ASX Announcement

Appendix 4E and 2023 consolidated financial report

Date: 16 August 2023

In accordance with ASX Listing Rules, Pact Group Holdings Ltd (ASX: **PGH**, the **Company**) encloses for release its Appendix 4E and consolidated financial report for the full year ended 30 June 2023.

The following associated documents will be provided separately for release:

- 2023 full year results release
- 2023 full year results presentation

This announcement and the associated documents are authorised for release by the Board of the Company.

Pact will hold an investor briefing at 11am AEST today. This briefing will be webcast and accessible via the following link: https://edge.media-server.com/mmc/p/9jm7696e.

For further information contact:

Investors and analysts	Media
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APPENDIX 4E

Preliminary Final Report

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

Year ended ('current period')	Year ended ('previous corresponding period')
30 June 2023	**30 June 2022**

Results for Announcement to the Market		**Change %**		**Amount $'000**
Revenue and other income from ordinary activities	Up	5.8%	to	1,966,256
Net profit from ordinary activities after tax attributable to members	Down	154.2%	to	(6,605)
Net profit for the period attributable to members	Down	154.2%	to	(6,605)

Dividends[1]	**Amount per security (cents)**	**Franked amount per security (cents)**	**Total dividend amount ($'000)**
Current year to 30 June 2023			
Final Dividend (per ordinary share)	-	-	-
Interim Dividend (per ordinary share)	-	-	-
Prior year to 30 June 2022			
Final Dividend (per ordinary share)	1.50	0.98	5,164
Interim Dividend (per ordinary share)	3.50	2.28	12,050

[1] The Directors have determined that there will be no final dividend in relation to the year ended 30 June 2023.

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary security[2]	$(0.06)	$(0.01)

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

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

Kathryn de Bont
Company Secretary

Dated: 16 August 2023

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

PACT GROUP HOLDINGS LTD

FOR THE YEAR ENDED 30 JUNE 2023

Pact Group Holdings Ltd (ASX: ***PGH****) (****Pact*** *or the* ***Company****) and its subsidiaries (collectively, the* ***Group****) has reported revenue of $1,948.6 million for the year ended 30 June 2023, up 6% compared to the prior corresponding period (****pcp****). The statutory reported net loss after tax for the year was $6.6 million, compared to a statutory reported net profit after tax (****NPAT****) of $12.2 million in the pcp. Underlying NPAT*[3] *for the year was $44.8 million, down 36% compared to $70.2 million in the pcp.*

OVERVIEW

- Revenue up 6.0% to $1,948.6 million (pcp: $1,837.7 million)
- Statutory reported loss after tax of $6.6 million (pcp: profit $12.2 million)
- Underlying EBITDA[1] down 4.4% to $277.0 million (pcp: $289.8 million)
- Underlying EBIT[2] down 7.0% to $145.3 million (pcp: $156.2 million)
- Underlying NPAT[3] down 36.1% to $44.8 million (pcp: $70.2 million)
- Revenue growth of 6%:
  - Cost recovery and volume growth in the Packaging & Sustainability and Contract Manufacturing segments
  - Materials Handling & Pooling segment volume growth and cost recovery in Reuse more than offset by lower volumes in Retail Accessories
- Underlying earnings in Packaging & Sustainability and Materials Handling & Pooling impacted by adverse weather events in Australia and New Zealand, changes in consumer spending patterns and slower demand recovery in China following the end of the zero COVID policy in January 2023
- Materials Handling & Pooling performance improved in the second half with underlying EBIT in line with the pcp
- Turnaround underway in Contract Manufacturing with earnings growth and a return to positive underlying EBIT
- Non-cash impairment loss of $52.6 million recognised in the Packaging & Sustainability segment relates to the write down of property, plant and equipment in Australia of $48.1 million and China of $4.5 million
- Net debt[6] at $586 million was up $25 million compared to the pcp:
  - Improved operating cash flow, benefitting from lower inventory
  - Increased capital expenditure, $40 million up on the pcp
    - Continued investment in plastic packaging platforms to enable recycled content, upgrades to packaging facilities in Philippines, Thailand, Laverton in Victoria and the closure of the Hastings site in New Zealand.
    - Upgrades to mobile garbage bin platforms in Australia to support council bin rollouts, including recycled content
    - Further investment in the crate pool
    - Progressing a new facility with a high-speed liquid laundry fill line in Contract Manufacturing
  - Other cash outflows from investing activities $39 million higher with the current year including a $20 million payment for the acquisition of Synergy Packaging and the prior year including proceeds from a property sale in China
  - Gearing[4] temporarily elevated at 3.0x (compared to 2.7x in the pcp)
- The Group continues to execute its strategy to *Lead the Circular Economy*:
  - Synergy Packaging integrated and performing ahead of expectations in the health and personal care sector
  - Continued momentum in building a national network of plastics recycling infrastructure
    - The Circular Plastics Australia (PET) joint venture recycling facility in Albury NSW is fully operational
    - The two additional facilities that will manufacture recycled resin are in development in Laverton (HDPE) and Altona (PET), Victoria will commence operations this calendar year
  - Recycled content in plastic packaging now at 12%
  - Strategic partnerships announced with two major Australian retailers
  - Continued crate pooling penetration and conversion in the fresh produce sector along with investment in the crate pool and new facilities
  - A 10-year extension to the contract to own, operate, wash and store a crate pool for Woolworths Group
- In light of temporarily elevated gearing and capital investment requirements, the Board has resolved not to pay a final dividend in respect of FY2023.
- Announced the sale of 50% of the Group's Crate Pooling and Crate Manufacturing business, which forms part of the Materials Handling & Pooling segment, with completion expected later this calendar year, subject to regulatory and other approvals.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Key Financial Highlights – $ millions	2023	2022	Change %
Revenue	**1,948.6**	1,837.7	6.0%
Underlying EBITDA[1]	**277.0**	289.8	(4.4%)
Segment Underlying EBIT[2]			
Packaging & Sustainability	***101.7***	*110.2*	*(7.7%)*
Materials Handling & Pooling	***40.2***	*49.9*	*(19.5%)*
Contract Manufacturing	***3.3***	*(4.0)*	*183.6%*
Underlying EBIT[2]	**145.3**	156.2	(7.0%)
Underlying NPAT[3]	**44.8**	70.2	(36.1%)
Reported Net (Loss) / Profit After Tax	**(6.6)**	12.2	(154.2%)
Total Dividends – cents per share	**-**	5.0	(100.0%)

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

GROUP RESULTS

$'000	2023	2022	Change %
Revenue	**1,948,598**	1,837,697	6.0%
Other income (excluding interest revenue)	**18,226**	21,745	
Expenses	**(1,689,790)**	(1,569,622)	
Underlying EBITDA[1]	**277,034**	289,820	(4.4%)
EBITDA margin	**14.2%**	15.8%	
Depreciation and amortisation	**(131,769)**	(133,657)	
Underlying EBIT[2]	**145,265**	156,163	(7.0%)
EBIT margin	**7.5%**	8.5%	
Underlying adjustments (before tax)	**(66,401)**	(77,172)	
Reported EBIT	**78,864**	78,991	(0.2%)
Net finance costs expense	**(82,677)**	(56,625)	
Income tax expense	**(17,752)**	(29,379)	
Tax on underlying adjustments	**14,960**	19,191	
Net profit after tax	**(6,605)**	12,178	(154.2%)

Revenue

The Group focussed on recovering rapidly increasing input costs in FY2023 and delivered an additional $95 million in revenue through price recovery in the period. These price increases were a significant contributor to the 6.0% increase in Group revenue for the year, up $110.9 million to $1,948.6 million, compared to $1,837.7 million in the pcp. Environmental factors continued to disrupt supply chains and the agricultural sector as severe weather patterns caused significant damage to infrastructure in Australia and New Zealand, China continued with its zero-COVID policy in the first half of the year, and customer demand was uncertain as cost-of-living pressures from high inflation and interest rate increases were absorbed by consumers.

Revenue was up in the Packaging & Sustainability segment by 6.1%, benefitting from the acquisition of Synergy Packaging, the pass through of higher input costs and volume growth in New Zealand and in the Australian closures business. Volumes were lower in the Australian packaging business, notably in coatings and industrial packaging, in the second half of the year.

The Materials Handling & Pooling segment was 1.9% lower than the pcp. Volume growth and cost recovery in the Reuse business was more than offset by lower volumes in the Retail Accessories business in the first half of the year as customers adjusted inventory levels to pre-pandemic levels. The second half of the year delivered an improved performance.

Contract Manufacturing revenue was 16.6% higher than the pcp, with growth across its homecare, personal care and wellness sectors combined with successful cost recovery.

Underlying EBIT[2]

Underlying EBIT for the year of $145.3 million was $10.9 million or 7.0% lower than the pcp, with growth in the Contract Manufacturing segment ($7.3 million) more than offset by lower earnings in Packaging & Sustainability ($8.5 million) and Materials Handling & Pooling ($9.7 million). Contract Manufacturing benefitted from strong volume growth, partly offset by some operating inefficiencies and additional costs to support the expansion and turnaround of the business. Packaging & Sustainability earnings were impacted by slower demand in the second half in New Zealand, China and in the Australian agricultural sector, along with higher labour, storage and freight costs. In Materials Handling & Pooling the Reuse business delivered earnings growth through improved volumes and cost savings, but earnings were significantly lower in Retail Accessories due to lower demand, predominantly in the first half. Second half earnings for the segment were in line with the prior year.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

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

Underlying adjustments

Pre-tax underlying adjustments for the year were an expense of $66.4 million including transaction costs of $4.0 million and costs associated with business restructuring programs of $13.8 million (restructuring costs of $9.3 million and asset write downs of $4.5 million). These programs included the exit of a site in the New Zealand packaging business and the transition to new manufacturing facilities in the Australian packaging business as well as the Contract Manufacturing segment. In addition, the Group recognised an impairment loss of $52.6 million relating to Australian and Chinese packaging assets in the Packaging & Sustainability segment which are no longer expected to generate benefits given current strategic plans. These costs were partly offset by income of $1.2 million from the settlement of insurance claims from events in prior periods and $2.8 million from the reassessment of costs associated with the profit on sale of property in China in the prior year.

Pre-tax underlying adjustments in the prior year were an expense of $77.2 million. These related primarily to non-cash intangible asset impairments and tangible asset write offs in the Contract Manufacturing segment along with Group business restructuring costs.

Net finance expense

Net financing costs for the year were $82.7 million, an increase of $26.1 million compared to the pcp. The increase includes $3.5 million higher interest on lease liabilities, relating mainly to two new properties in the Packaging & Sustainability and Contract Manufacturing segments. Interest on borrowings was $18.7 million higher, primarily due to significantly higher interest rates in the period, and losses on de-recognition of financial assets also $4.5 million up on the pcp. Partly offsetting these increases, interest income was $0.7 million higher.

Income tax expense and tax on underlying adjustments

The income tax expense for the year (excluding tax on underlying adjustments) was $17.8 million, representing an average tax rate of 28.4% of underlying net profit before tax, 1.1% lower than the pcp (29.5%, due to profit mix with comparatively higher profits in lower tax jurisdictions in the period), but consistent with the statutory tax rates payable by the Group across its main operating geographies. Tax on underlying adjustments was a benefit of $15.0 million for the year, compared to a benefit of $19.2 million in the pcp.

Net profit after tax

The reported net loss after tax for the year was $6.6 million compared to net profit after tax of $12.2 million for the prior year. Excluding underlying adjustments, NPAT was $44.8 million, a decrease of $25.3 million or 36.1% compared to $70.2 million in the pcp.

BALANCE SHEET

$'000	2023	2022	Change %
Cash	**79,061**	101,513	(22.1%)
Other current assets	**431,373**	437,258	(1.3%)
Property plant and equipment	**1,048,217**	1,006,175	4.2%
Intangible assets	**428,503**	425,683	0.7%
Other non-current assets	**95,032**	92,532	2.7%
Total Assets	**2,082,186**	2,063,161	0.9%
Lease liabilities	**532,361**	486,007	9.5%
Bank borrowings and overdrafts	**664,628**	662,286	0.4%
Other liabilities payables and provisions	**476,506**	491,091	(3.0%)
Total Liabilities	**1,673,495**	1,639,384	2.1%
Net Assets	**408,691**	423,777	(3.6%)
Net Debt including lease liabilities[6]	**1,117,928**	1,046,780	6.8%
Net Debt[6]	**585,567**	560,773	4.4%

Net debt of $585.6 million was $24.8 million higher than 30 June 2022. Higher net debt levels were driven by increased capital investment in strategic projects and a $20 million payment for the acquisition of Synergy Packaging. These impacts were mitigated by an improved operating cash flow performance. Net debt including lease liabilities at 30 June 2023 was $1,117.9 million, an increase of $71.1 million compared to 30 June 2022, with $46.4 million of additional lease liabilities. The Group retains significant undrawn debt capacity, with $331.0 million in committed undrawn facilities.

Other current assets were $5.9 million lower than the pcp. Inventories were $32.4 million lower, driven by reduced raw materials due to an easing in disruption to global supply chains and softening resin prices towards the end of the period. Trade and other receivables were $21.2 million higher, including increased trade debtors in the Contract Manufacturing segment on significantly higher revenues.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

The increase in property plant and equipment (including right of use assets) of $42.0 million primarily reflects additions of $206.1 million (including right of use asset additions of $73.8 million) and lease modifications of $25.7 million, partly offset by the impairment of $52.6 million and depreciation of $131.7 million. The net book value of right of use assets included within property, plant and equipment at 30 June 2023 was $420.2 million compared to $381.6 million at 30 June 2022. Additions to right of use assets includes the two new properties in the Packaging & Sustainability and Contract Manufacturing segments, as well as a new Retail Accessories facility in China in the Materials Handling & Pooling segment.

Intangible assets were in line with the prior year with the movement relating only to foreign exchange translation.

The increase in lease liabilities of $46.4 million mainly reflects additions of $73.1 million, lease modifications of $25.2 million and interest expenses of $31.7 million, less lease payments of $86.1 million. The additions include the same properties noted above in relation to right of use assets.

The decrease in other liabilities, payables and provisions includes the $20.1 million payment for the acquisition of Synergy Packaging Pty Limited during the year.

Financing Metrics	**2023**	**2022**	**Change**
Gearing[4]	**3.0x**	2.7x	0.3
Gearing (including leasing)[4]	**4.0x**	3.6x	0.4
Interest Cover[5]	**4.3x**	8.0x	(3.7)
Interest Cover (including leasing)[5]	**3.6x**	5.3x	(1.7)

At 30 June 2023 gearing was 3.0x, an increase of 0.3x compared to the pcp due to higher net debt, lower earnings and higher lease payments. Including the impact of lease accounting, gearing was 4.0x (compared to 3.6x in the pcp). Interest cover at 4.3x was 3.7x lower than the pcp through a combination of lower earnings and higher interest expense as noted above. Including the impact of lease accounting, interest cover was 3.6x (compared to 5.3x in the pcp). Focus remains on managing the gearing metric back below 3.0x from its current temporarily elevated level.

CASH FLOW

Key Items - $'000	**2023**	**2022**	**Change %**
Net cashflows provided by operating activities	**186,398**	174,614	6.7%
Payments for property, plant and equipment	**(129,838)**	(90,336)	43.7%
Payments for investments in associates and joint ventures	**(869)**	(12,602)	n/a
Payments for deferred acquisition consideration	**(20,097)**	-	n/a
Proceeds from sale of property, plant and equipment	**116**	26,645	n/a
Proceeds from Government grants	**7,000**	8,000	(12.5%)
Repayment of lease liability principal	**(54,350)**	(52,087)	4.3%
Payment of dividends	**(5,164)**	(32,707)	(84.2%)

Statutory net cash flows provided by operating activities was $186.4 million for the year, up $11.8 million compared to the prior year. The inflow from securitisation of trade debtors was $3.6 million for the year compared to an inflow of $1.2 million in the pcp. Excluding securitisation cash flows, statutory operating cash flow was $9.4 million improved on the pcp despite lower earnings with an improved working capital performance driven by lower inventories. Net finance costs and interest cash flows were $20.1 million higher due mainly to increased interest rates and higher lease liabilities, but tax cash payments were $14.8 million lower in the period.

Payments for property, plant and equipment were $129.8 million for the year, $39.5 million higher than the pcp. Aligned with strategy, a primary focus has been on upgrading the packaging manufacturing platform (to enable the production of high-quality packaging with increased recycled content), increasing capacity and relocating facilities. We have invested $63 million in the Packaging & Sustainability segment, including a new packaging site in Victoria, the upgrade of a dairy site in Western Australia and continued investment in the Group's Asian platforms. In the Materials Handling & Pooling segment, the Group has invested $33 million completing the upgrade of mobile garbage bin platforms in Victoria and NSW to meet significant new demand from local councils for bin rollouts, expanding the crate pool, upgrading a wash site, and expanding the Group's capability to manufacture megabins. In Contract Manufacturing the Group has invested $34 million, largely on the new facility in NSW which will contain a high-speed liquid filling line, increasing capacity to produce liquid laundry, health and personal care products. This facility will open in FY2024.

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

Payments for deferred acquisition consideration of $20.1 million in the year relates to the acquisition of Synergy Packaging (acquired in the second half of FY2022).

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

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Proceeds from Government grants of $7.0 million in the current year and $8.0 million in the prior year are grants received from the Federal Government's Modern Manufacturing Initiative.

Repayments of lease liability principal represents the payment of liabilities recognised after the adoption of AASB16 in FY2020. The increase of $2.3 million compared to the pcp reflects lease asset additions.

Dividend payments of $5.2 million in the current year reflect the 1.5 cents per share final dividend from FY2022 (paid in October 2022). The payments of $32.7 million in the prior year reflect the 6.0 cents per share final dividend from FY2021 (paid in October 2021) and the 3.5 cents per share interim dividend from FY2022 (paid in April 2022).

REVIEW OF OPERATIONS

The Group's has three operating segments working together across the Circular Economy:

- Packaging & Sustainability
- Materials Handling & Pooling
- Contract Manufacturing

Inter-segment revenue eliminations of $37.5 million (pcp: $30.7 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging & Sustainability segment is a leader in sustainable packaging and plastics recycling, differentiated through manufacturing, technical and innovation capability and access to recycled materials. It is a market leader in rigid plastic packaging in Australia and New Zealand with a growing presence in Asia. The business is also a leader in select rigid metals packaging sectors in Australia and New Zealand and a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand. The Packaging & Sustainability segment contributed 65% of the Group's revenue in FY2023.

$'000	2023	2022	Change %
Revenue	**1,282,115**	1,208,575	6.1%
Underlying EBITDA[1]	**188,777**	197,713	(4.5%)
EBITDA Margin %	***14.7%***	*16.4%*	*(1.7%)*
Underlying EBIT[2]	**101,727**	110,197	(7.7%)
EBIT Margin %	***7.9%***	*9.1%*	*(1.2%)*

Revenue for the Packaging & Sustainability segment of $1,282.1 million for the year was $73.5 million or 6.1% higher than the prior year. Revenue was ahead in the Australian packaging business which benefitted from the acquisition of Synergy Packaging ($18 million incremental impact) and increased revenue from the pass through of higher input costs. The business delivered volume growth in the health and personal care sector, but this result was offset by softer demand in other markets, including the agricultural and coatings sectors. Revenue in the New Zealand packaging business was also ahead, driven by cost recovery but also with higher volumes in the fresh food and dairy packaging sectors. These were offset by lower industrial steel drum and kiwifruit tray volumes, impacted by unfavourable weather conditions during the year. Volumes were well ahead in the Australian closures business, but the Asian business was impacted by lower volumes in China, due to COVID related disruption and softening demand, as well as by sugar shortages in the Philippines during the year. In the Recycling business volumes were lower in the infrastructure and construction sectors, and the honey season was impacted by adverse weather conditions in New Zealand. Segment revenues were also adversely impacted by foreign exchange translation, mainly relating to the stronger Australian dollar compared to the New Zealand dollar in FY2023.

Underlying EBIT for the year of $101.7 million was $8.5 million or 7.7% down on the pcp. Segment earnings benefitted from the acquisition of Synergy Packaging, improved volumes in health and personal care and Australian closures and slightly lower depreciation. Higher input costs were largely recovered through price increases in Australia and New Zealand. These benefits were more than offset by the impact, particularly in the second half, of softening demand in the agricultural sector, the impact of weather in New Zealand on the industrial dairy (steel drums) and kiwifruit season and reduced demand in China. In addition, some higher input costs, including electricity, were not fully recoverable in Asia, and the Australian and New Zealand businesses incurred higher labour, storage and freight costs in the period. The Recycling business also incurred some one-off costs associated with the qualification and initial commissioning of the joint venture recycling facility in Albury. Foreign exchange translation was also adverse in respect of the New Zealand dollar.

EBIT margins for the year at 7.9% were 1.2% lower as New Zealand and Asia volumes weakened in the second half of the year and cost pressures continued.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Materials Handling & Pooling

The Materials Handling & Pooling segment is an integral service provider to major supermarkets, retailers and governments and provides sustainable and efficient supply chain solutions through best-in-class reuse platforms and technology. The Reuse business is a leading Australian supplier of polymer materials handling products and a leading supplier of custom moulded products for use in infrastructure and other projects. The business is also the largest supplier of returnable produce crate pooling services in Australia and New Zealand. The segment also includes Pact Retail Accessories, a closed loop plastic garment hanger and accessories re-use business operating across several countries in Asia as well as in Australia, the USA and the UK. The Materials Handling & Pooling segment contributed 17% of the Group's revenue in FY2023.

$'000	2023	2022	Change %
Revenue	**346,698**	353,529	(1.9%)
Underlying EBITDA[1]	**73,973**	83,433	(11.3%)
EBITDA Margin %	***21.3%***	*23.6%*	*(2.3%)*
Underlying EBIT[2]	**40,215**	49,939	(19.5%)
EBIT Margin %	***11.6%***	*14.1%*	*(2.5%)*

Revenue for the Materials Handling & Pooling segment of $346.7 million for the year was $6.8 million (1.9%) lower than the prior year. Revenues were ahead in the Reuse business through a combination of price recovery and higher volumes, with strong momentum towards the end of the period. Volume growth was delivered through mobile garbage bin contract wins, demand for NBN telecom pits and the continued conversion of corrugate boxes to reusable plastic crates in the Australian pooling business. Pooling volumes were adversely affected in the first half of the year by poor weather and growing conditions in Australia and New Zealand but recovered in the second half in Australia. In the Retail Accessories business, volumes were significantly lower as a result of a sharp slow-down in demand in the US and European garment retail sectors and disruption to the supply chain in China due to COVID and associated lockdowns during the year. Lower volumes were partly offset by favourable foreign exchange translation mainly relating to the weaker Australian dollar compared to the US dollar in FY2023.

Underlying EBIT for the segment of $40.2 million was $9.7 million (19.5%) lower than the pcp. Earnings in the Reuse business were ahead, positively impacted by volume growth and overhead cost savings. Higher raw material and input costs were successfully recovered through price increases. In the Retail Accessories business earnings were significantly lower with savings from a cost reduction program more than offset by the impact of lower volumes in the US and Europe. Lower earnings in the segment were attributable to the first half of the year as an improved performance in the second half delivered underlying EBIT in-line with the pcp.

EBIT margins were 2.5% lower at 11.6%, impacted by lower volumes and earnings in the comparatively higher margin Retail Accessories business.

Contract Manufacturing

The Contract Manufacturing segment is a leading supplier of innovative contract manufacturing services for the home, personal care and health and wellness categories in Australia. The business includes manufacturing capability for liquid, powder, aerosol and nutraceutical products. The Contract Manufacturing Services segment contributed 18% of the Group's revenue in FY2023.

$'000	2023	2022	Change %
Revenue	**357,318**	306,324	16.6%
Underlying EBITDA[1]	**14,284**	8,674	64.7%
EBITDA Margin %	***4.0%***	*2.8%*	*1.2%*
Underlying EBIT[2]	**3,323**	(3,973)	183.6%
EBIT Margin %	***0.9%***	*(1.3%)*	*2.2%*

Revenue for the Contract Manufacturing segment of $357.3 million for the year was $51.0 million (16.6%) higher than the pcp.

The segment delivered strong volume growth, with volume ahead in all categories (home, personal care and health and wellness). The segment has benefited from contract wins and a trend towards onshoring production back into Australia following global supply chain disruption in recent years. The business has also been successful in re-pricing key contracts to recover increases in raw materials and other input costs. The completion of the new high speed liquid filing facility in NSW is expected in FY2024 and will assist in further driving the turnaround of this business.

Underlying EBIT for the year was a profit of $3.3 million, delivering a $7.3 million turnaround from the loss of $4.0 million in the pcp. The increase in underlying earnings has been driven by higher volumes, with higher raw material and other input cost inflation largely recovered through pricing. The impact of higher volumes on earnings has been offset to an extent by some operating inefficiencies as the business has expanded and started the transition to a new site. In addition, some additional labour and maintenance costs have been incurred to support the turnaround and growth of the business. The segment did benefit from reduced depreciation and amortisation as a result of the impairment of tangible and intangible assets in the prior year.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

SUBSEQUENT EVENTS

As announced to the ASX on 24 July 2023, the Company has extended its existing contract to own, operate, wash and store a crate pool for Woolworths Group (**Woolworths Contract**) for a further 10 years, upon expiry of the existing contract term. Pact's crate manufacturing and pooling business forms part of its Materials Handling & Pooling segment. The current annual revenue generated by Pact in connection with the Woolworths Contract exceeds $50 million per annum. Woolworths Group had an option under the Woolworths Contract to purchase 50% of the shares in the Pact entity that provides services to Woolworths. Woolworths has agreed to remove this option.

Pact has announced the sale of 50% of its Crate Pooling and Crate Manufacturing business to Morrison & Co. a global infrastructure investment manager. Completion is expected later this calendar year and it is subject to regulatory and other approvals. Pact will retain 50% ownership of the business via a joint venture. The cash proceeds from the sale net of transaction costs, duties and taxes are in the order of $160 million, with a further earn out of $20 million.

In the opinion of the Directors, other than the matters aforementioned, there have been no other material matters or circumstances which have arisen between 30 June 2023 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

OUTLOOK

In relation to factors impacting FY24, inflationary pressures continue to impact on consumer demand and buying patterns, and input costs remain elevated but are stabilising. We remain focussed on a reduction in our cost to serve. We will provide an update on performance at our Annual General Meeting.

NOTES

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

(1) Underlying EBITDA is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue), tax, depreciation and amortisation.

(2) Underlying EBIT is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue) and tax.

(3) Underlying NPAT is a non-IFRS financial measure which is calculated as net profit after tax before underlying adjustments.

(4) Gearing is a non-IFRS financial measure which is calculated as net debt divided by rolling 12 months underlying EBITDA. Gearing has been presented both excluding and including the impact of lease accounting since the adoption of AASB16.

(5) Interest cover is a non-IFRS financial measure which is calculated as rolling 12 months underlying EBITDA divided by rolling 12 months net finance costs (excluding losses on de-recognition of financial assets). Interest cover has been presented both excluding and including the impact of lease accounting since the adoption of AASB16.

(6) Net debt is a non-IFRS financial measure and is calculated as interest bearing liabilities (presented both including and excluding lease liabilities) less cash and cash equivalents.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF BUSINESS STRATEGY

Our Vision

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

Our Target

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

Our Priorities

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

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

Key Enablers

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

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

Our Values

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

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

Leadership and capability

Strong leadership and capability will underpin the delivery of our strategy

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

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Execution of our Strategy

The Group has continued to make progress in delivering our Strategy in FY2023.

Turnaround and defend core Australia and New Zealand consumer packaging businesses

Operations in our Australia packaging business are stable, although both FY2023 and FY2022 were impacted by higher input and freight cost as a result of global supply chain disruptions. In FY2023 both the Australian and New Zealand packaging businesses were successful in recovering higher input cost and inflationary impacts through sales price increases. We continue to target to return margins in our Australian packaging business to global industry standard of 10% by 2026.

The New Zealand business also delivered volume growth in its fresh food and dairy packaging sectors in FY2023, and in Australia volume growth was delivered in health and personal care and in the closures business. The recent acquisitions of Synergy Packaging in Australia in FY2022 and Flight Plastics in New Zealand in FY2021 are also performing well.

The Australian business has invested in a new packaging site in Victoria, and the site rationalisation announced in our New Zealand fresh food business is now essentially complete and realising synergies from the Flight Plastics acquisition.

Lead plastics recycling in Australia and New Zealand

The Group has continued to progress its development of a national network of recycling infrastructure and continues to lead the industry in providing scaled, best in class facilities to provide high quality food grade recycled resins.

- The Circular Plastics Australia (PET) joint venture in Albury, the biggest PET recycling plant in Australia, is fully operational.
- Joint venture recycling facilities in Laverton (HDPE) and Altona (PET) are currently in the testing phase and will be operational in calendar year 2023, with offtake committed. These sites will have the capacity to produce an additional 47,000 tonnes of recycled resin and flake per annum.
- Strong support has been received to date from the Victorian Government through the Recycling Victoria Infrastructure Fund and the Australian Government through its Recycling Modernisation Fund.

Pact is well positioned to be the partner of choice for customers seeking strategic partnerships to access local recycled content that will be necessary to deliver ambitious 2025 sustainability targets. We have recently announced a new strategic partnership with Aldi Australia to supply recycled packaging for products across the supermarket’s exclusive brand range, including milk bottles, meat trays, fruit and vegetable punnets, beverage bottles, and shampoo bottles. Pact will make the packaging at its facilities in New South Wales, Victoria and Queensland using recycled PET and HDPE plastic resins. This partnership follows on from that announced with Woolworths Group to exclusively supply recycled packaging for products across their own brand range.

The Group has also commenced an investment of $75 million over four years to 2026 to upgrade manufacturing capability and to:

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

A $20 million grant has been awarded from the Federal Government’s Modern Manufacturing Initiative to support this investment, of which $15 million has been received to date.

During FY2023 the Group invested in platform upgrades in its Australian dairy, processed food packaging and mobile garbage bin platforms to activate recycled content inclusion.

Scale-up reuse solutions

In FY2023 the Group has continued to drive crate pooling penetration and conversion from corrugate to reusable plastic crates in the fresh produce sector and has delivered further investment in the crate pool and facilities including a new wash site in Auckland, New Zealand.

The Group has also secured an extension to the existing contract with Woolworths Group to own, operate, wash and store a crate pool which the retailer uses in its fruit and vegetable supply chain. The crates replace single use corrugated cardboard, waxed cardboard and polystyrene boxes and are designed to be used around 140 times before being recycled. This contract was originally announced on 16 May 2016 and has now been extended for a further 10 years, upon expiry of the existing contract term. The current annual revenue generated by Pact in connection with this contract exceeds $50 million per annum.

Grow Asian packaging platform

The Group has continued to invest in new capacity in the Asian closures business and has also consolidated into a new site in the Philippines manufacturing deodorant bottles and caps. The Asian businesses delivered growth in FY2023 in India, Nepal, Korea and Indonesia, and has managed operations successfully through disruption related to China’s zero-COVID policy.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

BUSINESS RISKS

There are various internal and external risks that may have a material impact on the Group's future financial performance and economic sustainability. The Group makes every effort to identify material risks and to manage these effectively. Since last year, there has been an increased level of macroeconomic uncertainty, such as cost and wage inflation, increases in interest rates, geopolitical tensions, and pressures on retaining and attracting talent. We have teams in place to actively monitor these risks and have also expanded our capability to manage our risks through the appointment of subject matter experts and risk champions across our business. The Group applies a three lines of defence model approach to managing risk and compliance obligations.

Material risks that could adversely impact the Group's financial prospects are listed below. These risks are not to be interpreted as an exhaustive list of the risks Pact is exposed to, nor are they in order of significance.

Cyber risks

Data security is fundamental to protect privacy of information and to protect critical intellectual property. Advances in technology have resulted in an increased volume of data being stored electronically. There is an increasing risk of and sophistication to cyber-attacks and crime, which may lead to systems and data breaches, interruption to operations and an adverse effect on the Group's future financial performance. To manage this risk, Pact has adopted cyber security incident response policies, plans and procedures that align with the ISO 27001 framework, mock data breach assessments, cyber security training and penetration testing.

People risks

The future financial and operational performance of the Group is significantly dependent on the performance and retention of key personnel, in particular executive and senior leaders. The unplanned or unexpected loss of key personnel, or the inability to attract and retain high performing individuals to the business may adversely impact the Group's future financial performance. Pact has introduced and developed a number of initiatives to attract, develop and retain key people, including talent management and succession planning, recognition programs, implementation of a performance management system and equity acquisition plans. Pact has designed senior leadership programs at executive leadership level for continued development including coaching and mentoring. The talent sourcing strategy also includes proactive networking and curation of talent pools for critical roles.

Health and safety risks

In line with manufacturing and chemical industries, Pact has an exposure to health, safety and environment (**HSE**) incidents, including both physical and psychological injury. Failure to comply with HSE legislation and industry better practice may result in harm to a person, persons, the environment or our communities. This may lead to negative operational, reputational and financial impacts. Pact has a dynamic HSE management system that includes 10 significant risk control standards based on our risks of serious injury, fatality and the potential of these. Sites have completed self-assessments against these standards and formed action plans from any gaps found. Our Pact Safe governance program includes collaborative gap analysis reviews by Group HSE with each site to ensure the identification of gaps and implementation of corrective actions. Another key focus is on shared learnings from any serious or potentially serious incident or fatality where sites action any relevant recommendations. Divisional HSE governance has been uplifted to accelerate the HSE maturity and the reduction of risk across the business.

Consumer demand

Changes in demand for Pact's products or adverse activities in key industry sectors which Pact and its customers service may be influenced by various factors. These industry sectors include consumer goods (e.g. food, dairy, beverages, personal care and other household consumables) and industrial (e.g. surface coatings, petrochemical, agriculture and chemicals) industry sectors. Factors which may influence these sectors include climate change, seasonality of foods and edible oils production, an increased focus in Australian and New Zealand supermarket chains on private brands and different substrates (e.g. plastics, recycled and recyclable materials), changes in cost, convenience or health or technology in the wider industry sector. Demand for Pact's products may materially be affected by any of these factors which could have an adverse effect on the Group's future financial performance.

Relationships with our customers coupled with our commitment to provide industry-leading sustainable packaging solutions are critical to our success particularly given the nature of the packaging industry and the other supply choices available to customers. Pact also closely monitors supply and demand which is especially critical during pandemics or changing economic conditions and has introduced a centralised procurement system for significant product to help manage this risk.

Interest rate risk

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

Volatility of foreign exchange, commodity prices and economic environment

Pact's financial reports are prepared in Australian dollars. However, a substantial proportion of Pact's revenue, expenditures, cash flows, assets and liabilities are exposed to translation risk from offshore operations or operations in Australia that have a functional currency that is not the Australian dollar. The largest exposures are the New Zealand dollar from our New Zealand operations. Pact is also exposed to the US dollar; Chinese yuan; the Philippines peso; the Indonesian rupiah; the Thai baht; the South Korean won; the Indian rupee; the Nepalese rupee; the Hong Kong dollar; the UK pound; and the Bangladesh taka.

To manage this exposure Pact utilises borrowing in the functional currency of the overseas entity to naturally hedge offshore entities, where considered appropriate. The foreign currency debt provides a balance sheet hedge of the asset, while the foreign currency interest cost provides a natural hedge of the offshore profit. Pact also has exposure to foreign exchange risk through operating activities, mainly the purchases of raw materials that are denominated in a different currency from the entity's functional currency. US dollars are the main exposure. The Group manages these risks through customer pricing, including contractual rise and fall adjustments, and utilises forward foreign currency contracts to eliminate or reduce currency exposures on short-term commitments. The Group is also exposed to commodity price risk from a number of commodities, including resin. The Group manages these risks through customer pricing, including contractual rise and fall adjustments.

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

Global supply chain disruptions

Global supply chain disruptions experienced during the pandemic have steadily improved over the last six months along with the reliability of shipping and supply chains out of Asia. Supply disruptions are still apparent out of the Middle East and Europe due to the conflict in Europe. Pact has taken a number of mitigating steps over the last two years to address disruption to supply including introducing alternative resins into the business. Centralisation of the resin supply chain model was implemented in early 2023 to stabilise, consolidate and reduce overall working capital relative to resin. In the last 12 months several new suppliers have been identified out of Asia to further reduce the risk of supply and disruption.

BCP and incident management

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

Legal and regulatory compliance risks

The Group is required to comply with extensive global legislative and regulatory requirements, including those relating to health and safety; modern slavery; competition and consumer law; industrial relations; employment; anti-bribery and corruption; environment; customs and international trade; taxation; and corporation's law. Failure to comply with these requirements could negatively impact our employees, customers, and operations, and expose the Group to litigation, regulatory investigations or enforcement action which may adversely impact our reputation and the Group's financial performance. Pact has in place a Compliance Framework, which is based on ISO 37301:2021, and which sets out the standards, requirements, and accountability for managing regulatory compliance obligations across the Group. The Group's compliance framework creates an integrated, strategic, consistent and risk informed approach to the management of its compliance obligations and is subject to continual review and assurance. Pact has legal and compliance teams who advise the Group on, and monitor legal, and regulatory issues, and government policy changes.

Environment and sustainability risks

Packaging, in particular plastic packaging, has been identified globally as a significant environmental issue and in response, in 2018 Pact developed our End of Waste 2025 Targets. Under this strategy Pact has committed, by 2025, to eliminate all problematic packaging that we produce, have solutions to reduce, reuse and recycle all single-use secondary packaging for retailers, and include an average of 30% recycled content across our plastics portfolio. To achieve these targets, we are working with our customers to transition their products out of less recyclable plastics and into more circular alternatives, scaling up our market share for returnable products including produce crates and retail hangers, and partnering across industry to build state of the art plastics recycling facilities in Australia whilst also investing in machinery to increase the amount of recycled plastic that can be added into our plastics portfolio. Through these activities, the Group is realising its vision to be a leader of the Circular Economy.

Climate Change related risks such as food security and drought could impact our customers' operations and have downstream impacts on our own business operations. The Group has committed to reducing our Scope 1 and 2 emissions by 50% in Australia and New Zealand by 2030 from a FY2021 baseline, in line with minimising the impact of climate change under the ambitious 1.5°C scenario.

The Company annually produces a *Sustainability Report* that outlines and reflects on the impact of the Group's operations and supply chain on the environment, focusing on social and environmental impacts, alongside our governance and leadership principles. The *Sustainability Report* is prepared in accordance with the Global Reporting Initiative standards.

The Board oversees the effectiveness of the Group's environment and sustainability policies and retains ultimate oversight of material environmental and sustainability risks and opportunities, including those related to climate change.

Pact Group Holdings Ltd
ABN: 55 145 989 644

Full Year Consolidated Financial Report

For the year ended 30 June 2023

PACT GROUP

INTRODUCTION

This is the Consolidated Financial Report of Pact Group Holdings Ltd (**Pact** or the **Company**) and its subsidiaries (together referred to as the **Group**) and including the Group's joint ventures at the end of, or during the year ended 30 June 2023. This Consolidated Financial Report (**Report**) was issued in accordance with a resolution of the Directors on 16 August 2023.

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

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

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

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

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

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd (**Pact** or the **Company**) and its subsidiaries (together referred to as the **Group**) and including the Group's joint ventures at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The following persons were Directors of the Company during the year and up to the date of this report, unless otherwise indicated:

Raphael Geminder

Sanjay Dayal

Carmen Chua

Michael Wachtel

Lyndsey Cattermole AM (ceased on 16 November 2022)

Jonathan Ling (ceased on 16 November 2022)

INFORMATION ON DIRECTORS

The qualifications, experience, special responsibilities and other details of Directors in office during the period and as at the date of this report, unless otherwise indicated, are:

Non-Executive (Current)

Raphael Geminder
Non-Executive Chair

Member of the Board since 19 October 2010
Member of the Audit, Business Risk & Compliance Committee
Member of the Nomination & Remuneration Committee

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

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

Other directorships

Director of several private companies.

Carmen Chua
Independent Non-Executive Director

Member of the Board since 1 September 2018
Chair of the Nomination & Remuneration Committee
Member of the Audit, Business Risk & Compliance Committee

Carmen is based in Hong Kong and has broad management experience in the packaging and material science industry. Carmen currently holds the following positions at Henkel: President of Henkel Asia Pacific, Regional Head of Henkel Adhesive Technology, Corporate Senior Vice President of the global Mobility and Electronics division, and member of the Adhesive Executive Committee. Previously, Carmen led the global powder resins business of Covestro, was the Chief Marketing Officer of the Resins and Functional Material business for Royal DSM, was President for Laird PLC and VP/GM of the Materials Group at Avery Dennison. Carmen has also held leadership positions across sales, marketing and business development with organisations such as Worldmark and Dell Computer.

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

Other directorships

Director of a private company.

Michael Wachtel
Independent Non-Executive Director

Member of the Board since 21 April 2020
Chair of the Audit, Business Risk & Compliance Committee
Member of the Nomination & Remuneration Committee

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

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

Other directorships

Director of Future Fund, SEEK Limited (since 1 September 2018) and St Vincent's Medical Research Institute.

Non-Executive (Former)

The below information regarding former Non-Executive Directors, Lyndsey Cattermole and Jonathan Ling, is current as at cessation date of 16 November 2022:

Lyndsey Cattermole AM
Independent Non-Executive Director

Member of the Board (26 November 2013 to 16 November 2022)
Member of the Nomination & Remuneration Committee (ceased 16 November 2022)

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

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

Other directorships

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

Jonathan Ling
Non-Executive Director

Member of the Board (28 April 2014 to 16 November 2022)
Chair of the Nomination & Remuneration Committee (ceased 16 November 2022)
Member of the Audit, Business Risk & Compliance Committee (ceased 16 November 2022)

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

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

Other directorships

Chair of Pro-Pac Packaging Limited (since 8 April 2019), and a non-executive director and chair of Planet Innovation Ltd. Director of several private companies.

Executive

Sanjay Dayal
Managing Director and Group Chief Executive Officer

Member of the Board since 3 April 2019

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

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

Other directorships

Director of Chemistry Australia Ltd.

COMPANY SECRETARY

Kathryn de Bont
General Counsel & Company Secretary

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

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

DIRECTORS' REPORT

DIRECTORS' SHAREHOLDING

As at the date of this report, the relevant interests of the Directors in the shares and performance rights of the Company:

Director	Number of ordinary shares	Number of performance rights
Raphael Geminder	171,309,594	-
Carmen Chua	210,000	-
Michael Wachtel	41,925	-
Sanjay Dayal	40,000	1,438,396

DIRECTORS' MEETINGS

The table below shows the number of Directors' meetings, including meetings of the Audit, Business Risk & Compliance Committee (**ABRCC**) and the Nomination & Remuneration Committee (**NRC**), and the number of meetings attended by each Director in their capacity as a member during the year:

	Board		Audit, Business Risk & Compliance Committee		Nomination & Remuneration Committee	
Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Raphael Geminder(1)	8	8	3	3	4	4
Lyndsey Cattermole(2)	4	4	NM	NM	2	2
Jonathan Ling(3)	4	4	3	3	2	2
Carmen Chua(4)	8	7	6	6	2	2
Michael Wachtel(5)	8	8	6	6	2	2
Sanjay Dayal	8	8	NM	NM	NM	NM

(1) Raphael Geminder was appointed a member of the ABRCC on 16 November 2022.

(2) Lyndsey Cattermole (Director and NRC member) retired from the Board and ceased applicable committee membership on 16 November 2022.

(3) Jonathan Ling (Director, ABRCC member and NRC Chair) retired from the Board and ceased applicable committee memberships on 16 November 2022.

(4) Carmen Chua was appointed as a member and Chair of the NRC on 16 November 2022.

(5) Michael Wachtel was appointed as a member of the NRC on 16 November 2022.

(6) NM – Not a member of the relevant committee.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

A review of the operations of the Group during the year and of the results of those operations is appended at pages i – xi. The Review of Operations and Financial Performance also provides an overview of Outlook, Business Strategy and Business Risks.

DIVIDENDS

The Directors have determined that there will be no final dividend in relation to the year ended 30 June 2023. The table below shows dividends paid (or payable) during the year ended 30 June 2023 and the comparative year.

Dividends	Amount per security	Franked amount per security	Unfranked amount per security sourced from the conduit foreign income account	Date payable
Current year to 30 June 2023				
Final Dividend (per ordinary share)	-	-	-	-
Interim Dividend (per ordinary share)	-	-	-	-
Prior year to 30 June 2022				
Final Dividend (per ordinary share)	1.50 cents	0.98 cents	0.52 cents	6 October 2022
Interim Dividend (per ordinary share)	3.50 cents	2.28 cents	1.22 cents	6 April 2022

OTHER EVENTS OF SIGNIFICANCE & SUBSEQUENT EVENTS

Please refer to the Review of Operations and Financial Performance appended at pages i – xi.

WORKPLACE HEALTH, SAFETY AND ENVIRONMENTAL REGULATION

The Group operates under an integrated Workplace Health, Safety and Environment (**WHSE**) Management System, with a vision of a safe and engaging workplace and not compromising our environmental values. The system is aligned with ISO 14001 and operates under the Group's Environmental Policy and Workplace Health and Safety Policy. The system is fundamental to achieving compliance with WHSE regulations in all jurisdictions in which the Group operates and is implemented at all sites.

Where applicable, licences and consents are in place in respect of each site within the Group. An interactive database is used to ensure compliance and completion of all required actions. On occasion, the Group receives notices from relevant authorities pursuant to local WHSE legislation and in relation to the Group's WHSE licences and consents.

The Group takes all notices seriously, conducts a thorough investigation into underlying causes of issues or incidents, and ensures it takes every opportunity to continually improve systems. Pact works with the appropriate authorities to address any requirements and to proactively manage any obligations.

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

SHARE OPTIONS AND RIGHTS

The total number of performance rights on issue at the date of this report is 2,963,479 as shown in the table below:

		Movements during the year		
Performance rights	**Balance as at 1 July 2022**	**Granted**	**Lapsed / Forfeited**	**Balance as at 30 June 2023**
FY2020 LTI	1,015,536	-	(1,015,536)	-
FY2021 LTI	1,167,433	-	(171,951)	995,482
FY2022 LTI	847,113	-	(148,560)	698,553
FY2023 LTI	-	1,269,444	-	1,269,444
Total	**3,030,082**	**1,269,444**	**(1,336,047)**	**2,963,479**

Each performance right entitles the holder to one fully paid ordinary PGH share upon vesting and exercise. There is no exercise price pertaining to the performance rights and the performance rights carry no voting or dividend rights. Refer to the *Remuneration Report* (Section 3) and Note 5.2 of the accompanying financial statements for further details of performance rights on issue.

During the period, 1,269,444 performance rights were granted, 1,347,547 lapsed or were forfeited and no performance rights over ordinary shares were exercised. There were no share options over shares in existence.

No person entitled to performance rights had or has any rights by virtue of the performance right to participate in any share issue of the Company.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

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

DIRECTORS' REPORT

INDEMNIFICATION OF AUDITORS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR AND NON-AUDIT SERVICES

EY continues in office as auditor of the Company (**Auditor**) in accordance with section 327 of the *Act*.

No current or former audit partners are Directors or officers of the Company.

During the year, EY performed other assignments in addition to their statutory audit responsibilities. Details of the amounts paid or payable to EY for non-audit services provided to the Group during the year are as follows:

$	2023	2022
Tax compliance services	156,000	194,000
Tax advisory services	284,000	866,000
Consulting services	279,000	971,000
Other assurance services	94,000	84,000
Total	**813,000**	**2,115,000**

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

The Directors are satisfied that the provision of non-audit services by EY did not compromise the auditor independence requirements of the *Act* for the following reasons:

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration, as required under section 307C of the *Act*, is set out on page 16 and forms part of this *Directors' Report*.

ROUNDING

Figures in the *Directors' Report* and financial statements are presented in Australian dollars with all values rounded to the nearest $1,000 (where rounding is applicable), unless otherwise stated, in accordance with the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

REMUNERATION REPORT

This *Remuneration Report* for the year ended 30 June 2023, which forms part of the *Directors' Report*, outlines the remuneration arrangements of the Group in accordance with the requirements of the *Act* and its regulations. This information has been audited as required by section 308(3C) of the *Act*.

The *Remuneration Report* is presented under the following sections:

1. Introduction
2. Governance
3. Executive KMP remuneration arrangements for FY2023
4. Executive KMP remuneration outcomes for FY2023
5. Executive KMP remuneration arrangements for FY2024
6. Non-Executive Director remuneration arrangements
7. Equity holdings of KMP
8. Capacity to control by KMP
9. Related party transactions with KMP
10. Loans to KMP

1. Introduction

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

For the purposes of this report, the term KMP includes the:

- Non-Executive Directors of the Board of the Company (current and former), and
- Managing Director and Group Chief Executive Officer (**CEO**) and the Chief Financial Officer (**CFO**) of the Company and the Group (together, the **Executive KMP**).

Key Management Personnel

Name	Position	Term as KMP in FY2023
Non-Executive Directors (NEDs)		
Raphael Geminder	Non-Executive Chairman	Full Year
Carmen Chua	Non-Executive Director	Full Year
Michael Wachtel	Non-Executive Director	Full Year
Executive KMP		
Sanjay Dayal	Managing Director and Group CEO	Full Year
Paul Washer	CFO	Full Year
Former NEDs		
Lyndsey Cattermole	Former Non-Executive Director	Ceased 16 November 2022
Jonathan Ling	Former Non-Executive Director	Ceased 16 November 2022

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

2. Governance

Nomination & Remuneration Committee

The NRC has been delegated responsibility by the Board for managing appropriate remuneration policy and governance procedures including to:

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

The NRC is comprised of three NEDs and meets as often as the members deem necessary to fulfil the NRC's obligations. It is intended that the NRC meets no less than three times a year. The NRC Charter is available at pactgroup.com.

Use of remuneration consultants

The NRC may seek advice from independent remuneration advisers with respect to information and recommendations relevant to remuneration decisions. Decisions to engage remuneration consultants are made by the NRC or the Board. Contractual engagements and briefing of the consultants are undertaken by the NRC Chair and the remuneration recommendations of the consultants are to be provided directly to the NRC Chair. During the financial year ended 30 June 2023, the NRC did not obtain remuneration advice or recommendations from any external remuneration consultants.

3. Executive KMP remuneration arrangements for FY2023

Remuneration principles and strategy

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

The below diagram illustrates the remuneration framework for the CEO and CFO for FY2023:

Pact Executive KMP Remuneration Approach

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

Governing principles underpinning Pact’s reward framework

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

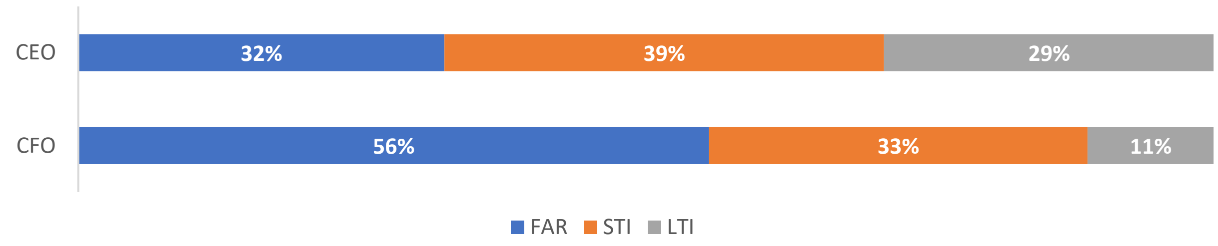
Reward framework components

	Fixed annual remuneration (FAR)	**Short-term incentive (STI) at risk**	**Long-term incentive (LTI) at risk**
Purpose	Competitively set to attract and retain capable talent reflecting role scope and accountabilities. Determined based on market positioning statement.	Reward for annual performance to deliver superior business, customer, and shareholder value. Provides specific focus on annual strategic priorities.	Reward for the creation of sustainable long-term shareholder value. Focusses on leading positive organisational culture and engagement with customers, community, and other stakeholders.
Performance link	Sustained performance and leadership in executive role.	Annual performance targets: • Underlying Group EBIT • Operational and strategic key performance indicators (**KPI**) • Safety. Other performance targets and review timeframes set at Board discretion, from time to time.	Three-year relative total shareholder return (**Relative TSR**) performance against selected ASX 200 companies.
Payment vehicle and quantum	Base salary, superannuation. May include other benefits and cash allowances. Target ASX200 Market Median (excluding Financial Services and Mining).	Annual incentive with two components: cash and deferred equity. Target opportunity: • CEO 120% FAR - 100% cash, 20% deferred equity. • CFO 60% of FAR - 40% cash, 20% deferred equity. • Maximum opportunity equivalent to 150% of target for Executive KMP • Subject to Board discretion and clawback provisions. Where other performance targets and review timeframes are set at Board discretion, other payment vehicles, quantum and payment timings may be applicable.	Annual performance rights grant, subject to Board discretion. Target opportunity: • CEO 90% FAR • CFO 20% of FAR • Subject to Board discretion and clawback provision.

3. Executive KMP remuneration arrangements for FY2023 (Continued)

Executive KMP remuneration mix

The following chart shows 'target' Executive KMP remuneration mix for FY2023:



Executive KMP remuneration mix shown is comprised of: FAR (fixed annual remuneration, being base remuneration + superannuation + allowances); STI at target opportunity; and LTI at target opportunity (based on the fair value of performance rights at grant date).

Detail of incentive plans

FY2023 STI Plan

Opportunity

CEO: Target opportunity equivalent to 120% of FAR, with 100% cash and 20% deferred equity (12-month vesting period subject to ongoing employment).

CFO: Target opportunity equivalent to 60% of FAR, with 40% cash and 20% deferred equity (12-month vesting period subject to ongoing employment).

Maximum outcome for the CEO and CFO is capped at 125% of FAR.

Performance measures & weighting

STI is linked to underlying Group EBIT, operational and strategic KPIs, and safety:
CEO: underlying Group EBIT (90%), Group safety (10%)
CFO: underlying Group EBIT (50%), operational and strategic KPI (40%), Group safety (10%)

The Board considers these measures to be appropriate as they are strongly aligned with the interests of shareholders. Underlying Group EBIT is a key indicator of the underlying growth of the business, supporting future capital investments and enables the payment of dividends to shareholders.

At the beginning of FY2023, the operating environment was challenged with significant disruption from ongoing pandemic concerns in a number of geographies. To incentivise management, the Board established a half year and full year STI plan as follows:

Half Year STI Plan
Half year payout schedule
At Board discretion, where Pact achieves its half year underlying Group EBIT hurdle of $75 million (**Half Year Underlying Group EBIT Hurdle**), participants are eligible to receive a one-off payment of 50% of their full year Target STI opportunity. Payment is fixed at 50% of total cash Target STI opportunity, and consequently outperformance does not trigger a higher payout opportunity. The half year payout is not subject to clawback.

Full Year STI Plan
For any full year STI award to be made, the Group must achieve a baseline Group financial performance measure as determined by the Board for the relevant performance period, known as the **Financial Gateway**. At an individual level, all STI participants must adhere to Pact Values, Code of Conduct and comply with the Group's mandatory risk and compliance training requirements. This is known as the **Individual Gateway**. In the event a participant does not satisfy the Individual Gateway, they will be automatically suspended from participating in the STI Plan in respect of the relevant performance period. The Individual Gateway reinforces Pact's expectation of, and commitment to, minimum standards of behaviour and conduct and demonstrates tangible consequences for behaviour that may not warrant termination of employment but still constitutes a breach of Pact Values, the Code of Conduct and risk and compliance standards.

Full year payout schedule
Each performance measure will be assessed against a set target and will result in a STI payout in accordance with the payout schedule, net of any half year payment, below:

Performance against underlying Group EBIT Target	Payout against STI % Target Opportunity
Below Target	Nil
Threshold (meets 95% of Target)	50% of Target Opportunity
Target (meets 100% of Target)	100% of Target Opportunity
Stretch (meets 120% of Target)	150% of Target Opportunity

Straight line vesting applies between Threshold and Stretch.

The FY2023 business performance table on page 10 provides additional information on these performance measures, including an overview of performance outcomes.

3. Executive KMP remuneration arrangements for FY2023 (Continued)

Detail of incentive plans (continued)

FY2023 LTI Plan	
Opportunity	**CEO**: Maximum opportunity equivalent to 90% of FAR (100% in FY2021 and FY2022) **CFO**: Maximum opportunity equivalent to 20% of FAR (30% in FY2022) Refer to the LTI vesting schedule below.
Instrument	Performance rights
Performance period	The performance period commences on the first day of that fiscal year and is measured over three years (i.e., 1 July 2022 – 30 June 2025).
Allocation approach	The number of performance rights allocated to the Executive KMP and other eligible employees is based on their maximum LTI opportunity divided by the five-day volume weighted average price (**VWAP**) following public announcement of the prior year's financial results.
Performance hurdle	Vesting of rights is subject to a Relative TSR^ hurdle over a three-year performance period. **Peer group:** S&P/ASX 200 comparator group, excluding companies in the Financial Services & Mining sectors. **LTI vesting schedule** (see table below) ^TSR measures a company's share price movement, dividends paid and any return on capital over a specific period. Relative TSR compares the ranking of the Company's TSR over the performance period with the TSR of other companies in a peer group. LTI are also subject to an Individual Gateway condition consistent with the STI Plan, linked to adherence to Pact Values, Code of Conduct and risk & compliance standards. Where a participant does not satisfy the Individual Gateway, they will forfeit their LTI vesting entitlements for the relevant performance period, be suspended from participating in future LTI grant opportunities and/or be subject to clawback at Board discretion.
Cessation of employment	If a LTI participant resigns or is terminated for cause, any unvested LTI plan awards will be forfeited, unless otherwise determined by the Board. A 'good leaver' will retain a pro rata number of performance rights based on time elapsed since the initial grant date. Any such performance rights will be subject to the original terms and conditions, and discretion of the Board.
Rights attaching to performance rights	Performance rights do not carry any dividend or voting entitlements prior to vesting. Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares.
Clawback	In accordance with the Individual Gateway condition, 100% of the award can be forfeited where there has been any fraud, dishonesty, or breach of obligations, including a material misstatement of the financial statements.
Change of control provisions	In the event of change of control, the performance period end date will be brought forward to the date of change of control, and awards will vest based on performance over this shortened period (subject to Board discretion).
Hedging	To ensure the variable components of the Company's remuneration structure remain 'at risk', employees may not hedge against the risk inherent in arrangements such as the LTI Plan, or any other equity-based incentive plans. Prohibitions against hedging are set out in the Company's Policy for Dealing in Securities. Under the LTI Plan rules, a breach of hedging restrictions will result in immediate lapse of granted performance rights.

LTI vesting schedule

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

3. Executive KMP remuneration arrangements for FY2023 (Continued)

Service agreements

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

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

4. Executive KMP remuneration outcomes for FY2023

HY2023 Business performance

The Group operated in a challenging environment during HY2023 with severe weather patterns, conflict in Europe and the continuation of China's zero-COVID policy impacting global supply chains. Despite these challenges, revenue grew by 8% and underlying Group EBIT of $75.4 million was achieved.

FY2023 Business performance

The Group operating environment began to improve in the second half of the year as China's zero COVID policy ended; however, the China recovery slowed in the fourth quarter. In addition, severe weather impacted supply chains across New Zealand and demand was volatile as consumer behaviour changed to accommodate cost of living challenges associated with high inflation and interest rate increases.

Across the full financial year, the Packaging & Sustainability segment revenue growth kept pace with the increasing cost of the supply chain and inflationary pressures; however, sluggish demand in China and New Zealand, especially in the second half, resulted in an underlying EBIT performance lower than FY2022. The Materials Handling & Pooling segment had a difficult first half as Retail Accessories customers adjusted inventory levels to pre-pandemic levels and our pooling business suffered from demand lost from severe weather across Australia. The segment performance was robust in the second half, delivering an underlying EBIT result in line with the previous year. The Contract Manufacturing segment began its turn-around in performance by growing volumes and recovering input costs though price increases. The Group continues to focus on its *Leading the Circular Economy* strategy announcing strategic partnerships with two Australian retailers, nearing completion of two recycling facilities (rPET and rHDPE) in Victoria, and completing the upgrade of its mobile garbage bin platform across Victoria and New South Wales.

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

Performance measure		2019	2020	2021	2022	2023
Statutory net profit / (loss) after tax	$'000	(289,587)	88,847	87,534	**12,178**	**(6,605)**
Underlying Net profit after tax (**NPAT**)(1)	$'000	77,307	73,245	93,544	**70,159**	**44,836**
Underlying NPAT growth(1)	%	(18.3)	(5.3)	27.7	**(24.9)**	**(36.2)**
Underlying EBIT(1)	$'000	148,404(2)	166,263	182,875	**156,163**	**145,265**
Underlying EBIT growth	%	(9.8)	12.0(3)	10.0	**(14.6)**	**(7.0)**
Dividends per ordinary share	cps	-	3.0	11.0	**5.0**	**-**
Closing share price (30 June)	$	2.79	2.19	3.70	**1.81**	**0.66**
3 month average share price (1 April to 30 June)	$	2.51	2.01	3.70	**2.13**	**0.83**
Earnings per share(1)	cps	23	21	27	**20**	**13**
Earnings per share(1) growth	%	(23.3)	(8.7)	28.6	**(25.9)**	**(35.0)**
Cumulative TSR(4)	%	(39.9)	(49.1)	(16.7)	**(55.4)**	**(75.5)**

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

(2) EBIT before underlying adjustments in 2019 excludes the impact of AASB16.

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

(4) Cumulative TSR has been calculated using the same start date for each period (1 July 2018). The 3-month average share price has been used in all periods (the 3 month average share price for the starting period was $5.57).

4. Executive KMP remuneration outcomes for FY2023 (Continued)

STI outcomes

Performance of half year STI measures

The Half Year Underlying Group EBIT Hurdle was met and paid in full to the Executive KMP in March 2023 following release of the Company's half year results.

Performance of full year STI measures

The Full Year Financial Gateway was not met, and consequently no further payments were made to Executive KMP in relation to FY2023 performance.

The table below shows details of the Executive KMP Full Year STI 'at target' opportunity and gross payment outcome for 2023 in AUD.

	Total cash STI target opportunity $	Cash STI $ earned[(1)]
Sanjay Dayal	1,317,834	645,167
Paul Washer	233,753	123,069

(1) STI paid in March 2023 to the Executive KMP following Board approved payment of 50% of the target STI due to Pact achieving its Half Year Underlying EBIT Hurdle of $75 million.

LTIP outcomes

LTIP allocations

The table below outlines the performance rights granted to the CEO and CFO for participating in the LTI Plan, and the relevant performance period for each fiscal year.

Year	Grant date	Performance rights Granted	Fair value of rights at grant date	Value of rights included in compensation for the year	Performance period
Sanjay Dayal – CEO					
FY2023 LTIP	1 December 2022	651,078	$194,477	$64,826	1 July 2022 to 30 June 2025
FY2022 LTIP	1 December 2021	289,351	$312,499	$104,166	1 July 2021 to 30 June 2024
FY2021 LTIP	1 December 2020	497,967	$856,503	$285,501	1 July 2020 to 30 June 2023
				$454,493	
Paul Washer – CFO					
FY2023 LTIP	1 December 2022	69,260	$21,263	$7,088	1 July 2022 to 30 June 2025
FY2022 LTIP	1 December 2021	41,571	$44,897	$14,966	1 July 2021 to 30 June 2024
				$22,054	

The performance hurdles applicable to the FY2023 LTI performance rights are also applicable to the FY2021 and FY2022 performance rights on issue.

The Company sought and received shareholder approval under ASX Listing Rule 10.14 to issue the FY2021, FY2022 and FY2023 performance rights to the CEO.

Executive KMP performance rights testing

The table below shows the LTI Plan awards tested at the end of the current financial year.

Year	Performance period	Outcome
Sanjay Dayal		
FY2021 LTIP	1 July 2020 to 30 June 2023	The FY2021 grant was tested in July 2023. As the minimum Relative TSR performance hurdle was not met, awards in relation to the FY2021 grant lapsed in full on 15 August 2023.

Executive KMP performance rights holdings

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

KMP	Balance at 1 July 2022	Number granted	Number lapsed / forfeited	Balance at 30 June 2023	Vested at 30 June 2023	Unvested at 30 June 2023
Sanjay Dayal	1,325,507	651,078	(538,189)	1,438,396	-	1,438,396
Paul Washer	41,571	69,260	-	110,831	-	110,831

4. Executive KMP remuneration outcomes for FY2023 (Continued)

Executive KMP remuneration

Executive	Year	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments (equity settled)	Total	Performance Related
		Salary & fees	STI bonus	Other benefits(1)	Super-annuation	Long service leave(2)	LTIP(3)		
		$	$	$	$	$	$	$	%
Sanjay Dayal **(CEO)**	**2023**	**1,290,334**	**645,167**	**41,635**	**27,500**	**-**	**454,493**	**2,459,129**	**45%**
	2022	1,252,751	-	54,280	27,500	-	630,058	1,964,589	32%
Paul Washer*(4) **(CFO)**	**2023**	**557,126**	**123,069**	**64,615**	**27,257**	**-**	**22,053**	**794,120**	**18%**
	2022	585,350	-	25,649	27,500	-	14,966	653,465	2%
Total Executive KMP remuneration	**2023**	**1,847,460**	**768,236**	**106,250**	**54,757**	**-**	**476,546**	**3,253,249**	**38%**
	2022	1,838,101	-	79,929	55,000	-	645,024	2,618,054	25%

* Paul Washer’s employment arrangements were transferred from an Australian Pact employing entity to a New Zealand Pact employing entity effective 1 November 2022. Remuneration data in the table above is in AUD, with NZD converted to AUD consistent with the Group’s translation methods for foreign currency transactions.

(1) Other benefits include annual leave provisions, shown as a liability as at 30 June 2023. For Paul Washer, other benefits also includes a retention payment of $63,863 in FY2023.

(2) Long-term benefits include movements in the long service leave provision in relation to long service leave entitlements after five years of continuous service.

(3) An independent valuation of the LTIP performance rights was performed to establish the fair value in accordance with AASB2 *Share-based Payment*. Valuation of the rights was done using a Hybrid model with Relative TSR hurdles.

(4) Superannuation for Paul Washer reduced in line with applicable Kiwisaver requirements.

The table above shows Executive KMP remuneration in accordance with statutory obligations and accounting standards. The following table, which is audited, provides additional voluntary disclosure as the Directors believe this information is helpful to assist shareholders in understanding the benefits that the Executive KMP received during the financial year ended 30 June 2023. The table below has not been prepared in accordance with Australian accounting standards. The benefits disclosed below excludes the expense for rights that are unvested.

	Fixed Remuneration(1)	STI bonus(2)	Other benefits(3)	Total
	$	$	$	$
Sanjay Dayal	1,317,834	645,167	41,635	2,004,636
Paul Washer*	584,383	123,069	64,615	772,067

* Paul Washer’s employment arrangements were transferred from an Australian Pact employing entity to a New Zealand Pact employing entity effective 1 November 2022. Remuneration data in the table above is in AUD, with NZD converted to AUD consistent with the Group’s translation methods for foreign currency transactions.

(1) Fixed remuneration includes salary and fees, and superannuation contributions.

(2) STI attributable to the year ended 30 June 2023 are calculated on the same basis as the remuneration table above.

(3) Other benefits include annual leave provisions, shown as a liability as at 30 June 2023. For Paul Washer, other benefits also includes a retention payment of $63,863 in FY2023.

5. Executive KMP remuneration arrangements for FY2024

The Board has determined that no LTI grant will be awarded to Executive KMP for FY2024. The Executive KMP remuneration framework has been revised for FY2024 to comprise FAR and a cash STI. These revisions to Executive KMP remuneration for FY2024 are due to the Board requiring management to focus on short-term initiatives to accelerate improvement in the financial performance of the Company. Further details will be provided in the FY2024 *Remuneration Report*.

6. Non-Executive Director remuneration arrangements

Remuneration policy

The NRC seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

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

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

6. Non-Executive Director remuneration arrangements (Continued)

Structure

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

Raphael Geminder does not receive a fee for his position as Chair and Non-Executive Director of the Company nor for his service on Board committees.

There were no changes to NED fees during FY2023. The previous increase to NED fees (being an increase of 1.8%) occurred in September 2021. The table below sets out annual NED and Board committee fees.

Responsibility	2023	2022[(1)]
Board fees		
Non-Executive Directors (excluding the Chairman)	$117,649	$117,649
Audit, Business Risk & Compliance Committee		
Chair	$32,086	$32,086
Member	$8,022	$8,022
Nomination & Remuneration Committee		
Chair	$32,086	$32,086
Member	$8,022	$8,022

(1) 2022 NED fee schedule was effective from 1 September 2021.

NEDs do not participate in any Company incentive programs and NED remuneration is not linked to Company performance. NEDs may be reimbursed for expenses reasonably incurred in attending to the Company's affairs. NEDs do not receive retirement benefits other than the superannuation contributions disclosed in this report.

The Company operates a Director Share Acquisition Plan (**DSAP**) which allows NEDs to sacrifice a portion of after-tax fees to the acquisition of Company shares on a periodic basis at the prevailing market rate. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments.

The remuneration of NEDs for the year ended 30 June 2023 is detailed in the following table.

Non-Executive KMP	Year	Short-term benefits	Post- employment benefits	Total
		Fees	Superannuation	
		$	$	$
Current Non-Executive KMP				
Raphael Geminder	**2023**	**-**	**-**	**-**
	2022	-	-	-
Carmen Chua(1)	**2023**	**145,725**	**-**	**145,725**
	2022	125,300	-	125,300
Michael Wachtel(2)	**2023**	**154,749**	**-**	**154,749**
	2022	149,294	-	149,294
Former Non-Executive KMP				
Lyndsey Cattermole(3)	**2023**	**47,603**	**4,523**	**52,126**
	2022	113,910	11,390	125,300
Jonathan Ling(4)	**2023**	**59,756**	**-**	**59,756**
	2022	157,292	-	157,292
Total Non-Executive KMP remuneration	**2023**	**407,833**	**4,523**	**412,356**
	2022	545,796	11,390	557,186

(1) Appointed Chair of the NRC effective 16 November 2022. Member of the ABRCC FY2022 and FY2023.

(2) Appointed as a member of the NRC effective 16 November 2022. Chair of the ABRCC FY2022 and FY2023.

(3) Ceased as a Director and member of the NRC effective 16 November 2022. Fees include amounts sacrificed in relation to DSAP participation during FY2022 and FY2023.

(4) Ceased as a Director, Chair of the NRC and member of the ABRCC effective 16 November 2022.

7. Equity holdings of KMP

The following table shows the number of fully paid ordinary shares held by KMP (directly and indirectly) including their related parties and any movements during the year ended 30 June 2023:

KMP	Balance 1 July 2022	Additions	Disposals	Balance 30 June 2023
Current NEDs				
Raphael Geminder	160,982,256	10,327,338	-	171,309,594
Carmen Chua	150,000	60,000	-	210,000
Michael Wachtel	41,925	-	-	41,925
Executive KMP				
Sanjay Dayal	40,000	-	-	40,000
Paul Washer	28,507	-	-	28,507
Former NEDs				
Lyndsey Cattermole(1)	586,476	5,733	-	592,209
Jonathan Ling(1)	48,786	-	-	48,786

(1) Shares shown as held by Lyndsey Cattermole and Jonathan Ling at 30 June 2023 are their balances as at the date of their retirement from the Board on 16 November 2022.

8. Capacity to control by KMP

Raphael Geminder is the director of Kin Group Pty Ltd (**Kin Group**) and Salvage Pty Ltd (**Salvage**).

As at 30 June 2023 Kin Group held 167,673,665 shares in the Company, representing an ownership stake of 48.70%. Raphael Geminder's total ownership stake in Pact is 171,309,594 shares, reflecting an ownership stake of 49.76%, including the investments held by Kin Group and Salvage.

Kin Group has assessed that it does have the capacity to control the Company as at 30 June 2023 through its share ownership of 49.76%. Therefore, Kin Group is considered to be the ultimate parent entity of Pact when the de facto control considerations contained under AASB 10 are assessed.

9. Related party transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2023:

$'000	Year	Sales	Purchases	Other expenses	Net amounts receivable
Related parties – Director's interests(1)	**2023**	**8,167**	**3,184**	**6,339**	**954**
	2022	15,094	3,364	5,853	1,456

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

Sales to related parties

The Group has sales of $8.2 million (2022: $15.1 million) to related parties including Green's General Foods Pty Ltd, The Reject Shop Limited, Remedy Kombucha Pty Ltd, Propax Pty Ltd, Gem-Care Products Pty Ltd, The Hive (Australia) Pty Ltd, BG Wellness Holdings Pty Ltd and Brimful Beverages Pty Ltd. Sales are for Packaging & Sustainability and Contract Manufacturing.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity in which Raphael Geminder owns 66.52% (2022: 57.4%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The Group's supply agreement with Pro-Pac expired on 31 December 2021 and is now continuing on a month-on-month basis. The total value of this arrangement is approximately $3.2 million (2022: $3.3 million). The agreement is on commercial terms which the Board has determined are at arms' length in accordance with section 210 of the *Act*. Former director Jonathan Ling is also the chairman of Pro-Pac.

Property leases with related parties

The Group leased 10 properties (8 in Australia and 2 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd, which are each controlled by entities associated with Raphael Geminder and are therefore related parties of the Group (**Centralbridge Leases**). The aggregate annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2023 was $6.2 million (June 2022: $5.9 million). The rent payable under the Centralbridge Leases was determined based on independent valuations and market conditions at the time the leases were commercially agreed. As at 30 June 2023, the total lease liabilities owing to Centralbridge Leases is $34.2 million (June 2022: $32.4 million). The leases are on commercial terms which the Board has determined are at arms' length in accordance with section 210 of the *Act*.

10. Loans to KMP

There were no loans to KMP or any of their closely related parties during the year (2022: nil).

This *Directors' Report* is signed in accordance with a resolution of Directors.

Raphael Geminder
Chairman

Dayal

Sanjay Dayal
Managing Director and Group Chief Executive Officer

16 August 2023

Building a better
working world

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

As lead auditor for the audit of the financial report of Pact Group Holdings Ltd for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

David Shewring
Partner
16 August 2023

FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

$'000	Notes	2023	2022
Revenue	1.1, 1.2	**1,948,598**	1,837,697
Raw materials and consumables used		**(898,500)**	(823,926)
Employee benefits expense	5.1	**(464,968)**	(441,800)
Occupancy, repair and maintenance, administration and selling expenses		**(324,288)**	(302,319)
Interest and other income		**17,658**	20,617
Other losses	6.2	**(15,849)**	(6,493)
Depreciation and amortisation expense	2.2	**(131,769)**	(133,657)
Impairment and write-off expense	1.1	**(52,586)**	(72,256)
Finance costs and loss on de-recognition of financial assets	4.1	**(83,883)**	(57,142)
Share of profit in associates	3.3	**1,774**	1,645
(Loss) / profit before income tax expense		**(3,813)**	22,366
Income tax expense	1.3	**(2,792)**	(10,188)
Net (loss) / profit for the year		**(6,605)**	12,178
Net (loss) / profit attributable to equity holders of the parent entity		**(6,605)**	12,178
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on remeasurement of defined benefit liability		**109**	100
Items that will be reclassified subsequently to profit or loss			
(Loss) / gain on cash flow hedges taken to equity		**(1,695)**	13,188
Foreign currency translation (losses) / gains		**(2,731)**	1,535
Income tax benefit / (expense) on items in other comprehensive income		**505**	(3,945)
Other comprehensive (loss) / gain for the year, net of tax		**(3,812)**	10,878
Total comprehensive (loss) / income for the year		**(10,417)**	23,056
Attributable to:			
Equity holders of the parent entity		**(10,417)**	23,056
Total comprehensive (loss) / income for the Group		**(10,417)**	23,056
cents			
Basic earnings per share	1.1	**(1.9)**	3.5
Diluted earnings per share	1.1	**(1.9)**	3.5

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

FINANCIAL REPORT

Consolidated Statement of Financial Position

For the year ended 30 June 2023

$'000	Notes	2023	2022
CURRENT ASSETS			
Cash and cash equivalents	4.1	**79,061**	101,513
Trade and other receivables	2.1	**146,262**	125,085
Inventories	2.1	**252,179**	284,603
Contract assets		**16,581**	13,391
Other current financial assets	4.4	**5,620**	4,239
Prepayments		**10,731**	9,940
TOTAL CURRENT ASSETS		**510,434**	538,771
NON-CURRENT ASSETS			
Prepayments		**1,212**	2,038
Property, plant and equipment	2.2	**1,048,217**	1,006,175
Investments in associates and joint ventures	3.3	**46,812**	45,489
Intangible assets and goodwill	2.2	**428,503**	425,683
Other non-current financial assets	4.4	**2,628**	8,737
Deferred tax assets	1.3	**44,380**	36,268
TOTAL NON-CURRENT ASSETS		**1,571,752**	1,524,390
TOTAL ASSETS		**2,082,186**	2,063,161
CURRENT LIABILITIES			
Trade and other payables	2.1	**389,926**	397,029
Bank overdraft	4.1	**1,021**	2,384
Current tax liability	1.3	**11,096**	13,105
Employee benefits provisions	5.1	**47,077**	44,690
Other provisions	2.4	**2,464**	7,140
Lease liabilities	2.5, 4.1	**80,747**	72,022
Other current financial liabilities	4.4	**91**	879
TOTAL CURRENT LIABILITIES		**532,422**	537,249
NON-CURRENT LIABILITIES			
Employee benefits provisions	5.1	**6,369**	8,777
Other provisions	2.4	**12,903**	12,754
Interest-bearing loans and bank borrowings	4.1	**663,607**	659,902
Lease liabilities	2.5, 4.1	**451,614**	413,985
Deferred tax liabilities	1.3	**6,580**	6,717
TOTAL NON-CURRENT LIABILITIES		**1,141,073**	1,102,135
TOTAL LIABILITIES		**1,673,495**	1,639,384
NET ASSETS		**408,691**	423,777
EQUITY			
Contributed equity	4.2	**1,751,706**	1,751,706
Reserves	4.2	**(894,703)**	(891,277)
Retained earnings		**(448,312)**	(436,652)
TOTAL EQUITY		**408,691**	423,777

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

FINANCIAL REPORT

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

			Attributable to equity holders of the Parent entity				
$'000	**Contributed equity**	**Common control reserve**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Share-based payments reserve**	**Retained Earnings**	**Total equity**
Year ended 30 June 2023							
As at 1 July 2022	1,751,706	(928,385)	6,071	26,250	4,787	(436,652)	423,777
Loss for the year	-	-	-	-	-	(6,605)	(6,605)
Reserves re-classified to profit for the year	-	-	-	2,658	-	-	2,658
Other comprehensive (loss) / income	-	-	(1,190)	(5,389)	-	109	(6,470)
Total comprehensive income	-	-	(1,190)	(2,731)	-	(6,496)	(10,417)
Dividends paid	-	-	-	-	-	(5,164)	(5,164)
Share-based payments	-	-	-	-	495	-	495
Transactions with owners in their capacity as owners	-	-	-	-	495	(5,164)	(4,669)
Balance as at 30 June 2023	1,751,706	(928,385)	4,881	23,519	5,282	(448,312)	408,691
Year ended 30 June 2022							
As at 1 July 2021	1,750,476	(928,385)	(3,172)	24,715	4,459	(416,223)	431,870
Profit for the year	-	-	-	-	-	12,178	12,178
Other comprehensive income / (loss)	-	-	9,243	1,535	-	100	10,878
Total comprehensive income	-	-	9,243	1,535	-	12,278	23,056
Issuance of share capital	1,230	-	-	-	(1,230)	-	-
Dividends paid	-	-	-	-	-	(32,707)	(32,707)
Share-based payments	-	-	-	-	1,558	-	1,558
Transactions with owners in their capacity as owners	1,230	-	-	-	328	(32,707)	(31,149)
Balance as at 30 June 2022	1,751,706	(928,385)	6,071	26,250	4,787	(436,652)	423,777

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

FINANCIAL REPORT
Consolidated Statement of Cash Flows
For the year ended 30 June 2023

$'000	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,011,463**	1,011,271
Receipts from securitisation programs		**1,154,984**	1,089,156
Payments to suppliers and employees		**(1,893,647)**	(1,842,354)
Income tax paid		**(12,833)**	(27,588)
Interest received		**883**	695
Proceeds from securitisation of trade debtors		**3,561**	1,188
Borrowing, trade debtor securitisation and other finance costs paid		**(78,013)**	(57,754)
Net cash flows provided by operating activities	4.1	**186,398**	174,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(129,838)**	(90,336)
Payments for investments in associates and joint ventures		**(869)**	(12,602)
Purchase of businesses and subsidiaries, net of cash acquired		**-**	785
Payments for deferred acquisition consideration	3.1	**(20,097)**	-
Proceeds from sale of property, plant and equipment		**116**	26,645
Proceeds from Government grants	2.3	**7,000**	8,000
(Payments to) / Proceeds from joint venture loans		**(1,464)**	1,442
Dividend income from joint ventures and associates		**1,470**	1,095
Net cash flows used in investing activities		**(143,682)**	(64,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**636,933**	432,361
Repayment of borrowings		**(639,906)**	(422,165)
Repayment of lease liability principal		**(54,350)**	(52,087)
Payment of dividends	1.4	**(5,164)**	(32,707)
Net cash flows used in financing activities		**(62,487)**	(74,598)
Net (decrease) / increase in cash and cash equivalents		**(19,771)**	35,045
Cash and cash equivalents at the beginning of the year		**99,129**	62,152
Effect of exchange rate changes on cash and cash equivalents		**(1,318)**	1,932
Cash and cash equivalents at the end of the year	4.1	**78,040**	99,129

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

SECTION 1 – OUR PERFORMANCE

A key element of Pact's strategy is to maximise long-term shareholder value. This section highlights the results and performance of the Group for the year ended 30 June 2023.

1.1 GROUP RESULTS

$'000	Packaging & Sustainability	Materials Handling & Pooling	Contract Manufacturing	Eliminations	Total
Year ended 30 June 2023					
Revenue	**1,282,115**	**346,698**	**357,318**	**(37,533)**	**1,948,598**
Underlying EBIT(1)	**101,727**	**40,215**	**3,323**	**-**	**145,265**

$'000	Packaging & Sustainability	Materials Handling & Pooling	Contract Manufacturing	Eliminations	Total
Year ended 30 June 2022					
Revenue	1,208,575	353,529	306,324	(30,731)	1,837,697
Underlying EBIT(1)	110,197	49,939	(3,973)	-	156,163

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

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

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

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

1.1 GROUP RESULTS (CONTINUED)

Net profit after tax

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

$'000	Note	2023	2022
Underlying EBIT		**145,265**	156,163
Underlying adjustments[1]			
Transaction costs[2]		**(4,038)**	(6,709)
Costs arising from factory fire[3]		**-**	(1,712)
Inventory write downs and related disposal costs[4]		**-**	(17,775)
Insurance settlements for events in prior periods		**1,236**	6,958
Profit on sale of properties[5]		**2,827**	20,504
Net gain on lease modifications[6]		**-**	2,698
Compensation for business closure[7]		**-**	8,900
Business restructuring programs[8]			
• Restructuring costs		**(9,292)**	(10,710)
• Asset write downs	2.2	**(4,548)**	(4,376)
• Right of use asset impairment	2.2	**-**	(2,694)
Underlying adjustments in other losses		**(13,815)**	(4,916)
Impairment and write-off expenses[9]			
• Tangible assets write-off	2.2	**(52,586)**	(42,313)
• Intangible assets impairment	2.2	**-**	(29,943)
Total underlying adjustments		**(66,401)**	(77,172)
Reported EBIT		**78,864**	78,991
Net finance costs[10]		**(82,677)**	(56,625)
Net (loss) / profit before tax		**(3,813)**	22,366
Income tax expense[11]		**(2,792)**	(10,188)
Net (loss) / profit after tax from continuing operations		**(6,605)**	12,178

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

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

[3] Prior period clean-up and other miscellaneous expenses arising from a factory fire that occurred on 19 March 2021 at Lurnea plant in the Contract Manufacturing segment.

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

[5] Profits recognised in China in the Packaging & Sustainability segment for vacating and transferring land in the prior period. The current period gain is a reversal of previously estimated costs associated with the transaction.

[6] Prior period net gain recognised on the modification of lease terms and conditions.

[7] Prior period net compensation for business closure for a site in China not relating to land and buildings.

[8] Business restructuring relates to the optimisation of business facilities across the Group. This includes $2.4 million in relation to accelerated depreciation of assets.

[9] Write-off of plant and equipment and impairment of goodwill and other intangibles.

[10] Net finance costs includes interest income of $1,206,000 (2022: $517,000).

[11] Included in income tax expense is a tax benefit on underlying adjustments of $15.0 million (2022: $19.2 million), including income tax losses recognised and assessable income on capital gains. Refer Note 1.3 for further details.

Basic and diluted earnings per share

	2023	2022
Earnings per share (EPS) (cents) – Basic	**(1.9)**	3.5
Earnings per share (EPS) (cents) – Diluted	**(1.9)**	3.5
Calculated using:		
• Net (loss) / profit attributable to ordinary equity holders ($'000)	**(6,605)**	12,178
• Weighted average of ordinary shares (shares) - Basic	**344,290,053**	344,244,569
• Weighted average of ordinary shares (shares) - Diluted	**346,748,166**	346,927,573

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

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

1.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

$'000	Packaging & Sustainability[1]	Materials Handling & Pooling	Contract Manufacturing[2]	Eliminations	Total
Year ended 30 June 2023					
Australia	**634,139**	**175,800**	**357,317**	**-**	**1,167,256**
New Zealand	**370,974**	**967**	**-**	**-**	**371,941**
Asia and others	**241,332**	**85,002**	**-**	**-**	**326,334**
Revenue from contracts with customers	**1,246,445**	**261,769**	**357,317**	**-**	**1,865,531**
Revenue from asset hire services[3]	**-**	**83,067**	**-**	**-**	**83,067**
Inter-segment revenue	**35,671**	**1,862**	**-**	**(37,533)**	**-**
Revenue	**1,282,116**	**346,698**	**357,317**	**(37,533)**	**1,948,598**

[1] 0.2% of total revenue for Packaging & Sustainability is recognised over time.

[2] 3.9% of total revenue for Contract Manufacturing is recognised over time.

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

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

[1] 0.2% of total revenue for Packaging & Sustainability is recognised over time.

[2] 3.6% of total revenue for Contract Manufacturing is recognised over time.

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

How Pact accounts for revenue

The core principle of AASB 15: *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods and services. An assessment is made by management whether the goods or products manufactured have an alternate use to Pact, including whether these goods or products can be repurposed and sold without significant economic loss to the Group.

Pact recognises revenue on the following basis:

(a) Delivery of goods or products

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

(b) Manufacture of goods or products

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

Contract assets are recognised for the manufacture and storage of goods or products as the performance obligations are satisfied. Upon completion of delivery of the goods or products and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. Management has assessed that it generally takes 60 days between the satisfaction of performance obligations and customer payments.

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

1.3 TAXATION

Reconciliation of tax expense

$'000	2023	2022
Accounting (loss) / profit before tax	**(3,813)**	22,366
Income tax calculated at 30% (2022: 30%)	**(1,144)**	6,710
Adjustments in respect of income tax of previous years	**(1,438)**	2,188
Research and development	**(203)**	(837)
Impairments of goodwill / tangible assets write off	**738**	5,781
Gain on return of capital	**4,657**	-
Profit on sale of properties	**(707)**	-
Tax on unremitted foreign income	**5,561**	4,297
Non-assessable insurance proceeds	**-**	(1,092)
Overseas tax rate differential	**(3,210)**	(5,534)
Sundry items	**(1,462)**	(1,325)
Income tax expense reported in the Consolidated Statement of Comprehensive Income	**2,792**	10,188
Comprising of:		
• Current year income tax expense	**12,877**	19,217
• Deferred income tax expense / (benefit)	**(8,647)**	(11,217)
• Adjustments in respect of previous years income tax	**(1,438)**	2,188

Included in the above is a tax benefit on underlying adjustments of $15.0 million for the year ended 30 June 2023 (2022: $19.2 million), including income tax losses recognised and assessable income on capital gains.

Recognised current and deferred tax assets and liabilities

$'000	2023 Current income tax asset / (liability)	2023 Deferred income tax asset / (liability)	2022 Current income tax asset / (liability)	2022 Deferred income tax asset / (liability)
Opening balance	**(13,105)**	**29,551**	(25,198)	22,695
Charged to income	**(1,597)**	**(2,634)**	(19,217)	11,217
Adjustments in respect of income tax of previous years	**2,953**	**(1,515)**	(687)	(1,501)
Tax benefit recognised	**(11,280)**	**11,280**	-	-
Credited / (charged) to other comprehensive income	**-**	**505**	3,945	(3,945)
Net payments	**12,833**	**-**	27,588	-
Acquisitions	**-**	**-**	-	548
Other	**(428)**	**428**	-	-
Foreign exchange translation movement	**(472)**	**185**	464	537
Closing balance	**(11,096)**	**37,800**	(13,105)	29,551
Comprises of:				
• Deferred tax assets				
▫ Employee entitlements provision		**14,968**		15,377
▫ Provisions		**9,130**		9,344
▫ Unutilised tax losses		**13,145**		1,104
▫ Lease liability		**150,471**		141,265
▫ Other		**10,435**		9,315
		198,149		176,405
Offset with deferred tax liability		**(153,769)**		(140,137)
Net deferred tax asset		**44,380**		36,268
• Deferred tax liabilities				
▫ Property, plant and equipment		**(157,723)**		(143,633)
▫ Intangibles		**(134)**		(141)
▫ Other		**(2,492)**		(3,080)
		(160,349)		(146,854)
Offset with deferred tax asset		**153,769**		140,137
Net deferred tax liability		**(6,580)**		(6,717)

1.3 TAXATION (CONTINUED)

Key Estimates and Judgements – Taxation

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

How Pact accounts for taxation

Income tax charges:

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

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

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

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

Specifically, for deferred tax assets:

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

Australian tax consolidated group

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

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

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

1.4 DIVIDENDS

$'000	**2023**	**2022**
Dividends paid during the financial year(1)	**5,164**	32,707
Proposed dividend	**-**	5,164

(1) The directors have determined not to pay a final dividend in relation to the year ended 30 June 2023 (2022: 1.5 cents, 65% franked).

Franking credit balance(2)

Franking account balance as at the end of the financial year at 30% (2022: 30%)	**562**	8,405
Franking credits / (debits) that will arise from the payment / (refund) of income tax payable	**1,437**	(4,624)
Franking credits that will be utilised on the payment of dividends as at the financial year end	**-**	(1,438)
Total franking credit available for the subsequent financial year	**1,999**	2,343

(2) Franking credits of $8.5 million have been utilised during the financial year (2022: $9.1 million).

SECTION 2 – OUR OPERATING ASSETS

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

Liabilities relating to the Group's financing activities are disclosed in Note 4.1 *Net Debt*, deferred tax assets and liabilities are disclosed in Note 1.3 *Taxation* and employee benefits provisions are disclosed in Note 5.1 *Employee Benefits Expenses and Provisions.*

2.1 WORKING CAPITAL

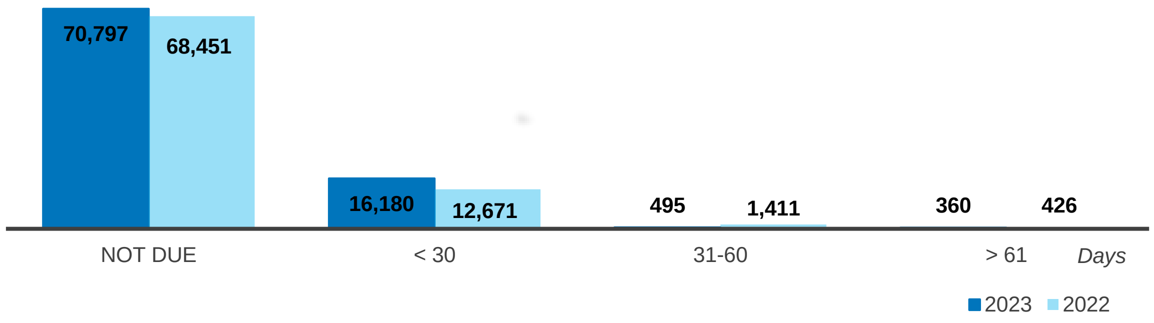
Trade and other receivables

Trade and other receivables at 30 June comprise of:

$'000	2023	2022
Trade receivables(1)	**88,109**	83,191
Allowance for expected credit losses	**(277)**	(232)
Other receivables(2)	**58,430**	42,126
Total current trade and other receivables	**146,262**	125,085

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

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



(2) At 30 June 2023 $38.4 million (2022: $35.9 million) has been recognised as part of other receivables representing the Group's participation in a securitisation program. The program requires the Group (or an entity other than the bank) to be a participant. Given the short-term nature of this financial asset, the carrying value of the associated receivable approximates its fair value and represents the Group's maximum exposure to the receivables derecognised as part of the program. The remaining balance of other receivables represents amounts receivable from joint ventures and associates, insurance receivable and others.

At 30 June 2023, the Group had expected credit losses of $0.3 million (2022: $0.2 million). The Group has a number of mechanisms in place which assist in minimising financial losses due to customer non-payment. These include:

- All customers who wish to trade on credit terms are subject to strict credit verification procedures, which may include an assessment of their independent credit rating, financial position, past experience and industry reputation.
- Individual risks limits, which are regularly monitored in-line with set parameters.
- Monitoring receivable balances on an ongoing basis.
- Debtor securitisation programs which allow Pact to sell receivables, at a discount to a third party on a non-recourse basis. The securitisation program has a committed facility limit of $130.0 million (2022: $130.0 million) and an uncommitted limit of $15 million (2022: $5.0 million).
- Receivables finance program which allows Pact to sell selected receivables at a discount to a third party on a non-recourse basis. This program has an uncommitted facility limit of $35.0 million (2022: $35.0 million).

Expected credit loss model

Information about the credit risk exposure on the Group's trade receivables using a provision matrix has not been disclosed due to the immaterial amount of expected credit losses as at 30 June 2023.

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

2.1 WORKING CAPITAL (CONTINUED)

Trade and other receivables (continued)

How Pact accounts for trade and other receivables

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

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

Under the Group's securitisation programs:

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

Inventories

Inventories at 30 June comprise of:

$'000	2023	2022
Raw materials and stores	**125,319**	155,899
Work in progress	**26,363**	25,883
Finished goods	**100,497**	102,821
Total inventories	**252,179**	284,603

How Pact accounts for inventories

Inventories are recorded at cost, which for Pact includes:

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

In determining the net realisable value (**NRV**) of inventories, the Group has assessed in particular what costs are necessary to sell inventories under AASB 102: *Inventories*.

Trade and other payables

Current trade and other payables at 30 June comprise of:

$'000	2023	2022
Trade payables	**327,896**	319,490
Other payables	**62,030**	77,539
Total current trade and other payables	**389,926**	397,029

How Pact accounts for trade and other payables

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

2.2 NON-CURRENT ASSETS

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

$'000	2023	2022
Australia	**839,618**	800,277
New Zealand	**384,797**	379,629
Asia and others	**252,305**	251,952
TOTAL	**1,476,720**	1,431,858

Property, plant and equipment

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

$'000	Property[1]	Plant and equipment	Assets for hire	Right of use asset	Capital work in progress	Total
Estimated useful life	Freehold: 40 – 50 years Leasehold improvements: 10 – 15 years	3 – 20 years	10 years	3 – 20 years	n/a	
Year ended 30 June 2023						
At 1 July 2022 net of accumulated depreciation	**40,660**	**449,392**	**41,424**	**381,577**	**93,122**	**1,006,175**
Additions and transfers	**962**	**112,574**	**9,363**	**73,770**	**9,404**	**206,073**
Disposals	**(20)**	**(2,987)**	**(813)**	**-**	**-**	**(3,820)**
Asset write downs	**-**	**(1,195)**	**-**	**(3,353)**	**-**	**(4,548)**
Impairment [2]	**-**	**(52,586)**	**-**	**-**	**-**	**(52,586)**
Reassessment of leases	**-**	**-**	**-**	**25,653**	**-**	**25,653**
Foreign exchange translation movement	**(521)**	**408**	**144**	**2,076**	**902**	**3,009**
Depreciation charge for the year	**(2,589)**	**(63,628)**	**(6,004)**	**(59,518)**	**-**	**(131,739)**
At 30 June 2023 net of accumulated depreciation	**38,492**	**441,978**	**44,114**	**420,205**	**103,428**	**1,048,217**
Represented by:						
• At cost	**60,639**	**1,282,056**	**68,793**	**643,930**	**103,428**	**2,158,846**
• Accumulated depreciation	**(22,147)**	**(840,078)**	**(24,679)**	**(223,725)**	**-**	**(1,110,629)**
Year ended 30 June 2022						
At 1 July 2021 net of accumulated depreciation	54,754	489,594	36,179	372,518	61,154	1,014,199
Additions and transfers	1,776	57,874	11,164	46,321	32,115	149,250
Acquisition of subsidiaries and businesses	-	8,838	-	8,572	153	17,563
Disposals	(5,884)	(2,422)	(436)	-		(8,742)
Impairment and write-off expenses	(10,505)	(36,184)	-	(2,694)	-	(49,383)
Lease modification	-	-	-	14,589	-	14,589
Foreign exchange translation movement	1,481	(166)	(98)	782	(300)	1,699
Depreciation charge for the year	(962)	(68,142)	(5,385)	(58,511)	-	(133,000)
At 30 June 2022 net of accumulated depreciation	40,660	449,392	41,424	381,577	93,122	1,006,175
Represented by:						
• At cost	61,521	1,200,383	62,855	542,195	93,122	1,960,076
• Accumulated depreciation	(20,861)	(750,991)	(21,431)	(160,618)	-	(953,901)

[1] Property consists of the following: leasehold improvements of $31.1 million (2022: $31.5 million) and accumulated depreciation of $16.6 million (2022: $16.1 million), and freehold property of $29.5 million (2022: $30.1 million) and accumulated depreciation of $5.5 million (2022: $4.8 million).

[2] The impairment loss of $52.6 million represents the write down of property, plant and equipment within the Packaging and Sustainability segment relating to the Packaging and Sustainability Australia of $48.1m and Packaging China of $4.5m cash generating units (**CGU**). This arises as assets are no longer expected to generate benefits given current strategic plans and includes the replacement of plant and equipment required across multiple platforms to ensure customers have scaled recycled packaging solutions. The recoverable amount was based on fair value less cost of disposal (**FVLCOD**), using a five year discounted cash flow model based on a methodology consistent with that applied by the Group in determining the value of the business strategies and maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness. In determining FVLCOD, cash flows for Packaging and Sustainability Australia were discounted at a rate of 11.82% on a post-tax basis and a terminal value growth rate of 2.83% from FY2029. Cash flows for Packaging China were discounted at a rate of 11.20% on a post-tax basis and a terminal value growth rate of 3% from FY2029. Other key assumptions included were capital expenditure and growth rates.

Key Estimates and Judgements – Estimation of useful lives of assets

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

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

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

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

2.2 NON-CURRENT ASSETS (CONTINUED)

Property, plant and equipment (continued)

How Pact accounts for property plant and equipment

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

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

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

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

Goodwill and other intangibles

Intangible assets are comprised of the following:

$'000	Customer contracts	Other intangibles(1)	Goodwill	Total
Year ended 30 June 2023				
At 1 July 2022 net of accumulated amortisation and impairment	**-**	**508**	**425,175**	**425,683**
Additions	**-**	**73**	**-**	**73**
Adjustment for prior period acquisition	**-**	**-**	**(288)**	**(288)**
Write-off expenses	**-**	**(14)**	**-**	**(14)**
Foreign exchange translation movements	**-**	**(2)**	**3,081**	**3,079**
Amortisation	**-**	**(30)**	**-**	**(30)**
At 30 June 2023 net of accumulated amortisation and impairment	**-**	**535**	**427,968**	**428,503**
Represented by:				
• At cost	**-**	**11,908**	**678,369**	**690,277**
• Accumulated amortisation and impairment	**-**	**(11,373)**	**(250,401)**	**(261,774)**

(1) Other intangibles includes trademarks and patents recognised at cost and amortised on a straight-line basis between 20-25 years.

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

(2) Relates to Contract Manufacturing segment.

2.2 NON-CURRENT ASSETS (CONTINUED)

Goodwill and other intangibles (continued)

$'000	2023	2022
Goodwill allocated to the following group of CGUs and segments[(1)]**:**		
Packaging & Sustainability	**261,886**	259,349
Materials Handling & Pooling	**166,082**	165,826
	427,968	425,175

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

How Pact accounts for goodwill

Goodwill is:

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

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

Key Estimate and Judgement – Impairment of goodwill and other intangibles

Value in use (**VIU**) for Packaging & Sustainability and Materials Handling and Pooling

The recoverable amount of each CGU (except for Contract Manufacturing) has been determined based on value in use calculations using cash flow projections contained within next year's financial budget approved by management and other forward projections up to a period of 5 years. Management has used its current expectations and what is considered reasonably achievable when assigning values to key assumptions in their value in use calculations.

Fair value less cost of disposal (**FVLCOD**) for Contract Manufacturing

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

In the prior period a $67.6 million impairment was recognised in respect of Contract Manufacturing goodwill ($19.3 million), intangibles ($10.7 million) and plant and equipment ($37.6 million) in 'impairment expenses'.

Annual impairment testing

Impairment testing is undertaken annually.

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

- **Gross margins and raw material price movement** – Gross margins reflect current gross margins adjusted for any expected (and likely) efficiency improvements or price changes.
- **Cash Flows** – For VIU Cash flows are forecast for a period of five years. Cash flows beyond the one-year period are extrapolated using growth rates which are a combination of expected volume growth and price growth. Rates are based on published industry research and economic forecasts relating to growth domestic product (**GDP**) growth rates.
- **Cash Flows** – For FVLCOD cash flows are based on the EBIT growth over the forecast period based on past experience, expectations of general market conditions and a program of business improvement strategies. Long term rates are based on published industry research and economic forecasts relating to GDP growth rates. Cost of disposal is calculated based on 1% of the recoverable value.
- **Discount rates** – For both VIU and FVLCOD the discount rates are based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk factors specific to the CGUs within the operating segment.

2.2 NON-CURRENT ASSETS (CONTINUED)

Annual impairment testing (continued)

	Packaging & Sustainability	Materials Handling & Pooling	Contract Manufacturing
2023			
Discount rate (pre-tax)(1)	**10.1% - 16.7%**	**12.5% - 14.0%**	**14.0%**
Terminal growth rate(1)	**2.0% - 6.1%**	**2.0%**	**2.0%**
2022			
Discount rate (pre-tax)(1)	9.4% - 16.0%	11.8% - 13.3%	14.0%
Terminal growth rate(1)	1.0% - 6.8%	1.0% - 1.2%	1.0%

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

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

	Packaging & Sustainability	Materials Handling & Pooling	Contract Manufacturing
2023			
Carrying amount (at 30 April) ($'000)(1)	**1,170,577**	**445,276**	**168,357**
Headroom (times)	**1.14**	**1.27**	**1.08**
Breakeven analysis(2)			
Terminal growth rate; and	**↓ 0.5%**	**↓ 1.0%**	**0.0%**
Discount rate	**↑ 1.0%**	**↑ 2.0%**	**↑1.0%**

(1) Pact undertakes annual impairment testing based on 30 April carrying values. This was reassessed at 30 June 2023 for any triggers of impairment.

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

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

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

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

2.3 CAPITAL EXPENDITURE COMMITMENTS, CONTINGENCIES AND OTHER LIABILITIES

Capital expenditure commitments

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

$'000	2023	2022
Payable within one year	**9,105**	32,599
Payable after one year but not more than five years	**-**	1,438
Total	**9,105**	34,037

Contingent consideration dispute

During the 2020 financial year the Group reversed a contingent consideration obligation of $30.0 million relating to the acquisition of TIC Retail Accessories, as specific financial hurdles required for payment were determined not to have been achieved.

In 2021 the Company received dispute notices in relation to this contingent consideration obligation. A number of the Company's related bodies corporate (**Pact Claim Group**) commenced legal proceedings against TIC Group Pty Ltd and various related parties (**TIC**) in the Commercial Court of the Supreme Court of Victoria challenging the validity of the dispute notice, and TIC has brought a counterclaim seeking payment of $30.0 million plus interests and costs. The Pact Claim Group is vigorously defending the counterclaim and is of the view that no earn out amount is payable. The proceeding is currently in the preparatory stages and has not yet been listed for trial.

Contingencies

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

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

Other Commitments and guarantees

At 30 June 2023, the Group had bank guarantees and other trade finance arrangements totalling $29.1 million (2022: $32.5 million) in respect of various property leases, material purchases and other contractual obligations.

Government Grants

During the financial year, the Group received $7.0 million (2022: $8.0 million) from the Federal Government's Modern Manufacturing Initiative for the upgrade of plant and equipment. The grant is recognised as deferred income and then offset against the cost of the plant and equipment when capitalised. This grant is conditional upon the Group completing these projects.

2.4 OTHER PROVISIONS

Total other provisions at 30 June comprise of:

$'000	2023	2022
CURRENT		
Business restructuring	**2,464**	7,140
Total current provisions	**2,464**	7,140
NON-CURRENT		
Make good on leased premises	**12,903**	12,754
Total non-current provisions	**12,903**	12,754

Movement in provisions

Year ended 30 June 2023	Business restructuring(1)	Make good on leased premises(2)	Total
At 1 July 2022	**7,140**	**12,754**	**19,894**
Provided for during the year	**11,096**	**1,575**	**12,671**
Utilised	**(13,930)**	**(206)**	**(14,136)**
Unused amounts reversed	**(1,804)**	**(1,259)**	**(3,063)**
Foreign exchange translation movement	**(38)**	**39**	**1**
At 30 June 2023	**2,464**	**12,903**	**15,367**
Year ended 30 June 2022			
At 1 July 2021	1,970	11,923	13,893
Provided for during the year	10,710	1,298	12,008
Transfer	32	(32)	-
Utilised	(5,408)	(464)	(5,872)
Foreign exchange translation movement	(164)	29	(135)
At 30 June 2022	7,140	12,754	19,894

(1) Business restructuring - The business restructuring programs relate to the optimisation of business facilities across the Group. This liability is expected to be settled in the next 12 months.

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

Key Estimates and Judgements – Business restructuring

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

How Pact accounts for other provisions

Provisions are recognised when the following three criteria are met:

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

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

2.5 LEASES

Impacts on financial statements

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

	Right of use asset			Lease liabilities
$'000	**Property**	**Plant and equipment**	**Total**	**Total**
Balance as at 1 July 2022	**373,448**	**8,129**	**381,577**	**486,007**
Additions	**70,839**	**2,931**	**73,770**	**73,117**
Acquisition of subsidiaries and businesses	**-**	**-**	**-**	**-**
Depreciation expense	**(55,112)**	**(4,406)**	**(59,518)**	**-**
Asset write downs	**(3,353)**	**-**	**(3,353)**	**-**
Lease modification	**24,468**	**1,185**	**25,653**	**25,176**
Interest expense	**-**	**-**	**-**	**31,735**
Payments[1]	**-**	**-**	**-**	**(86,085)**
Foreign exchange translation movement	**2,031**	**45**	**2,076**	**2,411**
Balance as at 30 June 2023	**412,321**	**7,884**	**420,205**	**532,361**
Balance as at 1 July 2021	363,116	9,402	372,518	469,944
Additions	43,407	2,914	46,321	45,567
Acquisition of subsidiaries and businesses	8,572	-	8,572	9,441
Depreciation expense	(54,192)	(4,319)	(58,511)	-
Impairment expense	(2,694)	-	(2,694)	-
Lease modification	14,438	151	14,589	12,795
Interest expense	-	-	-	28,256
Payments	-	-	-	(80,343)
Foreign exchange translation movement	801	(19)	782	347
Balance as at 30 June 2022	373,448	8,129	381,577	486,007

[1] During the year, total lease payments included $1.7 million towards properties no longer occupied.

In addition to the expenses detailed above, the Consolidated Statement of Comprehensive Income also includes the following lease related expenses:

$'000	**2023**	**2022**
Expenses relating to short-term leases	**3,107**	1,661
Expenses relating to low-value leases	**320**	383
Variable lease payments	**-**	332
Property outgoings[1]	**17,114**	14,339

[1] Includes council rates, taxes, insurance and other lease related payments. Outgoings are 21.2% of the Group's property lease payments in the financial year (2022:18.9%).

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

$'000	**2023**	**2022**
Current	**80,747**	72,022
Non-current	**451,614**	413,985

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

$'000	**2023**	**2022**
Less than one year	**83,247**	74,632
One to five years	**287,681**	255,099
More than five years	**454,026**	384,459
Total undiscounted liabilities	**824,954**	714,190

2.5 LEASES (CONTINUED)

Impacts on financial statements (continued)

The amounts recognised in the statement of cash flows are:

$'000	2023	2022
Repayment of lease liability principal[1]	**54,350**	52,087
Interest payments[1]	**31,735**	28,256
Expenses relating to short-term leases	**3,107**	1,661
Expenses relating to low-value leases	**320**	383
Variable lease payments	**-**	332
Property outgoings	**16,683**	13,894

(1) Of the total lease payments, 16.1% (2022: 16.6%) relates to property leases that exclude renewal options in the assessment of the lease term. This includes warehouses, offices and shopfronts where the exercise of the option is not reasonably certain.

Key Estimate and Judgement – Incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (**IBR**) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available.

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

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

SECTION 3 – OUR OPERATIONAL FOOTPRINT

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

3.1 BUSINESS COMBINATIONS

There have been no business acquisitions during the year ended 30 June 2023.

Prior year acquisition accounting

At 30 June 2022, the Group recognised $4.3 million as provisional goodwill arising on acquisition of Synergy Packaging Pty Ltd. A total of $20.1 million was paid in the current period as consideration for the acquisition. During the year, a decrease of $0.3 million has been further recognised to finalise goodwill accounting. This includes an increase of $1.2 million in relation to fair value determination for property, plant and equipment and net decrease of $1.5 million for other adjustments of purchase price allocation.

3.2 CONTROLLED ENTITIES

During the year, the Group deregistered Changzhou Viscount Plastics Co., Ltd, an entity in China, and Pascoe's Australia LLC, an entity registered in the USA. Pact Packaging Philippines Inc. was incorporated on 17 January 2023.

Australian incorporated entities that are party to the Deed of Cross Guarantee and tax consolidated Group at 30 June 2023:(1)

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

3.2 CONTROLLED ENTITIES (CONTINUED)

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

NEW ZEALAND

- Pact Group Holdings (NZ) Limited(14)
- Pact Group Finance (NZ) Limited(3)
- Pact Group (NZ) Limited(3)
- VIP Steel Packaging (NZ) Limited(15)
- VIP Plastic Packaging (NZ) Limited(15)
- Alto Packaging Limited(16)
- Auckland Drum Sustainability Services Limited(15)
- Viscount FCC Limited(15)
- Tecpak Industries Limited(15)
- Astron Plastics Limited(15)
- Pacific BBA Plastics (NZ) Limited(15)
- Viscount Plastics (NZ) Limited(17)
- Stowers Containment Solutions Limited(15)
- Sulo (N.Z.) Limited(2)
- Pact Retail Accessories (New Zealand) Limited(3)

CHINA

- Guangzhou Viscount Plastics Co., Ltd(4)
- Langfang Viscount Plastics Co., Ltd(4)
- Pact Group Closure Systems (Guangzhou) Co., Ltd(5)
- Pact Group Closure Systems (Tianjin) Co., Ltd)(5)
- Pact Group Packaging Systems (Guangzhou) Co., Ltd(7)
- Dongguan Top Rise Trading Co. Ltd(8)
- Regent Plastic Products Ltd(6)
- Ningbo Xunxing Trade Co. Ltd(9)

BANGLADESH

- TIC Trading (Bangladesh) Limited(9)(10)
- TIC Manufacturing (Bangladesh) Limited(9)(10)
- TIC Industries (Bangladesh) Pty Ltd.(9)(10)

INDIA

- Pact Closure Systems (India) Private Limited(5)(10)
- AMRS Business Services Private Limited(11)(18)

HONG KONG

- Pact Group Holdings (Hong Kong) Limited(10)
- Roots Investment Holding Private Limited(5)
- Pact Retail Accessories (Hong Kong) Limited(11)
- Pact Retail Accessories (Asia) Limited(11)
- Talent Group Development Limited(11)
- Fast Star International Holdings Limited(11)

INDONESIA

- PT Plastop Asia Indonesia Inc(12)(10)
- PT Plastop Indonesia Manufacturing Inc(12)(10)

SOUTH KOREA

- Pact Group Closure Systems Korea Ltd(5)

NEPAL

- Pact Group Closure Systems Nepal Private Limited(10)

PHILIPPINES

- Plastop Asia, Inc.(13)
- Pact Packaging Philippines Inc.(10)
- Pact Closure Systems (Philippines) Inc.(10)

SINGAPORE

- Asia Peak Pte. Ltd.(10)

UNITED STATES OF AMERICA

- Pact Retail Accessories (USA) LLC(11)
- Pact Group (USA), Inc(14)

UNITED KINGDOM

- Pact Retail Accessories (UK) Limited(14)

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(1) All entities are wholly owned

(2) Owned by Sulo MGB Australia Pty Ltd

(3) Owned by Pact Group Holdings (NZ) Limited

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

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

(6) Owned by Talent Group Development Limited

(7) Owned by Roots Investment Holding Private Limited

(8) Owned by Pact Retail Accessories (Asia) Limited

(9) Owned by Fast Star International Holdings Limited

(10) Owned by Pact Group Industries (Asia) Pty Ltd.

(11) Owned by Davmar Investments Pty Ltd

(12) Owned by Asia Peak Pte. Ltd.

(13) Owned by Ruffgar Holdings Pty Limited

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

(15) Owned by Pact Group (NZ) Limited

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

(17) Owned by Pacific BBA Plastics (NZ) Limited

(18) Owned by Pact Closure Systems (India) Private Limited

The Group owns shares in protected cell captives (**cells**) in White Rock Insurance Company PCC Limited and Mangrove Insurance Guernsey PCC Limited, for reinsurance purposes. The cells were consolidated at the reporting date. The Group is in the process of closing the cell in Mangrove Insurance Guernsey PCC Limited.

How Pact accounts for controlled entities

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

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

3.3 ASSOCIATES AND JOINT VENTURES

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

Entity[1]	Principal place of operation	About	Pact's ownership interest	Carrying value	
$'000				2023	2022
Spraypac Products (NZ) Limited	New Zealand	Is an associate company distributing plastic bottles and related spray products.	50%	**711**	686
Weener Plastop Asia, Inc.	Philippines	A joint venture with Weener Plastik Beteiligungs GmbH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	**1,623**	2,189
Gempack Asia Limited(**Gempack**)	Thailand	A joint venture with Weener Plastik Beteiligungs GmbH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	**15,894**	14,629
PT Weener Plastop Indonesia Inc	Indonesia	A joint venture with Weener Plastik Beteiligungs GmbH which manufactures closures and roll-on balls for the Personal Care and Home Care markets.	50%	**3,521**	3,087
Australian Recycled Plastic Pty Ltd	Australia	A joint venture which processes kerbside collected recyclable plastic materials to produce PET flake and HDPE flake simultaneously.	50.83%	**3,986**	4,104
Circular Plastics Australia (PET) Holdings Pty Ltd (**CPAP**)	Australia	The holding company of Circular Plastics Australia (PET) Pty Ltd and Circular Plastics Australia (PET) Vic Pty Ltd.	33.33%	**13,382**	13,118
Circular Plastics Australia Pty Ltd (**CPA**)	Australia	A joint venture which processes post consumer HDPE and PP into various forms of plastic resins and flakes for use as raw materials in the production of finished plastic products.	50.0%	**7,695**	7,676
Circular Plastics Australia (LDPE) Pty Ltd[2]	Australia	A joint venture established to develop and operate LDPE plastics recycling facility in Australia.	33.33%	**-**	-
				46,812	45,489

[1] Ownership interest at 30 June 2023 and 30 June 2022.

[2] Circular Plastics Australia (LDPE) Pty Ltd was incorporated on 1 June 2023 as a joint venture between Pact, Cleanaway Pty Ltd and Pro-Pac Group Pty Limited with equal shareholding of 33.33% each. The entity has not commenced trading at reporting date.

3.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

$'000	Gempack	CPAP(1)	CPA(2)	Other	Total
Year ended 30 June 2023					
Summarised Statement of financial position					
Cash and cash equivalents	**3,878**	**3,971**	**1,751**	**1,801**	**11,401**
Other current assets	**9,452**	**7,466**	**4**	**14,416**	**31,338**
Non-current assets	**27,443**	**96,772**	**34,545**	**9,622**	**168,382**
Current liabilities	**(4,703)**	**(11,511)**	**(2,492)**	**(4,279)**	**(22,985)**
Non-current liabilities	**(4,282)**	**(56,548)**	**(18,419)**	**(2,723)**	**(81,972)**
Net assets	**31,788**	**40,150**	**15,389**	**18,837**	**106,164**
Carrying amount of the Group's investment	**15,894**	**13,382**	**7,695**	**9,841**	**46,812**
Year ended 30 June 2022					
Summarised Statement of financial position					
Cash and Cash equivalents	5,353	7,522	3,472	1,154	17,501
Other current assets	10,396	3,430	-	14,154	27,980
Non-current assets	18,786	77,056	17,676	8,570	122,088
Current liabilities	(4,960)	(11,756)	(1,474)	(2,778)	(20,968)
Non-current liabilities	(316)	(36,894)	(4,323)	(1,797)	(43,330)
Net assets	29,259	39,358	15,351	19,303	103,271
Carrying amount of the Group's investment	14,629	13,118	7,676	10,066	45,489

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

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

$'000	Gempack	CPAP(1)	CPA(2)	Other	Total
Year ended 30 June 2023					
Summarised Statement of financial performance					
Revenue	**27,317**	**33,842**	**-**	**21,534**	**82,693**
Interest income	**2**	**68**	**43**	**-**	**113**
Interest expense	**877**	**2,187**	**-**	**298**	**3,362**
Depreciation and amortisation	**2,442**	**3,352**	**-**	**977**	**6,771**
Income tax expense / (benefit)	**434**	**(790)**	**-**	**1,099**	**743**
Net profit / (loss) for the year	**1,697**	**(1,817)**	**37**	**3,072**	**2,989**
Other comprehensive gain / (loss) for the year	**413**	**-**	**-**	**271**	**684**
Total comprehensive income / (loss) for the year	**2,110**	**(1,817)**	**37**	**3,343**	**3,673**
Group's share of profit / (loss) for the year	**848**	**(606)**	**12**	**1,520**	**1,774**
Year ended 30 June 2022					
Summarised Statement of financial performance					
Revenue	25,875	5,527	-	21,013	52,415
Interest income	2	4	-	-	6
Interest expense	665	297	-	326	1,288
Depreciation and amortisation	2,232	1,114	-	994	4,340
Income tax expense / (benefit)	22	(1,049)	-	833	(194)
Net profit / (loss) for the year	2,188	(2,449)	-	2,729	2,468
Other comprehensive loss for the year	(123)	-	-	33	(90)
Total comprehensive income / (loss) for the year	2,065	(2,449)	-	2,762	2,378
Group's share of profit for the year	1,094	(816)	-	1,367	1,645

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

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

3.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Dividends received from associates and joint ventures during the year was $1.5 million (2022: $1.1 million). Total loans and borrowings including shareholder loans provided to the joint ventures and associates was $14.0 million (2022: $11.6 million). Guarantees and other securities provided to the joint ventures and associates was $5.1 million (2022: $6.0 million).

The joint ventures and associates had capital commitments at 30 June 2023 of $0.7 million (2022: $3.6 million), out of which the Group's share of capital commitments was $0.4 million (2022: $1.8 million). No contingent liabilities were noted at 30 June 2023 (2022: nil).

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

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

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

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

Under the equity method:

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

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

SECTION 4 – OUR CAPITAL STRUCTURE

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

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

4.1 NET DEBT

Debt profile

Pact has the following interest-bearing loans and bank borrowings as at 30 June 2023:

CURRENT

$'000	Notes	2023	2022
Bank overdraft		**1,021**	2,384
Lease liabilities	2.5	**80,747**	72,022
Total current interest-bearing loans and bank borrowings		**81,768**	74,406

NON-CURRENT

$'000	Notes	2023	2022
Syndicated Facility Agreements(2)		**589,471**	589,690
Subordinated Debt Facility(2)(3)		**78,448**	75,411
Capitalised borrowing costs		**(4,312)**	(5,199)
Total bank borrowings (including capitalised borrowing costs)		**663,607**	659,902
Lease liabilities	2.5	**451,614**	413,985
Total non-current interest-bearing loans and bank borrowings		**1,115,221**	1,073,887

$'000	Notes	2023	2022
Total bank borrowings (including capitalised borrowing costs)		**663,607**	659,902
Bank overdraft		**1,021**	2,384
Cash and cash equivalents		**(79,061)**	(101,513)
Net debt before lease liabilities		**585,567**	560,773
Lease liabilities	2.5	**532,361**	486,007
Net debt(1)		**1,117,928**	1,046,780

(1) Net debt is a non-IFRS measure.

(2) The Syndicated Facility Agreements include $421.9 million of sustainability linked loans. Under this arrangement, the Group will receive loan margin benefits if annual sustainability targets are achieved and margin penalties if it underperforms. The sustainability performance targets are:
- An increase in the percentage of recycled content across Pact's packaging portfolio.
- Increasing the amount of recycled material processed and distributed to the external market.
- Reducing scope 1 and 2 greenhouse gas emissions.
- Reducing the gender pay gap.

The Group syndicated facilities are as follows:

Debt facilities

Facility	Maturity date	Total facilities $'000
Working capital facility	Revolving with an annual review	**22,938**
Loan facility	April 2025	**236,830**
Subordinated term debt facility(3)	July 2025	**74,833**
Loan facility	January 2026	**185,085**
Loan facility	January 2027	**276,594**
Term facility	December 2027	**200,000**
Total facilities		**996,280**
Facilities utilised		**665,325**
Facilities unutilised		**330,955**

(3) The Subordinated term debt facility is denominated in USD and was converted to AUD $74.8 million of subordinated financing which is fully hedged. The USD debt is translated to AUD using the AUD/USD spot rate as at 30 June 2023, and disclosed as a financial liability of $78.4 million, while the foreign currency spot component of the fair value of the hedges of $3.6 million is held in other current financial assets and cash (2022: $0.6 million).

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

4.1 NET DEBT (CONTINUED)

Fair values

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

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

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

	2023 $'000		2022 $'000	
	Carrying Value	Fair Value[1]	Carrying Value	Fair Value
Syndicated Facility Agreements	**589,471**	**589,471**	589,690	589,690
Subordinated Debt Facility	**78,448**	**78,448**	75,411	75,411
Total bank borrowings	**667,919**	**667,919**	665,101	665,101

(1) The fair value measurement of the Group's non-current borrowings represent Level 2 of the fair value hierarchy. Fair value is equivalent to carrying value as the bank borrowings are at market interest rates. Market interest rates have been used as key inputs.

Defaults and breaches

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

Finance costs and loss on de-recognition of financial assets

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

$'000	2023	2022
Interest expense on bank loans and borrowings	**42,407**	22,959
Borrowing costs amortisation	**2,077**	2,987
Amortisation of securitisation program costs	**402**	297
Sundry items	**128**	90
Total interest expense on borrowings	**45,014**	26,333
Interest expense on unwinding of provisions	**610**	481
Interest expense on lease liabilities	**31,735**	28,256
Total finance costs	**77,359**	55,070
Loss on de-recognition of financial assets	**6,524**	2,072
Total finance costs and loss on de-recognition of financial assets	**83,883**	57,142

How Pact accounts for loans and borrowings

All loans and borrowings are:

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

Fair value of the Group's interest-bearing loans and bank borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. As the underlying debt has a floating interest rate (excluding the impact of the separate interest rate swaps), the Group's own performance risk at 30 June 2023 was assessed to be insignificant.

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

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

4.1 NET DEBT (CONTINUED)

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

$'000	Notes	2023	2022
Net (loss) / profit for the year		**(6,605)**	12,178
Non cash flows in operating profit:			
Depreciation and amortisation		**131,769**	133,657
Loss / (profit) on sale of property, plant and equipment		**572**	(20,504)
Share of net profit in associates		**(1,774)**	(1,645)
Share-based payments expense		**495**	1,371
Impairment and write-off expenses		**52,586**	72,256
Inventory write downs and related disposal costs		**-**	17,775
Other		**(92)**	427
Changes in assets and liabilities:			
(Increase) / decrease in trade and other receivables		**(29,642)**	5,565
Decrease / (increase) in inventory		**31,677**	(53,065)
(Increase) in net deferred tax assets and liabilities		**(7,668)**	(10,246)
Increase in trade and other payables		**20,093**	20,692
(Decrease) / increase in employee entitlement provisions		**(171)**	2,298
(Decrease) / increase in other provisions		**(2,259)**	6,126
Decrease in current tax liabilities		**(2,583)**	(12,271)
Net cash flow provided by operating activities		**186,398**	174,614

Reconciliation to cash at the end of the year

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

$'000	2023	2022
Cash and cash equivalents	**79,061**	**101,513**
Bank overdraft	**(1,021)**	**(2,384)**
Balance per Consolidated Statement of Cash Flows	**78,040**	**99,129**

Non-cash activities

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

How Pact accounts for cash and cash equivalents

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

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft balances. Bank overdrafts are included in current liabilities on the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

4.2 CONTRIBUTED EQUITY AND RESERVES

Terms, conditions and movements of contributed equity

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

	2023		2022	
	Number of shares	$'000	Number of shares	$'000
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**344,290,053**	**1,751,706**	343,993,595	1,750,476
Issued during the period(1)	**-**	**-**	296,458	1,230
End of the year	**344,290,053**	**1,751,706**	344,290,053	1,751,706

(1) In the prior year, 296,458 shares were issued in relation to the employee share plan.

How Pact accounts for contributed equity

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

Reserves

$'000	2023	2022
Foreign currency translation reserve(1)	**23,519**	26,250
Cash flow hedge reserve(2)	**4,881**	6,071
Common control transaction reserve(3)	**(928,385)**	(928,385)
Share-based payments reserve(4)	**5,282**	4,787
Total reserves	**(894,703)**	(891,277)

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

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

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

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

4.3 MANAGING OUR FINANCIAL RISKS

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

The Group's principal financial risks are:

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

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

Managing interest rate risk

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2023[1]
Pact has variable interest rate debt, and therefore if interest rates increase, the amount of interest Pact is required to pay would also increase.	• Utilises interest rate swaps to lock in the amount of interest that Pact will be required to pay. • Considers alternative financing and mix of fixed and variable debt, as appropriate.	At 30 June 2023, the Group hedge cover is 20% (2022: 37%) of its variable debt facilities drawn excluding the Group exposure to the sale of receivables under securitisation facilities. Based on average debt during the year, a sensitivity analysis performed by the Group showed that a +1 percent movement in AUD interest rates would reduce net profit after tax in FY24 by $4.1 million and reduce equity by $3.9 million (2022: $3.1 million reduction in net profit after tax and reduce equity by $2.4 million), including the impact on discount on sale of receivables. Based on average debt in FY23, a sensitivity analysis performed by the Group showed that a +1 percent movement in NZD interest rates would reduce net profit after tax by $1.2 million and reduce equity by $1.2 million (2022: $1.2 million reduction in net profit after tax and reduce equity by $1.1 million), including the impact on the discount on sale of receivables. Sensitivity analysis performed by the Group showed that a +1 percent movement in USD interest rates would reduce net profit after tax and equity by $0.4 million (2022: $0.4 million). The total impact on net profit after tax from a +1 percentage point movement in interest rates is a reduction of $5.7 million and reduction of $5.5 million in equity (2022: $4.7 million reduction in net profit after tax and reduce equity by $4.0 million).

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

Managing foreign currency risk

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

The Group currently operates in twelve countries outside of Australia, with the following functional currencies[1]

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

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

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2023
If transactions are denominated in currencies other than the functional currency of the operating entity, there is a risk of an unfavourable financial impact to earnings if there is an adverse currency movement.	Utilises forward foreign currency contracts to eliminate or reduce currency exposures of the net Group exposure once the Group has entered into a firm commitment for a purchase.	The Group has a significant exposure to the USD against the AUD and NZD from USD purchase commitments, while the Group's exposure to sales denominated in currencies other than the functional currency of the operating entity is less than 1%. At 30 June 2023, the Group has the majority of its foreign currency committed purchase orders hedged. Sensitivity analysis of the foreign currency net transactional exposures (including hedges) was performed to movements in the Australian dollar against the relevant foreign currencies, with all other variables held constant, taking into account all underlying exposures and related hedges. This analysis showed that a 10% movement in its major trading currencies would not materially impact net profit after tax and would have the following impact on equity for the largest hedging position AUD/USD ($1.3) million to $1.6 million.
As Pact has entities that do not have an Australian dollar functional currency, if currency rates move adversely compared to the AUD, then the amount of AUD-equivalent profit would decrease, and the balance sheet net investment value would decline.	Pact utilises borrowing in the functional currency of the overseas entity to naturally hedge offshore entities where considered appropriate. The foreign currency debt provides a balance sheet hedge of the asset, while the foreign currency interest cost provides a natural hedge of the offshore profit.	Sensitivity analysis performed by management showed that a 10% +/- movement in its major translational currencies as at 30 June 2023 would have the following impact on equity: • AUD/NZD ($8.2) million to $10.0 million • AUD/CNY ($12.1) million to $14.8 million • AUD/USD ($4.7) million to $5.8 million • AUD/PHP ($2.4) million to $3.0 million Sensitivity analysis performed by management showed that a 10% +/- movement in its major translational currencies during the year, would have the following impact on net profit after tax: • AUD/NZD ($1.6) million to $1.9 million • AUD/CNY ($0.7) million to $0.8 million • AUD/USD ($1.5) million to $1.9 million

Managing liquidity risk

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2023
The risk that Pact cannot meet its obligations to repay its financial liabilities as and when they fall due.	• Having access to an adequate amount of committed credit facilities. • Maintains a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and debtor securitisation.	The Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future the Group will be able to pay its debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

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

$'000	≤ 6 months	6–12 months	1–5 years	> 5 years	Total
Year ended 30 June 2023					
Financial assets(1)					
Cash and cash equivalents	**79,061**	**-**	**-**	**-**	**79,061**
Trade and other receivables	**146,262**	**-**	**-**	**-**	**146,262**
Interest rate swaps	**2,018**	**1,543**	**817**	**-**	**4,378**
Foreign exchange forward contracts(2)	**193,483**	**683**	**-**	**-**	**194,166**
Total inflows	**420,824**	**2,226**	**817**	**-**	**423,867**
Financial liabilities(1)					
Trade and other payables	**(389,926)**	**-**	**-**	**-**	**(389,926)**
Foreign exchange forward contracts(2)	**(189,710)**	**(674)**	**-**	**-**	**(190,384)**
Interest-bearing loans and bank borrowings(3)(4)	**(24,351)**	**(24,976)**	**(761,350)**	**-**	**(810,677)**
Total outflows	**(603,987)**	**(25,650)**	**(761,350)**	**-**	**(1,390,987)**
Net outflow	**(183,163)**	**(23,424)**	**(760,533)**	**-**	**(967,120)**
Year ended 30 June 2022					
Financial assets(1)					
Cash and cash equivalents	101,513	-	-	-	101,513
Trade and other receivables	125,085	-	-	-	125,085
Interest rate swaps	1,054	2,376	5,555	-	8,985
Foreign exchange forward contracts(2)	145,601	7,920	333	-	153,854
Total inflows	373,253	10,296	5,888	-	389,437
Financial liabilities(1)					
Trade and other payables	(397,029)	-	-	-	(397,029)
Foreign exchange forward contracts(2)	(142,792)	(8,025)	(341)	-	(151,158)
Interest-bearing loans and bank borrowings(3)(4)	(14,137)	(13,907)	(544,256)	(205,275)	(777,575)
Total outflows	(553,958)	(21,932)	(544,597)	(205,275)	(1,325,762)
Net outflow	(180,705)	(11,636)	(538,709)	(205,275)	(936,325)

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

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

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

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

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

$'000	1 July 2022	Cash flows	Non-cash changes	Foreign exchange movement	30 June 2023
Lease liabilities	**(486,007)**	**54,350**	**(98,293)**	**(2,411)**	**(532,361)**
Non-current interest-bearing loans and bank borrowings	**(659,902)**	**2,973**	**(887)**	**(5,791)**	**(663,607)**
Total liabilities from financing activities	**(1,145,909)**	**57,323**	**(99,180)**	**(8,202)**	**(1,195,968)**

Managing credit risk

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

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

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

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

Commodity price risk

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

4.4 FINANCIAL INSTRUMENTS

Utilising hedging contracts to manage risk

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

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

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

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

Derivative financial instruments are:

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

The fair value of:

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

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

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

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

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4.4 FINANCIAL INSTRUMENTS (CONTINUED)

Effect on financial position and performance – hedging instruments

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

$'000	Hedged item	Notional amount	Carrying amount Asset / (Liability)	Change in fair value(4)	Cash flow hedge reserve	Effective proportion reclassified to profit or loss
Year ended 30 June 2023						
Foreign exchange forward contracts(5)	Committed purchases	**113,200**	**2,666**(1) **(91)**(2)	**(128)**	**502**	**1,853**(7)
FX debt forwards (5)	FX component of debt	**77,184**	**1,207**(6)	**761**	**6**	**1,199**(6)
Interest rate swaps(5)	Floating component of debt	**95,927**	**4,375**(8) (3)	**(4,574)**	**4,492**	**116**
Year ended 30 June 2022						
Foreign exchange forward contracts(5)	Committed purchases & FX component of Debt	151,209	3,581 (879)	1,251	(24)	2,574
Cross currency swaps(5)	FX component of debt	50,287	446	4,592	(15)	578
Interest rate swaps(5)	Floating component of debt	245,098	8,949	13,121	6,311	68

(1) The carrying amount is included in Other current financial assets in the Consolidated Statement of Financial Position.

(2) The carrying amounts included in Other current financial liabilities in the Consolidated Statement of Financial Position.

(3) The carrying amount of $2.6 million is included in Other non-current financial assets, $1.6 million is included in Other current financial assets in the Consolidated Statement of Financial Position.

(4) The change in fair value represents the difference between the current and previous period carrying amount of net hedge assets and hedge liabilities.

(5) The fair value measurement of the hedging instruments represent Level 2 of the fair value hierarchy.

(6) The carrying amount is included in Other current financial assets in the Consolidated Statement of Financial Position. The carrying amount recognised is the fair value of the Cross currency swaps or FX forwards, which are used to hedge the USD loan. The impact from movements in foreign currency rates was a favourable $1.0 million (with a $0.2 impact on accrued interest). The impact from movements in foreign currency rates fully offsets the translation of the USD loan.

(7) A gain of $1.9 million (2022 $2.6m million gain) is included in Other (losses) / gains - FX gains/loss in the Consolidated Statement of Comprehensive Income, as it is taken to profit and loss to match the underlying. The ineffective proportion taken to Consolidated Statement of Comprehensive Income was immaterial, less than $10,000.

(8) The carrying amount of the Interest rate swaps excludes $2.2 million of cash that was received on closing an interest rate swap, which is still considered effective and yet to be recognised in profit and loss.

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

$'000	2023	2022
Opening balance of cash flow hedge reserve	**6,071**	(3,172)
Effective portion of changes in fair value arising from:		
- Foreign exchange forward contracts	**751**	(424)
- FX debt forwards / Cross currency swaps	**30**	387
- Interest rate swaps	**(2,599)**	13,189
FX impact	**123**	36
Tax effect	**505**	(3,945)
Closing balance of cash flow hedge reserve	**4,881**	6,071

How Pact accounts for foreign currency transactions

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

Non-monetary items that are measured at:

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

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

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

SECTION 5 – REMUNERATING OUR PEOPLE

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

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

5.1 EMPLOYEE BENEFITS EXPENSES AND PROVISIONS

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

$'000	2023	2022
Wages and salaries	**413,530**	392,246
Defined contribution superannuation expense	**24,603**	22,688
Other employee benefits expense	**26,340**	25,308
Share-based payments expense	**495**	1,558
Total employee benefits expense	**464,968**	441,800

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

Annual leave	**24,230**	26,102
Long service leave	**22,847**	18,588
Total current provisions	**47,077**	44,690

The Group's non-current employee benefits provisions of $6.4 million relate to long service leave entitlements of $4.3 million (2022: $6.6 million), and a defined benefit net liability of $2.1 million (2022: $2.2 million). The defined benefit net liability resides in six foreign jurisdictions.

How Pact accounts for employee benefits

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

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

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

5.2 SHARE-BASED PAYMENTS

Long-term incentive plan (LTIP)

Under the 2023 LTIP scheme 651,078 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 16 November 2022), and 618,366 performance rights were granted to senior executives and employees. These performance rights have performance hurdles and vesting conditions consistent with those outlined in the Remuneration Report. The rights were independently valued to establish the fair value in accordance with AASB 2: *Share-based payments*. The fair value of each right granted to the CEO at the valuation date of 16 November 2022 is $0.30. The fair value of each right granted to the senior executives and employees at the valuation date of 1 December 2022 is $0.31.

The key assumptions in the independent valuation in relation to 2023 LTIP were as follows:

Share price at valuation date	**$1.08**
Volatility of underlying share	**45.0%**
Annual dividend yield	**7.7%**
Risk free rate	**3.2%**
Expected life of performance right	**36 months**
Model used	**Hybrid Trinomial model with Relative TSR hurdles**

5.2 SHARE-BASED PAYMENTS (CONTINUED)

Under the LTIP, all participants receive an allocation of performance rights. The number of performance rights allocated to the participants is based on their maximum LTI opportunity divided by the five-day VWAP following public announcement of the prior year's financial results. Each performance right entitles the LTIP participant to one share for each right held upon vesting and automatic exercise (or to receive a cash equivalent value, at the discretion of the Board). The performance rights carry no voting or dividend rights.

Approval for the issue of performance rights to the CEO was obtained under ASX Listing rule 10.14. Other information regarding performance conditions attaching to these performance rights are set out in the Company's Notice of Annual General Meeting released to the ASX on 12 October 2022.

Total share-based payments expense recognised in the current period was $495,000 (2022: $1,558,000).

5.3 KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel of the Group

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

$'000	2023	2022
Short-term employee benefits	**3,130**	2,464
Post-employment benefits	**59**	66
Share-based payments expense	**477**	645
Total compensation	**3,666**	3,175

Related party transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2023:

$'000	Year	Sales	Purchases	Other expenses	Net amounts receivable
Related parties – Director's interests[1]	**2023**	**8,167**	**3,184**	**6,339**	**954**
	2022	15,094	3,364	5,853	1,456

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

Sales to related parties

The Group has sales of $8.2 million (2022: $15.1 million) to related parties including Green's General Foods Pty Ltd, The Reject Shop Limited, Remedy Kombucha Pty Ltd, Propax Pty Ltd, Gem-Care Products Pty Ltd, The Hive (Australia) Pty Ltd, BG Wellness Holdings Pty Ltd and Brimful Beverages Pty Ltd. Sales are for Packaging & Sustainability and Contract Manufacturing.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity in which Raphael Geminder owns 66.52% (2022: 57.4%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The Group's supply agreement with Pro-Pac expired on 31 December 2021 and is now continuing on a month-on-month basis. The total value of this arrangement is approximately $3.2 million (2022: $3.3 million). The agreement is on commercial terms which the Board has determined are at arms' length in accordance with section 210 of the *Act*.

Property leases with related parties

The Group leased 10 properties (8 in Australia and 2 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd, which are each controlled by entities associated with Raphael Geminder and are therefore related parties of the Group (**Centralbridge Leases**). The aggregate annual rent payable by Pact under the Centralbridge Leases for the period ended 30 June 2023 was $6.2 million (June 2022: $5.9 million). The rent payable under the leases was determined based on independent valuations and market conditions at the time the leases were commercially agreed. As at 30 June 2023, the total lease liabilities owing to Centralbridge Leases is $34.2 million (June 2022: $32.4 million). The leases are on commercial terms which the Board has determined are at arms' length in accordance with section 210 of the *Act*.

SECTION 6 – OTHER DISCLOSURES

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

6.1 BASIS OF PREPARATION

Basis of preparation and compliance

This Report:

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

The Group is in a net current liability position at balance date; however, the Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future, the Group will be able to pay its debts as and when they fall due.

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

Comparatives

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

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

6.2 OTHER (LOSSES) / GAINS

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

$'000	2023	2022
Underlying adjustments		
Underlying adjustments in other losses	**(13,815)**	(4,916)
Other (losses) / gains		
Unrealised gains on revaluation of foreign exchange forward contracts	**661**	976
Loss on sale of property, plant and equipment	**(572)**	(1,001)
Realised net foreign exchange losses	**(2,123)**	(1,552)
Total other losses	**(2,034)**	(1,577)
Total losses before tax	**(15,849)**	(6,493)

6.3 PACT GROUP HOLDINGS LTD – PARENT ENTITY FINANCIAL STATEMENTS SUMMARY

$'000	2023	2022
Current assets	**74,861**	79,679
Non-current assets	**1,485,945**	1,671,673
Total assets	**1,560,806**	1,751,352
Current liabilities	**3,093**	3,093
Total liabilities	**3,093**	3,093
Net assets	**1,557,713**	1,748,259
Issued capital	**1,571,706**	1,571,706
Reserves	**5,165**	4,670
Retained earnings	**(185,812)**	64
Profit reserve	**166,654**	171,818
Total equity	**1,557,713**	1,748,259
Loss of the Parent entity(1)	**(185,876)**	-
Total comprehensive loss of the Parent entity	**(185,876)**	-

(1) Loss relates to an impairment in the carrying value of investments in subsidiaries in the parent entity. Impairment write downs at parent entity level are eliminated on consolidation and assessed at a Group level.

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

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

Kin Group Pty Ltd has assessed that it does have the capacity to control Pact Group Holdings Ltd as at 30 June 2023 through its share ownership of 49.76% (2022: 46.8%). Therefore, Kin Group Pty Ltd is considered to be the ultimate parent entity of Pact Group Holdings Ltd when the de facto control considerations contained under AASB 10 are assessed.

Other Commitments and guarantees

At 30 June 2023, Pact had bank guarantees and other trade finance arrangements totalling $21.0 million (2022: $17.7 million) in respect of various property leases, and other contractual obligations.

How Pact accounted for information within parent entity financial statements

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

- Investments in subsidiaries are accounted for at cost in the financial statements of the Company.

6.4 DEED OF CROSS GUARANTEE

$'000	2023	2022
Closed group consolidated income statement		
Loss before income tax	**(32,467)**	(41,544)
Income tax benefit	**10,064**	11,077
Net loss for the year	**(22,403)**	(30,467)
Retained earnings at beginning of the year	**(238,803)**	(175,629)
Net loss for the year	**(22,403)**	(30,467)
Dividends paid	**(5,164)**	(32,707)
Retained earnings at end of the year	**(266,370)**	(238,803)
Closed group consolidated balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	**29,259**	17,405
Trade and other receivables	**73,374**	47,172
Inventories	**136,970**	153,721
Contract assets	**14,712**	11,680
Loans to related parties	**58,354**	126,899
Current tax assets	**-**	4,624
Other current financial assets	**2,970**	3,154
Prepayments	**8,708**	5,076
TOTAL CURRENT ASSETS	**324,347**	369,731
NON-CURRENT ASSETS		
Prepayments	**1,157**	1,910
Property, plant and equipment	**649,165**	609,073
Investments in subsidiaries	**490,010**	518,686
Investments in associates and joint ventures	**42,580**	40,734
Intangible assets and goodwill	**203,445**	203,757
Other non-current financial assets	**2,628**	6,393
Deferred tax assets	**43,543**	35,639
TOTAL NON-CURRENT ASSETS	**1,432,528**	1,416,192
TOTAL ASSETS	**1,756,875**	1,785,923
CURRENT LIABILITIES		
Trade and other payables	**243,451**	211,728
Loans from related parties	**67,480**	124,068
Current tax liability	**1,437**	-
Employee benefits provisions	**40,572**	37,820
Other provisions	**-**	1,330
Lease liabilities	**55,610**	48,489
Other current financial liabilities	**77**	832
TOTAL CURRENT LIABILITIES	**408,627**	424,267
NON-CURRENT LIABILITIES		
Employee benefits provisions	**3,814**	6,143
Other provisions	**9,056**	8,907
Interest-bearing loans and bank borrowings	**507,907**	522,018
Lease liabilities	**312,640**	284,940
TOTAL NON-CURRENT LIABILITIES	**833,417**	822,008
TOTAL LIABILITIES	**1,242,044**	1,246,275
NET ASSETS	**514,831**	539,648
EQUITY		
Contributed equity	**1,751,706**	1,751,706
Reserves	**(970,505)**	(973,255)
Retained earnings	**(266,370)**	(238,803)
TOTAL EQUITY	**514,831**	539,648

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

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

6.5 AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the Company's external auditor Ernst & Young:

$	2023	2022
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	**1,915,020**	1,433,500
Fees for other assurance and agreed upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**93,645**	84,480
Fees for other services:		
Tax compliance	**126,785**	186,785
Tax advisory	**213,325**	435,352
Remuneration services	**-**	-
Consulting fees	**279,325**	971,051
Total fees to Ernst & Young (Australia)	**2,628,100**	3,111,168
Fees to other overseas member firms of Ernst & Young		
Fees for auditing the financial report of any controlled entities	**646,631**	646,661
Fees for other assurance and agreed upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**-**	-
Fees for other services:		
Tax compliance	**29,390**	6,591
Tax advisory	**70,974**	431,037
Total Fees to other overseas member firms of Ernst & Young	**746,995**	1,084,289
Total auditor's remuneration	**3,375,095**	4,195,457

6.6 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

$'000	2023	2022
Packaging & Sustainability	**1,452,752**	1,507,092
Materials Handling & Pooling	**515,164**	510,400
Contract Manufacturing	**222,300**	155,087
Total Segment Assets	**2,190,216**	2,172,579
Reconciliation to total assets[1]:		
Receivables included in securitisation programs	**(149,516)**	(145,354)
Deferred tax assets	**44,380**	36,268
Inter-segment eliminations	**(2,894)**	(332)
TOTAL ASSETS	**2,082,186**	2,063,161

Segment liabilities

$'000	2023	2022
Packaging & Sustainability	**666,301**	659,176
Materials Handling & Pooling	**184,279**	178,481
Contract Manufacturing	**143,505**	119,951
Total Segment Liabilities	**994,085**	957,608
Reconciliation to total liabilities[1]:		
Interest-bearing liabilities	**664,629**	662,286
Income tax payable	**11,096**	13,105
Deferred tax liabilities	**6,579**	6,717
Inter-segment eliminations	**(2,894)**	(332)
TOTAL LIABILITIES	**1,673,495**	1,639,384

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

6.7 GEOGRAPHIC REVENUE

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

$'000	2023	2022
Australia	**1,312,065**	1,189,943
New Zealand	**356,828**	338,754
Asia and others	**279,705**	309,000
TOTAL	**1,948,598**	1,837,697

6.8 SUBSEQUENT EVENTS

As announced to the ASX on 24 July 2023, the Company has extended its existing contract to own, operate, wash and store a crate pool for Woolworths Group (**Woolworths Contract**) for a further 10 years, upon expiry of the existing contract term. Pact's crate manufacturing and pooling business forms part of its Materials Handling & Pooling segment. The current annual revenue generated by Pact in connection with the Woolworths Contract exceeds $50 million per annum. Woolworths Group had an option under the Woolworths Contract to purchase 50% of the shares in the Pact entity that provides services to Woolworths. Woolworths has agreed to remove this option.

Pact has announced the sale of 50% of its Crate Pooling and Crate Manufacturing business to Morrison & Co. a global infrastructure investment manager. Completion is expected later this calendar year and it is subject to regulatory and other approvals. Pact will retain 50% ownership of the business via a joint venture.

In the opinion of the Directors, other than the matters aforementioned, there have been no other material matters or circumstances which have arisen between 30 June 2023 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The consolidated financial statements and notes, and the remuneration report included in the Directors' report are in accordance with the *Corporations Act 2001* (Cth) including:
    - (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date;
    - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
    - (c) complying with International Financial Reporting Standards as disclosed in Note 6.1;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. As at the date of this Declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee described in Note 6.4.

This declaration has been made after receiving the declarations required to be made to the Directors by the Group Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

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

Dayal

Raphael Geminder
Chairman

Sanjay Dayal
Managing Director and Group Chief Executive Officer

16 August 2023

Building a better
working world

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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

Why significant	How our audit addressed the key audit matter
At 30 June 2023, the Group's consolidated statement of financial position includes property, plant and equipment of $1,048.2 million and intangible assets and goodwill of $428.5 million, collectively representing 71% of total assets. The Group performs an annual impairment test of its property, plant and equipment, intangible assets and goodwill for all identified Cash Generating Units ("CGU"s). During the financial year, an impairment expense totalling $52.6 million was recognised against assets in the Packaging & Sustainability Australia and Packaging China CGUs. The carrying value of property, plant and equipment, intangible assets and goodwill was considered a key audit matter due to the significance of these balances, the complexity of the impairment assessment process due to the judgements in estimating future market conditions and the profit downgrade announced by the Group during the financial year. Judgements that are inherently subjective include: - Future cash flow assumptions; - Discount rate and terminal growth rate assumptions; and - Sensitivities applied to the impairment test. The Group's disclosures regarding property, plant and equipment, intangible assets and goodwill are included in Note 2.2.	We examined the Group's impairment models, including the forecast cash flows used in the Group's impairment assessment. In conjunction with our valuation specialists, we: - Assessed the identification of the Cash Generating Units where impairment testing is performed, taking into consideration the levels at which Management monitors business performance and the interdependency of cash flows - Assessed whether the forecast cash flows, used in the impairment testing model, were consistent with the most recent Board approved cash flow forecasts - Performed a comparison to the Group's historical trading performance when considering future cashflow assumptions - Assessed the other key assumptions such as discount rates and growth rates with reference to publicly available information on comparable companies in the industry and markets in which the Group operates - Tested the mathematical accuracy of the impairment models - Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards - Evaluated the Group's sensitivity calculations, including evaluating the Group's assessment of whether any reasonably possible change in these key assumptions would result in an impairment to property, plant and equipment, intangible assets or goodwill - We assessed the adequacy of disclosures in relation to the impairment testing of property, plant and equipment, intangible assets and goodwill in Note 2.2.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Pact Group Holdings Ltd for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

David Shewring Partner	Wilfred Liew Partner

Melbourne
16 August 2023