% and is fully secured by a \$3.0 million dollar term deposit.

⁽²⁾ On 17 December 2013 the Group entered into new 3 and 5 year syndicated debt facilities comprising a \$295 million 3 year term revolving cash advance facility, a \$295 million 5 year term revolving cash advance facility, a NZ\$90 million 3 year term revolving cash advance facility and a NZ\$90 million 5 year term revolving cash advance facility. The drawdown on the new banking facilities, together with the proceeds from the initial public offering, were used to repay the Term Loan B Facility.

At the time the Term Loan B Facility agreement was signed, Pact and its 100% owned subsidiaries granted cross guarantees through a security trust deed (which includes a fixed and floating charge over the assets of the Group). The security trust deed remained on foot after the Term Loan B Facility repayment and the new lenders to the A\$750m Syndicated Revolving Loan Facility became parties to this deed. Interest on the new debt facilities is variable based on the relevant Australian or New Zealand bank bill rate (BBSY and BKBM), plus a margin. The margins are determined against a pricing grid by reference to Pact's leverage and the term of the relevant tranche of the facilities.

⁽³⁾ The promissory note payable to Geminder Holdings Pty Ltd accrued interest quarterly at a rate based on the Bank Bill Swap Bid Rate (BBSY) plus a margin of 2%. On 26 November 2013 Pact issued shares to Geminder Holdings Pty Ltd in exchange for \$255.0 million in cash and a new promissory note. After the assignment of receivables from Geminder Holdings Pty Ltd, the promissory note and any capitalised interest was repaid in full through the issue of shares to Geminder Holdings Pty Ltd and in cash received as a result of the public offering.

(a) Fair values

Fair values of the Group's interest-bearing borrowings and loans 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. The Group's own performance risk at 31 December 2013 was assessed to be insignificant.

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

	December 2013 \$'000's		June 2013 \$'000's	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan B Facility ⁽⁴⁾	-	-	959,558	976,082
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)	295,000	295,000	-	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)	220,000	220,000	-	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)	83,033	83,033	-	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)	83,033	83,033	-	-
Commercial bill facility	3,000	3,000	-	-
	684,066	684,066	959,558	976,082

⁽⁴⁾ The primary difference between the carrying value and the fair value of the Term Loan B Facility arose as a result of the fair value of the embedded Libor Floor of 1.0%.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in Note 12.

(c) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

PACT GROUP HOLDINGS LTD

Condensed notes to the consolidated interim financial report for the half year ended 31 December 2013

NOTE 12. FINANCING ARRANGEMENTS

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

Risk exposures and responses

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, and commodity price risk), liquidity risk and credit risk. This note describes information about the Group's exposure to these risks as well as the objectives, policies and processes for measuring and managing risk.

The Group enters into derivative transactions, principally forward currency contracts, interest rate swaps and cross currency interest rate swaps as deemed appropriate. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its financing activities. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange levels. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Treasury Risk Management Committee.

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise the following types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

(i) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating rates. Interest rate risk is the risk that the Group will be adversely affected by movements in floating interest rates that will increase the cost of floating rate debt.

The Group seeks to manage its finance costs by assessing and, where appropriate, utilising a mix of fixed and variable rate debt. Borrowings at fixed rates are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

To manage this mix in a cost-efficient manner, the Group may enter into interest rate swaps or options, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps or options are designated to hedge underlying interest obligations.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

As discussed in Notes 10 and 11, the US dollar Term Loan B Facility and related cross currency interest rate swaps were extinguished during the period and new variable rate debt facilities have been taken out.

None of the Group's borrowings are at a fixed rate of interest at 31 December 2013. Given the new debt facilities have only been in place from 17 December 2013, the impacts of any reasonable possible movements in interest rates on post tax profit and other comprehensive income, using the interest rate risk exposures at 31 December 2013, would not be significant to the interim period.

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NOTE 12. FINANCING ARRANGEMENTS (continued)

(a) Market Risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's (i) financing activities; (ii) operating activities (when revenue, expense or capital expenditure is denominated in a different currency from the entity's functional currency) and (iii) net investments in foreign subsidiaries.

Less than 1% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 67% of costs are denominated in the operating entity's functional currency in both the current and comparative periods.

At reporting date, the Group had significant exposure to the United States Dollar (USD) and New Zealand Dollar (NZD) currencies which are not designated as cash flow hedges. The Group 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. It is the Group's policy not to enter into forward foreign currency contracts until a firm commitment is in place and to structure the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Exposure to foreign currency risk as a result of foreign currency purchases and sales has not significantly changed from the previous reporting period.

During the period to 31 December 2013 the Group entered into a new syndicated facility arrangement with available tranches denominated in both Australian Dollars (AUD) and New Zealand Dollars (NZD). The Group mitigates its exposure to fluctuations in the exchange rate of its NZD borrowings by borrowing funds through entities with NZD functional currencies.

(iv) Commodity Price risk

The Group is exposed to price risk in relation to a number of raw materials. This risk is partially mitigated by 'rise and fall' clauses in contracts with customers. In managing commodity price risk, the Group is ordinarily able to pass on a portion of price risk contractually to customers through rise and fall adjustments. As the Group has historically passed on the movement risk associated with commodity prices, no sensitivity has been performed. It should be noted that the speed, magnitude and competitive dynamics of end markets can adversely impact the Group's ability to pass on commodity price changes.

(b) Counterparty credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at the maturity of contracts. The Group is exposed to credit risk arising from its operating activities (primarily from customer receivables) and financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk arising from potential default of the counterparty is equal to the carrying amount of the financial assets. There have been no significant changes in relation to financial guarantees and letters of credit granted from the previous period.

The Group does not hold any credit derivatives to offset its credit exposure and there is no significant concentration of credit risk.

i) Trade receivables

The Group generally trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which may include an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with set parameters. These risk limits are regularly monitored. In addition, receivable balances are stringently monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

ii) Financial instruments

Credit risks related to balances with banks and financial institutions are managed by Group Treasury in accordance with the approved policies. Such policies only allow financial derivative instruments to be entered into with high credit quality financial institutions.

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 statement of financial position.

PACT GROUP HOLDINGS LTD

**Condensed notes to the consolidated interim financial report
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NOTE 12. FINANCING ARRANGEMENTS (continued)

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. Liquidity risk management involves maintaining available funding and ensuring the consolidated entity has access to an adequate amount of committed credit facilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance leases.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on an ongoing basis.

The table below summarises the outstanding and unused credit facilities available to the Group:

Facility Available	Term	Note	December 2013 \$'000's	June 2013 \$'000's
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)	3 years		295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)	5 years		295,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)	3 years		83,033	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)	5 years		83,033	-
Commercial bill facility			3,000	
Term Loan B Facility	7 years		-	959,558
Revolving Credit Facility	5 years		-	100,402
Promissory Note			-	1,069,415
Overdraft facility			17,500	17,500
Multi Option Interchangeable Working Capital Facility			15,175	15,175
Trade Finance Facility			4,000	4,000
			<u>795,741</u>	<u>2,166,050</u>
Loan Facilities Utilised				
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)		11	295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)		11	220,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)		11	83,033	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)		11	83,033	-
Commercial bill facility		11	3,000	
Term Loan B Facility		11	-	959,558
Promissory Note		17	-	1,069,415
Overdraft facility		11	56	270
Multi Option Interchangeable Working Capital Facility			6,080	7,620
Trade Finance Facility			-	2,798
			<u>690,202</u>	<u>2,039,661</u>
Net unused facilities			<u>105,539</u>	<u>126,389</u>
Cash and cash equivalents			<u>20,114</u>	<u>22,899</u>
Net unused facilities and cash and cash equivalents			<u>125,653</u>	<u>149,288</u>

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NOTE 13. CONTRIBUTED EQUITY

	December 2013 \$'000's	June 2013 \$'000's
(a) Issued and paid up capital		
Ordinary shares fully paid	1,487,437	180,000

(b) Movements in shares on issue

	Half year ended 31 December 2013		Full year ended 30 June 2013	
	Number	\$	Number	\$
Ordinary shares				
Beginning of the period	12	180,000,002	12	180,000,002
Issued during the period ⁽¹⁾	294,097,949	1,327,643,427	-	-
Transaction costs taken to equity	-	(20,206,846)	-	-
End of the period	294,097,961	1,487,436,583	12	180,000,002

⁽¹⁾ Shares issued during the year include:

(i) shares issued on 7 November 2013 to Geminder Holdings Pty Ltd in exchange for cash	Number of shares 10
(ii) shares issued on 26 November 2013 to Geminder Holdings Pty Ltd in exchange for partial repayment of the promissory note	113,764,188
(ii) shares issued for the acquisitions of Ruffgar Holdings Pty Ltd and Cinoplast Australia Pty Ltd	9,596,909
(iii) shares issued as part of the initial public offering	170,736,842
	294,097,949

(c) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

(d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to provide optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly assessing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may recommend to the Board the amount of dividends (if any) to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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NOTE 14. RESERVES

	Half year ended December 2013 \$'000's	Full year ended June 2013 \$'000's
Foreign currency translation reserve	15,671	8,733
Cash flow hedge reserve	657	964
Common control reserve	(927,632)	(942,000)
	(911,304)	(932,303)

Nature and purpose of reserves:

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Cash Flow Hedge Reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Refer to Note 10 for further disclosure on forward exchange contracts designated in cash flow hedge relationships.

(c) Common Control Reserve

The opening common control reserve arose through a Group restructure in the financial year ended 30 June 2011. It represents the difference between the historical cost carrying value of the net assets of the Group compared with the value of the promissory note issued to acquire the transferred entities. The promissory note was issued at fair value.

On 17 December 2013 the Group acquired Viscount Plastics (China) Pty Ltd and Asia Peak Pte Ltd. These acquisitions have been accounted for under the AASB 3 *Business Combinations* common control exemption. The movement of \$14.4 million in the common control reserve relates to the difference between the consideration paid and the net assets acquired.

NOTE 15. RETAINED EARNINGS

	Half year ended December 2013 \$'000's	Full year ended June 2013 \$'000's
Retained (losses) / earnings at the beginning of the financial year	(324,595)	114,444
Net (loss) / profit attributable to members of the company	(1,986)	45,125
Dividend paid	-	(484,164)
Retained losses at the end of the reporting period	(326,581)	(324,595)

There have been no dividends declared or proposed after 31 December 2013 but before the interim financial statements were authorised for issue.

PACT GROUP HOLDINGS LTD

**Condensed notes to the consolidated interim financial report
for the half year ended 31 December 2013**

NOTE 16. BUSINESS COMBINATIONS

Summary of 31 December 2013 acquisitions

The fair values of the identifiable assets and liabilities of the acquisitions as of the date of the acquisition are:

	Asia Peak⁽¹⁾	Viscount China⁽²⁾	Ruffgar⁽³⁾	Cinqplast⁽⁴⁾	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of net assets acquired					
- trade and other receivables (net of provision)	15,802	16,605	3,553	6,812	42,772
- prepayments	-	922	134	102	1,158
- inventory	-	3,374	1,680	3,701	8,755
- property, plant & equipment	15	19,662	3,948	12,892	36,517
- equity method investments	-	300	4,062	-	4,362
- cash	378	1,238	554	106	2,276
- deferred tax asset	-	499	15	320	834
	<u>16,195</u>	<u>42,600</u>	<u>13,946</u>	<u>23,933</u>	<u>96,674</u>
- payables and provisions	16,055	9,708	1,746	5,818	33,327
- interest bearing liabilities	92	-	11	10,440	10,543
- employee provisions	-	72	62	718	852
	<u>16,147</u>	<u>9,780</u>	<u>1,819</u>	<u>16,976</u>	<u>44,722</u>
Fair value of identifiable net assets	<u>48</u>	<u>32,820</u>	<u>12,127</u>	<u>6,957</u>	<u>51,952</u>
Shares issued as consideration	-	-	24,870	11,599	36,469
Cash consideration	500	18,000	23,200	7,000	48,700
Total consideration	<u>500</u>	<u>18,000</u>	<u>48,070</u>	<u>18,599</u>	<u>85,169</u>
Common control reserve	(452)	14,820	-	-	14,368
Provisional goodwill arising on acquisition	-	-	35,943	30,999	66,942
Cash outflow on acquisition:					
Net cash acquired	378	1,238	554	106	2,276
Cash paid	500	18,000	23,200	7,000	48,700
Net cash paid for purchase of businesses	<u>122</u>	<u>16,762</u>	<u>22,646</u>	<u>6,894</u>	<u>46,424</u>

⁽¹⁾ On 17 December 2013 the Group purchased 100% of the shares in Asia Peak Pte Ltd (Asia Peak) for cash. Asia Peak is incorporated in Singapore and associated with Geminder Holdings Pty Ltd, the Group's former parent entity. Asia Peak acts as a procurement office for the Group. The Group acquired Asia Peak due to the integrated nature of Asia Peak's activities with those of the Group.

As Asia Peak was acquired by way of the common control exemption under AASB 3 *Business Combinations*, the difference between the book value of the net assets acquired and the cash consideration paid of \$0.5 million has been recorded in the common control reserve, refer to Note 14.

The trade and other receivables acquired amount to \$15.8 million. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected.

From the date of acquisition Asia Peak Pte Ltd has contributed \$0.04 million of revenue and \$0.02 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$4.2 million higher and the profit from continuing operations for the Group would have been \$0.04 million higher.

PACT GROUP HOLDINGS LTD

Condensed notes to the consolidated interim financial report for the half year ended 31 December 2013

NOTE 16. BUSINESS COMBINATIONS (continued)

Summary of 31 December 2013 acquisitions (continued)

⁽²⁾ On 17 December 2013 the Group acquired 100% of the shares in Viscount Plastics (China) Pty Ltd (Viscount China). Viscount China holds three manufacturing plants Viscount Changzhou, Viscount Guangzhou, Viscount Langfang and a 40% interest in Changzhou Viscount Oriental Mould Co Ltd. Viscount China manufactures and distributes injection moulded plastic products, bottles and rotationally moulded rigid plastic products. The Group acquired Viscount China as part of the Group's overall growth strategy to expand its presence in the Asian markets.

As Viscount China was acquired by way of the common control exemption under AASB 3 *Business Combinations*, the difference between the book value of the net assets acquired of \$33.5 million and the cash consideration paid of \$18.0 million has been recorded in the common control reserve, refer to Note 14.

The fair value of trade and other receivables amounts to \$16.6 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected. The deferred tax asset of \$0.5 million mainly comprises the tax effect of provisions acquired.

From the date of acquisition Viscount China has contributed \$1.7 million of revenue and a net loss before tax of \$0.03 million to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$26.2 million higher and the profit from continuing operations for the Group would have been \$0.1 million higher.

⁽³⁾ On 17 December 2013 the Group acquired 100% of the shares in Ruffgar Holdings Pty Ltd (Ruffgar). Ruffgar owns 100% of Plastop Asia Pty Ltd (Plastop Asia) and a 50% interest in Weener Plastop Pty Ltd (Weener Plastop). Plastop Asia and Weener Plastop manufacture personal care injection moulded plastic products. The Group acquired Ruffgar as part of its overall growth strategy within the Asian region. Ruffgar shares were purchased for cash of \$23.2 million and shares with a fair value of \$24.9 million at the date of acquisition.

The fair value of Ruffgar's trade receivables amounts to \$3.6 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected.

From the date of acquisition Ruffgar contributed \$0.4 million of revenue and \$0.3 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, contributions to revenue from continuing operations would have been \$7.9 million higher and the contribution to profit from continuing operations for the Group would have been \$0.9 million higher.

⁽⁴⁾ On 17 December 2013 the Group acquired the remaining shares in Cinqplast Plastop Australia Pty Ltd (Cinqplast) including its controlled entity Steri-Plas Pty Ltd for cash of \$7.0 million and shares with a fair value of \$11.6 million at the date of acquisition. Cinqplast is involved in the manufacture of rigid plastic products. The Group acquired the remaining shares in Cinqplast as part of the Group's overall growth strategy to expand its presence in the Asian markets.

The carrying value of the equity interest in Cinqplast immediately prior to the acquisition was \$8.5 million. A gain of \$10.8 million was recognised from remeasuring the equity interest in Cinqplast held by the Group to fair value in accordance with AASB 3 *Business Combinations*. The gain is disclosed in Note 3.

The fair value of trade and other receivables amounts to \$6.8 million. The gross amount of trade receivables is \$6.9 million. The deferred tax asset mainly comprises the tax effect of provisions acquired.

From the date of acquisition Cinqplast contributed \$0.7 million of revenue and a net loss before tax of \$0.07 million to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$15.9 million higher and the profit from continuing operations for the Group would have been \$0.9 million higher.

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**Condensed notes to the consolidated interim financial report
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NOTE 16. BUSINESS COMBINATIONS (continued)

Summary of 30 June 2013 acquisitions

	Viscount⁽¹⁾ \$'000	NSW Drum⁽²⁾ \$'000	Sunrise⁽³⁾ \$'000	Total \$'000
Date acquired	1/08/2012	1/11/2012	1/12/2012	
Fair value of net assets acquired				
- receivables (net of provision)	29,329	1,452	3,923	34,704
- prepayments	1,195	13	122	1,330
- inventory	10,461	273	1,132	11,866
- property, plant & equipment	90,599	2,524	6,636	99,759
- intangible assets	2,347	-	-	2,347
- deferred tax asset	5,067	-	160	5,227
	<u>138,998</u>	<u>4,262</u>	<u>11,973</u>	<u>155,233</u>
- payables and provisions	(28,035)	(446)	(2,777)	(31,258)
- business reorganisation	(1,529)	-	-	(1,529)
- employee provisions	(7,986)	(190)	(534)	(8,710)
	<u>(37,550)</u>	<u>(636)</u>	<u>(3,311)</u>	<u>(41,497)</u>
Fair value of identifiable net assets	101,448	3,626	8,662	113,736
(Discount)/Goodwill arising on acquisition	(21,103)	6,487	6,642	(7,974)
Purchase consideration	91,923	10,113	14,115	116,151
Repayment of debt like items	-	-	(812)	(812)
Deferred settlement	-	-	2,001	2,001
Cash consideration including direct costs	<u>91,923</u>	<u>10,113</u>	<u>15,304</u>	<u>117,340</u>
Cash outflow on acquisition:				
Net cash acquired	11,578	-	260	11,838
Cash paid	91,923	10,113	14,115	116,151
Cash paid for purchase of business as reflected in statement of cash flows	<u>80,345</u>	<u>10,113</u>	<u>13,855</u>	<u>104,313</u>

⁽¹⁾ On 1 August 2012 the Group acquired 100% of the shares in Viscount Plastics Pty Ltd. The business manufactures and distributes injection moulded plastic products, bottles and rotationally moulded rigid plastic products. The business is located in Victoria (Australia), New South Wales (Australia), Queensland (Australia), Western Australia (Australia), Auckland (New Zealand), Christchurch (New Zealand), Changzhou (China), Langfang (China), Guangzhou (China) and Selangor (Malaysia). The Group acquired Viscount Plastics Pty Ltd as part of the Group's overall growth strategy to expand its presence in the Australian and New Zealand markets and develop entry points into the emerging Asian market.

The fair value of the trade receivables amounts to \$27.4m. The gross amount of trade receivables is \$27.5m. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected. The deferred tax asset mainly comprises the tax effect of provisions acquired.

From the date of acquisition Viscount Plastics Pty Ltd has contributed \$161.2 million of revenue and \$13.5 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$175.2 million higher and the profit from continuing operations for the Group would have been \$12.8 million higher.

PACT GROUP HOLDINGS LTD

Condensed notes to the consolidated interim financial report for the half year ended 31 December 2013

NOTE 16. BUSINESS COMBINATIONS (continued)

Summary of 30 June 2013 acquisitions (continued)

⁽²⁾ On 1 November 2012 the Group acquired the business assets of Drum Reconditioners (NSW) Pty Ltd. The business is based in New South Wales and provides a comprehensive service for the collection, reconditioning and correct disposal of industrial containers. The Group acquired the business as it fit into the Group's growth strategy. The goodwill of \$6.5 million has arisen as a result of the valuation of the business based on an EBITDA multiple exceeding the fair value of assets acquired. Goodwill is allocated to the Pact Australia operating segment.

The fair value of the trade receivables amounts to \$1.5 million and none of the trade receivables have been impaired as it is expected that the full contractual amounts can be collected.

From the date of acquisition Drum Reconditioners (NSW) Pty Ltd has contributed \$7.9 million of revenue and \$1.3 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$11.1 million higher and the profit from continuing operations for the Group would have been \$1.9 million higher.

⁽³⁾ On 1 December 2012 Pact Group Pty Ltd acquired 100% of the shares in Sunrise Plastics Pty Ltd. The business is based in Victoria and manufactures a variety of thin wall plastic containers and lids as well as providing tool making services. The Group acquired the business as part of the Group's on-going growth strategy. The goodwill of \$6.4 million has arisen as a result of the valuation of the business based on an EBITDA multiple exceeding the fair value of assets acquired. Goodwill is allocated to the Pact Australia operating segment.

The fair value of the trade receivables amounts to \$3.9 million and none of the trade receivables have been impaired as it is expected that the full contractual amounts will be collected.

As part of the purchase agreement with the previous owner of Sunrise Plastics Pty Ltd a contingent consideration has been agreed. There will be additional cash payments to the vendor of Sunrise Plastics Pty Ltd if the acquired business generates EBITDA greater than \$3.5 million in the 12 months from acquisition date. The payment will be a multiple of 4.1 times the EBITDA in excess of \$3.5 million. The Group is currently in discussions with the previous owner to finalise the contingent consideration payable. There have been no changes to the estimated contingent consideration payable at 31 December 2013.

From the date of acquisition Sunrise Plastics Pty Ltd has contributed \$9.4 million of revenue and \$1.5 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$17.1 million higher and the profit from continuing operations for the Group would have been \$2.6 million higher.

NOTE 17. RELATED PARTY DISCLOSURES

Parent entity

The parent of the Group is Pact Group Holdings Ltd. In the comparative period, the ultimate parent of the Group was Salvage Pty Ltd, as trustee for Geminder Family Trust, incorporated in Australia. Geminder Holdings Pty Ltd owned 100% of the Group up until the date of the listing on the Australian Stock Exchange.

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 six month period ending 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (June 2013: Nil).

Terms and conditions of loans from related parties

The promissory note payable to Geminder Holdings Pty Ltd was repaid in full during the interim period. This promissory note accrued interest quarterly at a rate based on the Bank Bill Swap Bid Rate (BBSY) plus a margin of 2%. Interest was capitalised annually on the anniversary of the promissory note.

Terms and conditions of property leases with related parties

The Group leases 23 properties (20 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, which are each controlled by entities associated with Raphael Geminder (the Non-Executive Chairman of Pact) and are therefore related parties of the Group ("Centralbridge Leases"). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

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**Condensed notes to the consolidated interim financial report
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NOTE 17. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of property leases with related parties (continued)

Of the Centralbridge Leases in Australia:

- two of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 3rd (which has already passed), 6th and 9th years of the term;
- seven of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 6th and 9th term;
- six of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 8th 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 6th and 9th term. With the exception of the early termination right, the Centralbridge Leases in New Zealand are on terms which are not uncommon for leases of commercial premises.

Transactions with related parties

The following table provides the total amount of transactions with related parties for the six months ended 31 December 2013 (31 December 2012 comparatives).

		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties
Entity which previously controlled the Group:				
Geminder Holdings Pty Ltd ⁽¹⁾	2013	-	-	479
	2012	-	-	500
Associates and joint ventures:				
Cinqplast Plastop Australia Pty Ltd ⁽²⁾	2013	268	458	-
	2012	291	233	-
Spraypac Products (NZ) Ltd	2013	-	-	-
	2012	-	-	-
Steri-Plas Pty Ltd ⁽²⁾	2013	-	-	(48)
	2012	-	-	(58)
Weener Plastop Asia Inc ⁽⁵⁾	2013	-	-	(30)
	2012	-	-	(13)
Other related parties - other director's interests:				
Albury Property Holdings Pty Ltd	2013	-	1,391	-
	2012	-	1,338	-
Asia Peak Pte Ltd ⁽²⁾	2013	-	31,846	(1,482)
	2012	-	18,772	(592)
BB&M Holdings Pty Ltd ⁽³⁾	2013	-	-	-
	2012	-	-	(134)
Centralbridge (NZ) Ltd	2013	-	1,077	-
	2012	-	1,152	-
Centralbridge Pty Ltd as Trustee for Centralbridge Unit Trust	2013	-	333	-
	2012	-	321	-
Centralbridge Two Pty Ltd	2013	-	2,819	-
	2012	-	1,816	-
Dynapack Asia Pte Ltd ⁽⁴⁾	2013	-	-	15
	2012	-	-	9
P'Auer Pty Ltd	2013	-	3,851	(130)
	2012	-	2,150	(52)
Plastop Asia Inc ⁽²⁾	2013	-	-	(55)
	2012	933	-	(36)
Pro-Pac Packaging Ltd	2013	4,343	2,836	-
	2012	4,021	2,448	-

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NOTE 17. RELATED PARTY DISCLOSURES (continued)

Transactions with related parties (continued)

¹ As a result of the initial public offering on 17 December 2013, Geminder Holdings Pty Ltd no longer owns 100% of the Group. Geminder Holdings Pty Ltd remains a substantial shareholder and related party of the Group. Transactions disclosed above relate to transactions with Geminder Holdings Pty Ltd during the six months ended 31 December 2013 and the comparative six month period.

In addition to the transactions disclosed above, Viscount Plastics (China) Pty Ltd (Viscount China) has entered into a call option deed with respect of each of the relevant China Premises to which it holds a "granted land use right". Under these deeds, Viscount China granted an option to Geminder Holdings Pty Ltd (or its nominee) to acquire the relevant China Premises for the book value as at 30 June 2013 plus any applicable purchaser taxes or duties. The term of the option is approximately three years from 17 December 2013. The effect of the call option is that any of the China Premises may be acquired by Geminder Holdings Pty Ltd (or its nominee) for less than market value.

² On 17 December 2013 Cinqplast Plastop Australia Pty Ltd, Steri-Plas Pty Ltd, Asia Peak Pte Ltd and Plastop Asia Inc were acquired. Related party transactions disclosed above relate to the interim period prior to the acquisition and the comparative six month period.

³ During the interim period a Director of the Group held a significant influence over BB&M Holdings Pty Ltd through a 43% equity interest in the entity.

⁴ A memorandum of understanding has been entered into with the shareholders of Dynapack Asia Pte Ltd giving Pact Group Holdings Ltd, or its nominee, the exclusive opportunity to negotiate the acquisition of all the shares in Dynapack Asia Pte Ltd at any time up to 12 months after an initial public offering of the Group. Dynapack Asia Pte Ltd is currently owned 50% by entities controlled by the Hambali family of Indonesia and 50% by an entity controlled by Geminder Holdings Pty Ltd, Pact's former parent. Geminder Holdings Pty Ltd acquired its interest in Dynapack Asia Pte Ltd in 2011.

⁵ On 17 December 2013, as a result of acquiring Ruffgar Pty Ltd, the Group acquired a 50% interest in Weener Plastop Asia Inc. Weener Plastop was established by a related entity of Geminder Holdings Pty Ltd in 2007. Transactions disclosed above relate to any transactions with the associate during the six months ended 31 December 2013 and the comparative six month period.

Outstanding balances with related parties

The following table provides the total amount of transactions outstanding with related parties at 31 December 2013 (comparative 30 June 2013):

		Amounts (owed to)/receivable from related parties
Entity which previously controlled the Group:		
Geminder Holdings Pty Ltd ⁽¹⁾	31-Dec-13	-
	30-Jun-13	116,697
Associates and joint ventures:		
Cinqplast Plastop Australia Pty Ltd ⁽²⁾	31-Dec-13	-
	30-Jun-13	163
Spraypac Products (NZ) Ltd	31-Dec-13	-
	30-Jun-13	-
Steri-Plas Pty Ltd ⁽²⁾	31-Dec-13	-
	30-Jun-13	(441)
Weener Plastop Asia Inc ⁽³⁾	31-Dec-13	-
	30-Jun-13	-
Other related parties - other director's interests:		
Albury Property Holdings Pty Ltd	31-Dec-13	(12)
	30-Jun-13	(245)
Asia Peak Pte Ltd ⁽²⁾	31-Dec-13	-
	30-Jun-13	(17,098)
BB&M Holdings Pty Ltd	31-Dec-13	-
	30-Jun-13	231

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NOTE 17. RELATED PARTY DISCLOSURES (continued)

Outstanding balances with related parties (continued)

		Amounts (owed to)/receivable from related parties	
Centralbridge (NZ) Ltd	31-Dec-13	-	
	30-Jun-13	156	
Centralbridge Pty Ltd as Trustee for Centralbridge Unit Trust	31-Dec-13	-	
	30-Jun-13	(59)	
Centralbridge Two Pty Ltd	31-Dec-13	(171)	
	30-Jun-13	(512)	
Dynapack Asia Pte Ltd	31-Dec-13	-	
	30-Jun-13	(21)	
P'Auer Pty Ltd	31-Dec-13	2	
	30-Jun-13	4	
Plastop Asia Inc ⁽²⁾	31-Dec-13	-	
	30-Jun-13	-	
Pro-Pac Packaging Ltd	31-Dec-13	1,465	
	30-Jun-13	423	
		Subordinated loan owed by related parties	Promissory note owed to related parties
Loans from related parties			
Entity which previously controlled the Group:			
Geminder Holdings Pty Ltd ⁽¹⁾	31/12/2013	-	-
	30/06/2013	-	(1,069,432)
		Interest income	Interest expense
	31/12/2013	5,388	22,116
	31/12/2012	1,580	28,759

⁽¹⁾ During the period, Pact issued shares to Geminder Holdings Pty Ltd in exchange for cash of \$255.0 million and a new promissory note. After assignment of a receivable owed by Geminder Holdings to Pact, the balance of the new interest bearing promissory note was repaid in full through the issue of shares and cash proceeds received as part of the public offering.

⁽²⁾ These related entities were acquired on 17 December 2013, refer to Note 16.

⁽³⁾ A 50% interest in Weener Plastop Asia Inc was acquired on 17 December 2013, refer to Notes 7 and 16.

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NOTE 18. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of Pact by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	December 2013 \$'000's	December 2012 ⁽ⁱ⁾ \$'000's
Net (loss) / profit attributable to ordinary equity holders of Pact from continuing operations	(1,986)	45,632
Net loss / (profit) attributable to ordinary equity holders of Pact from discontinued operations	-	-
Net (loss) / profit attributable to ordinary equity holders of Pact for basic earnings	(1,986)	45,632
Interest on convertible preference shares	-	-
Net (loss) / profit attributable to ordinary equity holders of Pact adjusted for the effect of dilution	(1,986)	45,632
Weighted average number of ordinary shares for basic earnings per share	36,959,347	12
	\$	\$
(Loss) / Earnings per share	(0.054)	3,802,666.667

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

⁽ⁱ⁾ Earnings per share for the comparative period was calculated using the net profit for the period attributable to ordinary equity holders of Geminder Holdings Pty Ltd, Pact's parent entity until 17 December 2013.

NOTE 19. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments have been identified based on the information provided to the executive decision maker, being the Chief Executive Officer (CEO). The CEO provides strategic direction and management oversight to the day to day activities of the Group in terms of monitoring results and approving strategic planning.

Description of segments

The CEO monitors results by reviewing two operating segments, Pact Australia (PA) and Pact International (PI), focusing on earnings before net finance costs and tax (EBIT) before significant items as a segment result. EBIT is calculated as earnings before finance costs, net of interest revenue, and tax.

Geographic segments

The Group operates in the following significant countries, Australia, New Zealand, China, Philippines, and Thailand. Revenues have been allocated to the individual countries stated above based on the location of the customers to which the revenue relates.

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NOTE 19. SEGMENT INFORMATION (continued)

Comparative information has been presented in conformity with the identified reporting segments of the Group as at the reporting date in accordance with AASB 8 *Operating Segments*.

Segment Revenue	31 December 2013			31 December 2012		
	PA	PI	Total	PA	PI	Total
Sales revenue	409,895	157,712	567,607	414,098	152,523	566,621
EBIT before significant items	39,170	35,796	74,966	47,496	27,416	74,912
Reconciliation from EBIT before significant items to NPAT						
			31 December 2013			31 December 2012
			\$'000's			\$'000's
EBIT before significant items			74,966			74,912
Significant items						
Loss on revaluation of CCS / IRS associated with the Term Loan B Facility			(3,791)			-
Swap break costs			(6,407)			-
Gain on business acquisition			10,834			21,103
Gain on disposal of shares in associate			-			1,853
IPO transaction costs			(5,245)			-
Write-off of capitalised borrowing costs			(21,576)			-
Total significant items			(26,185)			22,956
EBIT after significant items			48,781			97,868
Less: Interest ⁽¹⁾			(49,944)			(44,380)
Net (loss) / profit before tax			(1,163)			53,488
Less: Income tax expense			(766)			(7,747)
Net (loss) / profit after tax			(1,929)			45,741

⁽¹⁾ Interest includes total finance costs, net of any interest revenue as disclosed in Note 3.

Geographical information

Sales revenue from external customers	31 December 2013	31 December 2012
	\$'000's	\$'000's
Australia	440,859	430,886
New Zealand	118,652	112,683
China	1,848	17,967
USA	958	1,208
Malaysia	358	333
Other	4,932	3,544
Total sales revenue per consolidated income statement	567,607	566,621

The sales revenue information above is based on the location of the customers.

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NOTE 20. SUBSEQUENT EVENTS

Pact, together with its eligible Australian subsidiaries, elected to form a new Australian income tax consolidated group on 1 January 2014. The Australian corporate tax rate is assumed to remain at 30%. The New Zealand corporate tax rate is assumed to remain at 28%. The tax rates of other relevant jurisdictions are assumed to remain at current statutory rates.

The rules applying to the formation of an income tax consolidated group are subject to various proposed changes announced by the former federal government at the time of delivering its federal budget in May 2013. These changes have since been confirmed by the current government. One proposal could require additional amounts to be included in Pact's assessable Australian income in respect of future deductible liabilities. While the proposed changes in law were announced to apply from May 2013, limited information on their exact application is available. Depending on the final form of the proposed changes in law, they could have a material negative impact on Pact's financial performance and position. Although limited information in respect to the application of the proposed changes is available, Pact estimates that, if enacted, these changes could result in an increase in tax liability of approximately \$18.5 million. In accordance with AASB 112 *Income Taxes*, as the legislation has not been substantively enacted, the tax liability has not been recorded.

The new head of the tax consolidated group is Pact Group Holdings Ltd, the parent entity of the Group. The new tax sharing agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the new tax sharing agreement is only effective from 1 January 2014.

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A.C.N. 145 989 644

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The half-year financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

2. There are reasonable grounds to believe that Pact Group Holdings Ltd will be able to pay its debts as and when they become due and payable.

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



.....
Raphael Geminder
Chairman



.....
Brian Cridland
Executive Director and Chief Executive Officer

Dated 26 February 2014

Independent review report to members of Pact Group Holdings Ltd

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Pact Group Holdings Ltd, which comprises the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pact Group Holdings Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

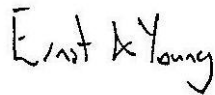
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pact Group Holdings Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Tim Wallace
Partner

Melbourne
26 February 2014