ASX ANNOUNCEMENT

DATE: 24 August 2016

Financial Report – 30 June 2016

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

1. Preliminary Final Report for the year ended 30 June 2016 (Appendix 4E)
2. Review of Operations and Financial Performance
3. Consolidated Financial Report including the Directors' Report for the full year ended 30 June 2016

Dividend

The Directors have determined a final dividend for the six months to 30 June 2016 of 11 cents per share which will be 65% franked. The record date for determining dividend entitlements is 2 September 2016. The dividend will be paid on 6 October 2016.

Annual General Meeting

The Directors have resolved to convene the Annual General Meeting of the Company on Wednesday 16 November 2016 commencing at 11am to be held at Pact Group Head Office, Building 6, 650 Church Street, Richmond, Victoria.

For further information, contact:

NAME:	Richard Betts
POSITION:	Chief Financial Officer
CONTACT NUMBER:	+613 8825 4100

PACT GROUP HOLDINGS LTD
ABN 55 145 989 644

Level 1, Building 6,
650 Church Street, Richmond VIC 3121 Australia
P +61 3 8825 4100 **F** +61 3 9815 8388 **W** pactgroup.com.au

APPENDIX 4E

Pact Group Holdings Ltd

ABN 55 145 989 644

Preliminary Final Report

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

Reporting Period:	Previous Corresponding Period:
Year ended 30 June 2016	**Year ended 30 June 2015**

2. Results for announcement to the market

	30 June 2016 $'000	**30 June 2015 $'000**	**% Change**
2.1 Revenue from Ordinary Activities[(1)]	1,387,448	1,253,131	10.72%
2.2 Net profit/(loss) from ordinary activities after tax attributable to members[(1)]	85,051	67,632	25.76%
2.3 Net profit/(loss) for the period attributable to members[(1)]	85,051	67,632	25.76%

Dividends	**Amount per security**	**Franked amount per security**	**Unfranked amount per security sourced from the conduit foreign income account**	**Total Dividend amount $'000**	**Date paid / payable**
2.4 Current year to 30 June 2016					
Final Dividend (per ordinary share) [(1)]	11.00 cents	7.15 cents	3.85 cents	32,644	6 October 2016
Interim Dividend (per ordinary share) [(1)]	10.00 cents	6.50 cents	3.50 cents	29,653	6 April 2016
2.4 Prior Year to 30 June 2015					
Final Dividend (per ordinary share)	10.00 cents	6.50 cents	3.50 cents	29,456	5 October 2015
Interim Dividend (per ordinary share)	9.50 cents	-	9.50 cents	27,944	2 April 2015

2.5 Record date for determining entitlements to the 2016 final dividend: 2 September 2016

Comments

[(1)] Refer to the Full Year Consolidated Financial Report, the Media Release and Results Presentation released today for further explanations of the figures presented in 2.1 – 2.4 above.

3. Consolidated Statement of Comprehensive Income

Refer to the Consolidated Statement of Comprehensive Income and accompanying notes in the audited Full Year Consolidated Financial Report.

4. Consolidated Statement of Financial Position

Refer to the Consolidated Statement of Financial Position and accompanying notes in the audited Full Year Consolidated Financial Report.

5. Consolidated Statement of Cash Flows

Refer to the Consolidated Statement of Cash Flows and accompanying notes in the audited Full Year Consolidated Financial Report.

6. Statement of Retained Earnings

Refer to the Consolidated Statement of Changes in Equity in the Full Year Consolidated Financial Report.

7. Net tangible assets

	30 June 2016	30 June 2015
Net tangible asset backing per ordinary security	$(0.16)	$(0.04)

Goodwill has increased by $78.3m from the prior period primarily due to acquisitions funded by debt, resulting in net tangible asset backing per ordinary security increasing from $(0.04) to $(0.16).

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

Refer to the Full Year Consolidated Financial Report, Section 2.1 Businesses Acquired. There were no business disposals during the period.

9. Details of individual dividends and payment dates

Refer to sections 2.4 and 2.5 above and the Full Year Consolidated Financial Report, Section 1.3 Dividends.

10. Details of dividend reinvestment plan

No dividend reinvestment plan will be activated for the current period.

11. Details of associates and joint venture entities

Refer to the Full Year Consolidated Financial Report, Section 2.3 Associates and Joint Ventures.

12. Other significant information

Refer to the Media Release.

13. For foreign entities, which set of accounting standards is used in compiling the report

For foreign entities International Financial Reporting Standards are used in compiling this report.

14. Earnings per share

Refer to the Full Year Consolidated Financial Report, Section 1.1 Group Results.

15. Commentary on results for the period

Refer to the Full Year Consolidated Financial Report, Media Release and Results Presentation.

16. Compliance Statement

This report is based on, and should be read in conjunction with the audited Full Year Consolidated Financial Report for the year ended 30 June 2016.

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Jonathon West

Company Secretary

Dated: 24 August 2016

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

The Group has reported statutory net profit after tax (NPAT) for the year ended 30 June 2016 of $85.1 million, compared to $67.6 million in the prior corresponding period (pcp). NPAT before significant items[3] for the year was $94.3 million (pcp: $85.2 million).

SUMMARY

- Sales revenue up 10.6% to $1,381.3 million (pcp: $1,249.2 million)
- EBITDA before significant items[1] up 5.5% to $220.2 million (pcp: $208.7 million)
- EBIT before significant items[2] up 6.6% to $162.5 million (pcp: $152.4 million)
- NPAT before significant items[3] up 10.7% to $94.3 million (pcp: $85.2 million)
- Efficiency Program announced in FY2015 is substantially complete, with $6.6 million EBIT benefits delivered in the period
- Continued strong cash generation and a robust balance sheet – gearing[4] of 2.3x and interest cover[5] of 7.2x
- Significant growth initiatives realised in the period including four acquisitions and the entering into a contract to provide crate pooling services in Australia from FY2018
- Final ordinary dividend of 11.0 cents per share, delivering total dividends for the year of 21.0 cents per share, up 7.7% (pcp: 19.5 cents per share)
- Total Shareholder Return (TSR) of 33.5%[6]

GROUP RESULTS

Year ended 30 June $'000	2016	2015
Sales revenue	**1,381,338**	1,249,153
Other revenue (excluding interest revenue)	**8,204**	5,292
Expenses	**(1,169,385)**	(1,045,767)
EBITDA (before significant items)[1]	**220,157**	208,678
EBITDA margin (before significant items)	***15.9%***	*16.7%*
Depreciation and amortisation	**(57,688)**	(56,249)
EBIT (before significant items)[2]	**162,469**	152,429
EBIT margin (before significant items)	***11.8%***	*12.2%*
Significant items (before tax)	**(11,506)**	(23,547)
EBIT	**150,963**	128,882
Net finance costs expense	**(30,511)**	(33,034)
Income tax expense	**(37,655)**	(34,122)
Significant tax items	**2,247**	5,965
NPAT	**85,044**	67,691
Minority interests	**7**	(59)
Net profit after tax attributable to shareholders	**85,051**	67,632

Sales Revenue

Group sales revenue increased 10.6% ($132.1 million) to $1,381.3 million, compared to the pcp, with growth from acquisitions delivering $203 million in revenue. Contributions from acquisitions made during the period included:

- Jalco - a contract manufacturing, filling and packing business based in New South Wales, acquired in September 2015;
- Stowers Containment Solutions – a New Zealand based distributor of containment solutions, acquired February 2016;
- Power Plastics - a New South Wales based manufacturer of rigid plastic containers, acquired in March 2016; and
- Ecopolymers - a plastics recycler based in Queensland, acquired in May 2016.

In addition, the full year impact of acquisitions made in the last financial year had a positive impact. Sales benefitted slightly from favourable currency translation and price increases largely associated with inflationary impacts. These benefits were partly offset by lower underlying net sales volumes, particularly in the dairy, agricultural and industrial sectors, generally subdued demand conditions across most other sectors, and net contract losses in the period.

EBIT (before significant items)

The Group reported EBIT (before significant items) of $162.5 million, up 6.6% ($10.0 million) versus the pcp. EBIT was favourably impacted by acquisitions (+$10.3 million), the 2015 Efficiency Program ($6.6 million) and benefits delivered through property management, including property sales ($4.1 million) and lower lease related costs ($3.2 million). These benefits were partly offset by the EBIT impact of lower net sales volumes (-$9.5 million), and other costs, largely associated with facility start-up costs in Australia (-$2.0 million) and Indonesia (-$0.7 million) and management transitions in the period (-$1.2 million).

Focus on lowering the Group's overall cost of production remains a key priority and during the year the Efficiency Program announced in 2015 was substantially completed. EBIT growth, delivered in challenging market conditions, once again demonstrates the resilience of the business and the benefits of diversification.

EBIT margins in the underlying business were improved. Although group margins declined to 11.8% from 12.2%, this was primarily due to lower margins in the acquired businesses. Resin prices, in Australian dollar terms, were steady and costs were well controlled.

Significant items

Pre-tax significant items for the year were an expense of $11.5 million. This related to costs associated with the Efficiency Program announced in 2015 ($8.6 million) and acquisition costs ($2.9 million). The pre-tax significant items of $23.5 million in the prior year also related to the Efficiency Program ($20.8 million) and acquisition costs ($2.7 million).

Net finance costs

Net financing costs for the period were $30.5 million. The decrease in financing costs of $2.5 million compared to the pcp reflects the beneficial impact of the refinancing completed in June 2015, the securitisation program, also established in June 2015, and reductions in market interest rates.

Income tax expense and significant tax items

The income tax expense for the year was $37.7 million and represents 28.5% of net profit before tax and significant items, broadly in line with the statutory tax rates payable across the Group's main operating locations. This compares to $34.1 million in the pcp at a similar effective tax rate.

The significant tax item for the year is a benefit of $2.2 million relating to the significant items noted above. In the prior year the significant tax item was a benefit of $6.0 million, also relating to the Efficiency Program and acquisition costs.

Net profit after tax

Group net profit after tax attributable to shareholders for the financial year was $85.1 million compared to $67.6 million in the pcp. Excluding significant items, net profit after tax attributable to shareholders was $94.3 million, an increase of $9.1 million over the pcp.

BALANCE SHEET

Net debt at the end of the financial year was $509.6 million, $69.3 million higher than the prior corresponding period. The increase in net debt primarily reflects funding requirements of $113.9 million for acquisitions made during the year, partly offset by the underlying cash generation of the business.

The Group has retained a robust balance sheet. At 30 June 2016 gearing (closing net debt / EBITDA) was 2.3 times, up from 2.1 times in the pcp due to the funding requirements for acquisitions. This remains well within management's target range of less than 3 times.

Total debt facilities comprise of a A$590.0 million facility and a NZ$180.0 million facility, each equally split between tranches maturing in July 2018 and July 2020. Average tenor is 3 years. Unused facilities at 30 June 2016 were $197.3 million.

CASHFLOW

Statutory operating cashflow including proceeds from the securitisation program was $160.8 million, $89.6 million lower than the pcp. The inflow from securitisation of trade debtors was $18.7 million in the financial year compared to $96.9 million in the pcp. Excluding securitisation inflows, statutory operating cashflow was $11.4 million lower than the pcp, primarily due to higher income tax cash payments.

Payments for property, plant and equipment were $52.1 million compared to $43.4 million in the pcp. The increase includes capital expenditure in acquired businesses (mainly Jalco), expenditure relating to the integration of acquisitions and an initial $2.7 million in capital expenditure relating to the establishment of a crate pooling business in Australia.

Payments for purchase of businesses and subsidiaries of $113.9 million includes Jalco ($76.1 million), Power Plastics ($15.0 million), Stowers Containment Solutions ($13.9 million), Ecopolymers ($1.4 million) and a $7.2 million deferred payment relating to the Sulo acquisition from 2014.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

Pact Australia

Pact Australia comprises the Group's operations in Australia where it has operating sites in New South Wales, Victoria, Tasmania, Queensland and Western Australia. Pact Australia contributed 74% of the Group's total sales revenue in the year ended 30 June 2016.

$'000	30 June 16 Actual	30 June 15 Actual
Sales Revenue	**1,027,939**	889,911
EBIT before significant items	**95,635**	86,313
EBIT Margin %	***9.3%***	*9.7%*

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

Sales revenue grew by $138.0 million compared to the pcp, or 15.5%, positively impacted by acquisitions. Excluding acquisitions, volumes were lower. Growth in the materials handling sector was more than offset by softer demand in the agricultural and industrial sectors, impacted by unfavourable weather conditions, weaker mining markets, and the impact of net contract losses.

EBIT (before significant items) of $95.6 million was up $9.3 million or 10.8% compared to the pcp. Earnings growth was delivered through acquisitions and efficiency benefits, including benefits delivered through the 2015 Efficiency Program, property sales and lower lease related costs. These benefits more than offset the impact of lower underlying volumes and costs associated with management transition and facility start-up costs in the period.

The EBIT margin of 9.3% was lower than the prior year, negatively impacted by lower margins in the acquired businesses, partly impacted by the costs of integration. Excluding acquisitions, underlying margins improved.

Pact International

Pact International comprises the Group's operations in New Zealand, China, the Philippines, Indonesia, Singapore and Thailand. Pact International contributed 26% of the Group's total sales revenue in the year ended 30 June 2016.

$'000	30 June 16 Actual	30 June 15 Actual
Sales Revenue	**353,399**	359,242
EBIT before significant items	**66,834**	66,116
EBIT Margin %	***18.9%***	*18.4%*

Pact International achieved growth in EBIT before significant items despite slightly lower sales revenue.

Sales revenue of $353.4 million was down $5.8 million, or 1.6%, versus the pcp. The business achieved higher volumes in the material handling sector, through the supply of household bins and industrial crates, and benefitted from the acquisition of Stowers, as well as overall favourable foreign exchange conditions in the year. These positive impacts were more than offset by lower volumes from weaker demand in the dairy and industrial sectors, and the impact to sales from ownership changes in South East Asia (from 100% owned to JV).

EBIT (before significant items) at $66.8 million was up $0.7 million, or 1.1% compared to the pcp. Earnings growth was delivered through the contribution of the acquired Stowers business and efficiency savings. These benefits more than offset lower underlying sales volumes and start-up costs relating to the new Indonesian manufacturing facility, which was commissioned in December 2015.

The EBIT margin of 18.9% improved from 18.4% in the pcp.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

OTHER EVENTS OF SIGNIFICANCE

Acquisitions

On 1 September 2015 the Group completed the acquisition of 100% of the issued share capital of Jalco Group Pty Limited (Jalco) and its controlled entities. Jalco is a leading supplier of contract manufacturing, filling and packing in the non-food FMCG sector. This acquisition is part of the Group's overall strategy to deepen its existing FMCG customer relationships and to enter new areas of growth serving customers in this sector. Total purchase consideration was $80.1 million (including deferred settlement), and the acquisition was funded through Group debt facilities.

During the year the Group also completed the acquisition of Power Plastics Pty Ltd (1 March 2016) for total purchase consideration of $25.2 million; the business assets of Stowers Containment Solutions Ltd (29 February 2016) for total purchase consideration of $13.9 million; and the business assets of Ecopolymers Pty Ltd (3 May 2016) for total purchase consideration of $2.9 million.

Crate pooling

On 16 May 2016 the Group announced that it had entered into an agreement under which the Group will construct, own and operate crate pooling, washing and storage facilities to service Woolworths. This is a natural extension of the Group's existing presence in the materials handling sector and continues the strategy of pursuing new revenue streams through organic growth.

It is expected the establishment of the business, including the construction of crate washing facilities and the manufacture of crates, will cost approximately $70 million, with most of the capital expenditure spent in the 2017 financial year. The new business is expected to commence operations early in the 2018 financial year.

On 7 June 2016 the Group also announced that it was to purchase the assets, brands and trademarks of the Fruit Case Company, a New Zealand based crate pooling and hire company, for $16.9 million, continuing the Group's strategic expansion into the materials handling sector. The acquisition completed on 1 July 2016.

2017 OUTLOOK

The outlook for the Group is for higher revenue and earnings (before significant items) in FY17, subject to global economic conditions.

In the Directors' opinion, any further disclosure of information would likely result in unreasonable prejudice to the Group.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF BUSINESS STRATEGY

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

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

Organic Growth

The Group's core business benefits from:

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

Key to the Group's ability to grow organically is its ability to leverage these differentiating characteristics to create a competitive advantage. A core focus of the Group is innovation. Pact supplies some of the most innovative products in the market, supported by in-house innovation capability and extensive global licencing arrangements. The Group's commitment to innovation has been recognised through multiple industry and customer awards.

Efficiency

The Group is focussed on delivering operational excellence and the lowest cash cost of production.

In 2015 the Group announced an Efficiency Program to eliminate excess capacity and align the Group with customers' requirements and expected long term volumes. This program has now been substantially completed delivering benefits in the 2016 financial year, with annual benefits of $15 million expected in the 2017 financial year.

The strategic focus on efficiency will be enhanced going forward through the implementation of lean manufacturing techniques across the manufacturing footprint in a systematic and staged approach. In addition, the Group will continue to review all areas of the business for efficiency opportunities in the pursuit of operational excellence.

M&A

The Group has a long track record of success in identifying value accretive acquisition opportunities, executing transactions in a disciplined and systematic manner, and delivering cost synergies and operational efficiencies through integration. Acquisitions have provided both product and customer diversity to the Group.

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

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

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.

The material financial risks include:

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

People risks
Future financial and operational performance of the Group is significantly dependant on the performance and retention of key personnel, in particular Senior Management. The unplanned or unexpected loss of key personnel, or the inability to attract and retain high performing individuals to the business may adversely impact the Group's future financial performance. In line with the manufacturing industry, Pact has an exposure to health and safety management incidents in the manufacturing operations. Failure to comply with health and safety legislation and industry good practice may result in harm to a person or persons, which may lead to negative operational, reputational and financial impacts.

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

Consumer preferences
Changes in consumer preference for Pact's products or adverse activities in key industry sectors which Pact and its customers service may be influenced by various factors. These industry sectors include consumer goods (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 conditions, seasonality of foods, an increased focus in Australian and New Zealand supermarket chains on private brands, and reputation of products, substrates or technology in the wider industry sector. Demand for Pact's products may materially be affected by any of these factors which could have an adverse effect on the Group's future financial performance.

Strategic acquisitions
Pact's strong growth over time has been aided by the acquisition of numerous businesses and assets. This growth has placed, and may continue to place, significant demands on management, information reporting systems and financial and internal control systems. Effective management of Pact's growth, including identification of suitable acquisition candidates and effective management of integration costs will be required on an ongoing basis. If this does not occur then there may be an adverse effect on the Group's future financial performance.

Foreign exchange rates
Pact's financial reports are prepared in Australian dollars. However, a substantial proportion of Pact's sales revenue, expenditures and cashflows are generated in, and assets and liabilities are denominated in, New Zealand dollars. Pact is also exposed to a range of other currencies including the US dollar, Chinese yuan, the Philippines peso, the Indonesian rupiah and the Thai baht in relation to Pact's business operations. Any depreciation of the Australian dollar and adverse movement in exchange rates would have an adverse effect on the Group's future financial performance.

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

Interruption to operations
Pact operates across a diverse geographical footprint and situations may arise in which sites are not able to operate. Factors include emergency situations such as natural disasters, failure of information technology systems or security, or industrial disputes. Any of these factors may lead to disruptions in production or increase in costs, and may have an adverse effect on the Group's financial performance.

Compliance risks
Pact is required to comply with a range of laws and regulations, and those of particular significance to Pact are in the areas of employment, work health and safety, property, environmental, competition, anti-bribery and corruption, customs and international trade, taxation and corporations.

Footnotes

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

(1) EBITDA before significant items is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue), tax, depreciation and amortisation.
(2) EBIT before significant items is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue) and tax.
(3) NPAT before significant items is a non-IFRS financial measure which is calculated as net profit after tax before significant items.
(4) Gearing is a non-IFRS financial measures which is calculated as net debt divided by EBITDA before significant items. Net debt is calculated as current debt plus non-current debt less cash.
(5) Interest cover is a non-IFRS financial measures which is calculated as EBITDA before significant items divided by interest expense.
(6) TSR measured as June 2016 30 day volume weighted average share price plus dividends received by shareholders in FY2016, compared to June 2015 30 day volume weighted average share price.

Pact Group Holdings Ltd
ABN: 55 145 989 644

FULL YEAR CONSOLIDATED FINANCIAL REPORT

For the year ended 30 June 2016

FINANCIAL REPORT

Full Year Consolidated Financial Report
For the year ended 30 June 2016

Introduction

This is the Consolidated Financial Report of Pact Group Holdings Ltd ("Pact" or the "Company") and its subsidiaries (together referred to as the "Group") and including the Group's interest in associates and jointly controlled entities at the end of, or during the year ended 30 June 2016. This Consolidated Financial Report was issued in accordance with a resolution of the Directors on 24 August 2016.

To make the Consolidated Financial Report less complex and more useful to readers, note disclosures have been reorganised into sections to allow readers to better understand the performance of the Group and how this links to Pact's strategy outlined in the Operating and Financial Review.

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

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

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

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

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

Contents

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" or the "Company") and the entities it controlled (collectively the "Group") at the end of, or during, the year ended 30 June 2016.

DIRECTORS

The following persons were Directors of the Company from their date of appointment up to the date of this report:

Non-Executive

Raphael Geminder
Non-Executive Chairman

Member of the Board since 19 October 2010
Member of the Nomination and Remuneration Committee

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

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

Other current directorships

Director of several private companies.

Lyndsey Cattermole AM
Independent Non-Executive Director

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

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

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

Other current directorships

Non-Executive Director of Treasury Wine Estates Limited, Tatts Group Limited, and the Florey Institute of Neuroscience and Mental Health and several private companies.

Ray Horsburgh AM
Independent Non-Executive Director

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

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

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

Other current directorships

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

Former listed company directorships in last 3 years

Non-Executive Director of CSR Limited (2004-2013)
Chairman of Calibre Global Limited (2012-2015)

Peter Margin
Independent Non-Executive Director

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

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

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

Other current directorships

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

Former listed company directorships in last 3 years

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

Jonathan Ling
Independent Non-Executive Director

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

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

He was the Chief Executive Officer and Managing Director of Fletcher Building Limited (2006 - 2012), New Zealand's largest listed company.

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

Other current directorships

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

Former listed company directorships in last 3 years

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

Executive

Malcolm Bundey
Managing Director and Chief Executive Officer

Member of the Board since 1 December 2015

Malcolm is the Managing Director and Chief Executive Officer of Pact. He joined Pact in December 2015. Malcolm previously held several senior executive leadership positions for The Rank Group (a privately owned NZ group), based in both Australia and the USA. After joining them as CFO of Goodman Fielder in 2003, and then transferring to the United States as a Company Executive in 2007, he became the President and CEO of Evergreen Packaging, a US$1.6bn global paper and packaging company. In 2011 he took on the concurrent roles of President and CEO of Closure System International (CSI), a US$1.3bn global closure packaging business and Graham Packaging, a US$3.3bn global rigid packaging and machinery business. Prior to this Malcolm was a partner at Deloitte, where he worked from 1987 to 2003.

Malcolm has a Bachelor of Business, Accounting from Monash University, undertook MBA studies at RMIT and also Harvard Executive Programs in 2000 and 2001.

Other current directorships

No other external directorships

Company Secretary

Jonathon West
Company Secretary

Jonathon West was appointed to the position of Chief Legal Officer & Company Secretary and Head of Corporate Development of Pact on 1 June 2016.

Prior to this appointment, Jonathon was most recently at Goodman Fielder Limited where he held a variety of roles over a 10 year period, including Group Strategy & Corporate Development Officer, Group General Counsel & Company Secretary and Group Commercial Director. Prior to that Jonathon worked in both private practice and industry in Australia and the UK, including with Burns Philp Limited, Sportal.com, AOL Europe, Linklaters and Herbert Smith Freehills.

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

DIRECTORS' SHAREHOLDING

As at the date of this report, the relevant interests of the Directors in the shares of the Company or a related body corporate were as follows:

	Relevant Interest in Ordinary Shares
Raphael Geminder	117,036,546
Lyndsey Cattermole	78,948
Peter Margin	7,894
Jonathan Ling	2,365
Ray Horsburgh	20,100
Malcolm Bundey	-

DIRECTORS' MEETINGS

The table below shows the number of Directors' meetings (including meetings of Board committees), and the number of meetings attended by each Director in their capacity as a member during the year:

	Directors' Meetings		Audit, Business Risk & Compliance Committee		Nomination & Remuneration Committee	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Raphael Geminder	8	8	NM	N/A	4	4
Lyndsey Cattermole	8	8	4	4	4	4
Peter Margin	8	8	4	4	4	4
Tony Hodgson(1)	2	2	1	1	NM	N/A
Jonathan Ling	8	8	NM	N/A	4	4
Ray Horsburgh(2)	6	5	3	3	NM	N/A
Malcolm Bundey(3)	4	4	NM	N/A	NM	N/A
Brian Cridland(4)	4	4	NM	N/A	NM	N/A

NM - Not a member of the relevant committee
N/A – Not applicable

(1) Tony Hodgson retired as a Non-executive Director on 30 September 2015
(2) Ray Horsburgh was appointed as a Non-executive Director on 5 October 2015
(3) Malcom Bundey was appointed as an Executive Director on 1 December 2015
(4) Brian Cridland retired as an Executive Director on 10 April 2016

PRINCIPAL ACTIVITIES

The Group's principal activities relate to the conversion of plastic resin and steel into rigid packaging and other products that service customers in different sectors including: food and beverage, personal care, household consumer, industrial and chemical, and materials handling and infrastructure. The Group also provides a range of services including out-sourced manufacturing, filling and packing and a range of sustainability, recycling and environmental services to assist customers in reducing the environmental impact of their product packaging and related processes.

OPERATING AND FINANCIAL REVIEW

A review of the operations of the Group during the year and of the results of those operations is contained in the Annual Report.

DIVIDENDS

On 24 August 2016, the Directors determined to pay a final dividend of 11.0 cents per share partially franked to 65%. The dividend is payable on 6 October 2016. The record date for entitlement to the dividend is 2 September 2016.

The table below shows dividends paid (or payable) during the year ended 30 June 2016.

Dividends	Amount per security	Franked amount per security	Unfranked amount per security sourced from the conduit foreign income account	Date paid / payable
Current year to 30 June 2016				
Final Dividend (per ordinary share)	11.00 cents	7.15 cents	3.85 cents	6 October 2016
Interim Dividend (per ordinary share)	10.00 cents	6.50 cents	3.50 cents	6 April 2016
Prior Year to 30 June 2015				
Final Dividend (per ordinary share)	10.00 cents	6.50 cents	3.50 cents	5 October 2015
Interim Dividend (per ordinary share)	9.50 cents	-	9.50 cents	2 April 2015

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

Franking capacity in FY2016 has been favourably impacted by franking credits received through acquisitions.

OTHER EVENTS OF SIGNIFICANCE

Please refer to the Review of Operations and Financial Performance in the Annual Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 1 July 2016 the Group acquired the assets, brands and trademarks of the Fruit Case Company (FCC), for a provisional consideration of $16.9 million. FCC's principal activities include crate pooling and hire business with operations in New Zealand.

In the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 30 June 2016 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

WORKPLACE HEALTH, SAFETY AND ENVIRONMENTAL REGULATION

The Group operates under an integrated Workplace Health, Safety and Environment (WHSE) Management System, with a goal of Towards Zero Harm to both people and the planet. The system is aligned with ISO 14001 and operates under an Environmental Policy and a Workplace Health and Safety Policy. The system is fundamental to achieving compliance with WHSE regulations in all jurisdictions in which we operate and is implemented at all of our sites.

Where applicable, licences and consents are in place in respect of each site within the Group. An interactive database is further used to ensure compliance and completion of all required actions.

On occasion, the Group receives notices from relevant authorities pursuant to local WHSE legislation and in relation to the Group's WHSE licences and consents. The Group takes all notices seriously, conducting a thorough investigation into the cause and ensuring that there is no reoccurrence. Pact works with the appropriate authorities to address any requirements and to proactively manage any obligations.

The Group is also subject to the reporting and compliance requirements of the Australian National Greenhouse and Energy Reporting Act 2007 (Cth). The National Greenhouse and Energy Reporting Act 2007 requires that Pact reports its annual greenhouse gas emissions and energy use. Pact has submitted all annual reports, and is due to submit its next report by 31 October 2016.

SHARE OPTIONS AND RIGHTS

A Long Term Incentive Plan (LTIP) for the CEO commenced on 1 December 2015. Please refer to the Remuneration Report (Section 3) for further details.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity and insurance with all Directors of the Company and the Company Secretary which provide indemnities against losses incurred in their role as Directors or Company Secretary, subject to certain exclusions, including to the extent that such indemnity is prohibited by the Corporations Act or any other applicable law. In addition, a wholly owned subsidiary of the Company has entered into deeds of indemnity with those of its current and former Directors and Secretaries involved in a potential transaction which provide indemnities against losses incurred in the event of breaches of their obligations under confidentiality deeds entered into by them for the purpose of such transaction, and in the course of their employment, subject to certain exclusions including to the extent that such indemnity is prohibited by the Corporations Act. The deeds stipulate that the Company will meet the full amount of any such liabilities, costs and expenses (including legal fees).

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

Pursuant to the terms of the Company's standard engagement letter with Ernst & Young (EY), it indemnifies EY against all claims by third parties and resulting liabilities, losses, damages, costs and expenses (including reasonable legal costs) arising out of, or relating to, the services provided by EY or a breach of the engagement letter. The indemnity does not apply in respect of any matters finally determined to have resulted from EY's negligent, wrongful or wilful acts or omissions nor to the extent prohibited by applicable law including the *Corporations Act 2001*.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Corporations 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 Corporations Act.

NON-AUDIT SERVICES

During the year, EY, the Company's auditor, performed other assignments in addition to their statutory audit responsibilities.

Details of the amounts paid or payable to EY for non-audit services provided in respect of the Group during the year are as follows:

	30 June 16 ($000's)	30 June 15 ($000's)
Tax services	**472**	507
Other assurance related services	**528**	543
Total	**1,000**	1,050

The Board has considered the position and, in accordance with the advice received from the Audit, Business Risk and Compliance Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by EY, given the amounts paid and the type of work undertaken, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2016 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Governance
3. Executive remuneration arrangements
4. Executive remuneration outcomes for 2016
5. Executive KMP contracts
6. Non-Executive Directors' remuneration arrangements
7. Equity holdings of KMP
8. Related party transactions

1. Introduction

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

For the purposes of this report, the term KMP includes all non-executive Directors of the Board, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Company and the Group.

Key Management Personnel

Name	Position	Term as KMP in 2016
Non-Executive Directors (NEDs)		
Raphael Geminder	Non-Executive Chairman	Full Year
Lyndsey Cattermole	Non-Executive Director	Full Year
Peter Margin	Non-Executive Director	Full Year
Jonathan Ling	Non-Executive Director	Full Year
Ray Horsburgh	Non-Executive Director	Appointed 5 October 2015
Other KMP		
Malcolm Bundey	Managing Director and CEO	Appointed 1 December 2015
Richard Betts	Chief Financial Officer	Full Year (appointed 1 July 2015)
Former KMP		
Tony Hodgson	Former Non-Executive Director	Retired 30 September 2015
Brian Cridland	Former Managing Director and CEO	Retired 10 April 2016

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

2. Governance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) is delegated responsibility by the Board for managing appropriate remuneration policy and governance procedures including:

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

The Committee comprises four NEDS and meet as often as the Committee members deem necessary to fulfil the Committee's obligations. It is intended they meet no less than three times a year. A copy of the Committee's charter is available at www.pactgroup.com.au.

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

Decisions to engage remuneration consultants are made by the Committee or the Board. Contractual engagements and briefing of the consultants is undertaken by the Chairman of the Committee and the remuneration recommendation is to be provided directly to the Chairman of the Committee.

EY was engaged during the financial year to provide recommendations to the Group on the development of a Long Term Incentive Plan (LTIP). EY provided recommendations on the structure of a LTIP including but not limited to the following components:

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

The CEO and CFO had no involvement in the engagement or instruction of EY. The Company complies with the Corporations Act to ensure any remuneration advice or recommendation received is free from undue influence by the KMP to whom the advice or recommendation relates. The appointment of EY for the provision of this service did not impact on the independence of EY as auditors of the Company and the Group, as EY was not involved in the final design and implementation of the plan. The Company paid EY $29,612 for this review.

3. Executive remuneration arrangements

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

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

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

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

LTIP
An "at risk" component of remuneration comprising the issue of Performance Rights awarded on the achievement of performance conditions over a three year period, that is intended to drive performance against the Group's long term objectives.

The LTIP was introduced in 2016 as a component of the CEO's remuneration. The Committee believes the LTIP appropriately incentivises and motivates the CEO in the achievement of longer term objectives which are aligned with shareholders interests.

A review of whether broader participation in the LTIP, including participation by the CFO and other senior executives, will be undertaken by the Committee at a later date.

Approach to setting remuneration
Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, and the broader economic environment. The target remuneration mix for the 2016 year was as follows(1):

Executive KMP remuneration component at target	Malcolm Bundey %	Richard Betts %	Brian Cridland %
Fixed Remuneration	41%	68%	68%
Short term incentives	41%	32%	32%
Long Term incentives (LTIP)	7%	-	-
Long Term incentives (Initial Share Grant) (2)	11%	-	-
Total	100%	100%	100%

(1) Target remuneration is calculated as Fixed Remuneration, plus STI at target, plus long term incentives at target (based on the fair value of Performance Rights at grant date).

(2) The initial share grant will form part of Mr Bundey's total remuneration for the first 3 years of employment (refer to page 10 and 13 of the Remuneration Report).

Detail of incentive plans

STI

The CEO has a maximum STI of 100% of Annual Base Salary (ABS). The CEO has achievement of Group earnings before interest, tax, depreciation and amortisation (EBITDA), before significant items as a financial performance measure, and will be entitled to receive up to 80% of his STI plan if he achieves target levels. The CEO also has a component based on non-financial performance measures including risk management, diversity targets and talent management that comprise 20% of the STI plan.

The CFO has a maximum STI of 50% of ABS. The CFO has achievement of Group EBITDA before significant items as a financial performance measure, and will be entitled to receive up to 80% of his STI plan if he achieves target levels. The CFO also has a component based on non-financial performance measures including risk management, diversity targets and talent management that comprise 20% of the STI plan.

Group EBITDA before significant items is considered a financial measure which is strongly aligned with the interests of shareholders. EBITDA is key indicator of the underlying growth of the business, and is strongly aligned with cashflow, which enables the payment of dividends to shareholders. EBITDA can be reliably measured.

LTIP

The CEO participates in the LTIP, with an entitlement to performance rights equal to 100% of annual base salary with a vesting period of three years.

Key features of the LTIP are outlined below:

Grant Value

For the year ended 30 June 2016, 146,444 performance rights are expected to be granted based on the volume weighted average price (VWAP) of $4.78. The VWAP was based on the Pact Group share price over the five day period commencing 24 November 2015. The number of performance rights are on a pro rata entitlement based on a commencement date of 1 December 2015. The fair value of each right at the valuation date of 22 June 2016 is $3.85.

The 2015 LTIP has been granted as one tranche, commencing on 1 December 2015. Share based payments expense for FY2016 has been recognised from 1 December 2015. The expense is based on the fair value of the performance rights.

The implementation of the LTIP, including the issuing of entitlements to shares or the vesting of shares under the plan, remains subject to the approval of the LTIP by shareholders at the Company's AGM to be held in November 2016. In the event that the LTIP as currently proposed and set out in this report is not approved by shareholders at the AGM, it is the Board's intention to replicate the LTIP, as closely as practicable, but replacing the issuing of entitlements in shares with entitlements to cash payments that 'shadow' the value of the shares that would otherwise have vested under the proposed plan.

Performance Period

The performance period for the LTIP is from 1 December 2015 to 30 June 2018.

Performance Hurdles

Vesting of this tranche will be subject to the following:

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

Vesting Schedule

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

Cessation of Employment

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

Rights Attaching to Performance Rights

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

Clawback

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

Change of Control Provisions

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

Initial Share Grant

The CEO is entitled to receive an initial share grant of $1 million. The shares will be issued in 1/3 lots at the conclusion of each anniversary from 1 December 2015 for the first three years of employment. These shares are subject to escrow until the three years of service has been completed. Should the CEO cease employment during this time the shares will be forfeited.

4. Executive remuneration outcomes for FY2016

Business performance in FY2016

In FY2016, the Group delivered growth in all key financial metrics despite challenging market conditions, positively impacted by efficiency benefits and growth through acquisitions.

Over the last 3 financial years:

- compound growth in net profit after tax (before significant items) was 21%;
- compound earnings per share growth[2] (before significant items) was 26%;
- an average of 16.7 cents per ordinary share per annum has been paid (or payable) to shareholders in dividends; and
- cumulative Total Shareholder Return (TSR), which represents the movement in the Company's share price plus dividends received by shareholders, was 53.9%.

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

Performance measure	2014	2015	2016
Statutory net profit after tax ($000)	57,689	67,632	**85,051**
Net profit after tax (NPAT)[1] ($000)	59,725	85,214	**94,310**
NPAT[1] growth %	n/a	17.2%	**25.9%**
EBITDA[1] ($000)	198,226	208,678	**220,157**
EBITDA[1] growth %	n/a	5.3%	**5.5%**
Dividends per ordinary share (cps)	9.5	19.5	**21.0**
Closing share price (30 June)	3.43	4.68	**6.03**
3 month average share price (1 April to 30 June)	3.41	4.28	**5.46**
Earnings per share[1, 2] (cps)	20	29	**32**
Earnings per share[1] growth %	n/a	45.0%	**10.3%**
Cumulative TSR %[3]	(10.3%)	17.6%	**53.9%**

(1) Before significant items (refer to note 1.1 in the Consolidated Financial Report).
(2) Earnings per share in 2014 has been calculated assuming the post IPO share capital structure existed for the entire period. The basis for the calculation is 294.1 million shares outstanding.
(3) Cumulative TSR in each year has been calculated using the share issue price at 17 December, 2013 of $3.80. The 3 month average share price has been used in all periods.
(4) The Group was listed on the ASX on 17 December 2013.

Performance against targets - Executive KMP

The table below outlines the Group's EBITDA performance for the year ended 30 June 2016, along with comparatives to fiscal year 2015 and fiscal year 2014.

Performance measure	Target applicable to	Year	Actual ($000)	% Achieved
EBITDA before significant items	Group	2016	220,157	100.7%
EBITDA before significant items	Group	2015	208,678	101.3%
EBITDA before significant items	Group	2014	198,226	100.8%

STI Outcomes – Executive KMP

The table below outlines the STI outcomes for Executive KMP for the year ended 30 June 2016.

Executive KMP	Proportion of maximum STI earned in FY16	Proportion of maximum STI forfeited in FY16
Mr Malcolm Bundey(1)	88%	12%
Mr Richard Betts	87%	13%
Mr Brian Cridland(2)	85%	15%

(1) The maximum STI earned and forfeited for Mr Bundey is based on a period of service from 1 December 2015 to 30 June 2016.

(2) The maximum STI earned and forfeited for Mr Cridland is based on a period of service from 1 July 2015 to 10 April 2016.

LTIP Outcomes – CEO

The performance measure for the LTIP is achievement of relative TSR targets. The vesting conditions have been outlined on page 9.

Formal testing of the performance hurdle will take place shortly after 30 June 2018.

Executive KMP remuneration for the year ended 30 June 2016

Executive	Year	Short term benefits				Post-employment benefits	Long term benefits	Share Based Payments		Total	Performance Related %
		Salary & fees	Cash bonus	Non-monetary benefits [1]	Other Benefits [2]	Superannuation	Long Service Leave [3]	LTIP [4]	Initial Grant [5]		
		$	$	$	$	$	$	$	$	$	%
Mr Malcom Bundey **(CEO)**	**2016**	**677,500**	**616,000**	**-**	**36,015**	**37,083**	**-**	**127,312**	**194,444**	**1,688,354**	**44%**
	2015	-	-	-	-	-	-	-	-	-	-
Mr Richard Betts **(CFO)**	**2016**	**441,666**	**192,500**	**-**	**(3,669)**	**25,000**	**-**	**-**	**-**	**655,497**	**29%**
	2015	-	-	-	-	-	-	-	-	-	-
Former Executive KMP											
Mr Brian Cridland **(CEO)**	**2016**	**766,097**	**325,396**	**67,251**	**15,416**	**45,497**	**(28,048)**	**-**	**-**	**1,191,609**	**27%**
(retired 10 April 2016)	2015	934,473	836,410	42,318	(10,854)	88,775	(7,631)	-	-	1,883,491	44%
Mr Darren Brown (CFO)	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 30 June 2015)	2015	494,267	674,006	11,650	10,772	35,000	14,200	-	-	1,239,895	54%
Total Executive KMP remuneration	**2016**	**1,885,263**	**1,133,896**	**67,251**	**47,762**	**107,580**	**(28,048)**	**127,312**	**194,444**	**3,535,460**	**36%**
	2015	1,428,740	1,510,416	53,968	(82)	123,775	6,569	-	-	3,123,386	48%

[1] Non-monetary benefits includes motor vehicle lease payments and FBT payments made by the Company on behalf of Mr Cridland.

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

[3] Long term benefits is the movement in the long service leave provision for Mr Cridland and Mr Brown.

[4] An independent valuation of the performance rights was performed to establish the fair value in accordance with AASB2 *Share Based Payments*. Valuation of the rights was done using Monte Carlo valuation simulations.

[5] Pro rata entitlement of the initial share grant for Mr Bundey based on a period of service from 1 December 2015 to 30 June 2016 (please refer to sections 3 and 5 of the Remuneration Report for additional detail).

DIRECTORS' REPORT– REMUNERATION REPORT

5. Executive KMP contracts

Remuneration arrangements for Executive KMP are formalised in employment agreements.

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

Chief Executive Officer (CEO)

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

- The CEO receives fixed remuneration of $1,225,000 per annum.
- The CEO has a maximum STI of 100% of ABS. Please refer to section 3 of the Remuneration Report for further details of the CEO's STI plan.
- The CEO is entitled to 146,444 performance rights from participation in the LTIP, and a total of $127,312 has been disclosed as remuneration in relation to performance rights for the year ended 30 June 2016. Key features of the LTIP are outlined on page 9.
- The CEO is entitled to receive an initial share grant of $1 million (209,205 shares) to be issued in 1/3 lots over 3 years (69,735 shares) at 1 December 2016, 1 December 2017 and 1 December 2018. Please refer to section 3 of the Remuneration Report for further details.
- There are no provisions for redundancy payments. The Company is not required to make any payment of a benefit which is not permitted by Part 2D.2, Division 2 or Chapter 2E of the Corporations Act 2001 in the absence of shareholder approval or the ASX Listing Rules. The Company must use its reasonable endeavours to try and obtain shareholder approval, if required.

Chief Financial Officer (CFO)

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

- The CFO receives fixed remuneration of $500,000 per annum.
- The CFO has a maximum STI of 50% of ABS. Please refer to section 3 of the Remuneration Report for further details of the CFO's STI plan.
- In the event a redundancy occurs, the CFO is entitled to receive a redundancy payment of 3 weeks for every year of service which is capped at 52 weeks. The Company is not required to make any payment of a benefit which is not permitted by Part 2D.2, Division 2 or Chapter 2E of the Corporations Act in the absence of shareholder approval or the ASX Listing Rules. The Company must use its reasonable endeavours to try and obtain shareholder approval, if required.

6. Non-Executive Directors' remuneration arrangements

Remuneration policy

The Committee seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain non-executive directors (NEDs) of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

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

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

Structure

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

The table below summarises the NED fees for FY16, which remains unchanged from FY15:

Responsibility	Fees $
Board fees	
Non-executive Directors (excluding the Chairman)	$110,000
Audit, Business Risk and Compliance Committee	
Chair	$30,000
Member	$7,500
Nomination and Remuneration Committee	
Chair	$20,000
Member	$7,500

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

The remuneration of NEDs for the year ended 30 June 2016 is detailed in the following table.

DIRECTORS' REPORT– REMUNERATION REPORT

Non executive KMP remuneration for the year ended 30 June 2016

		Short term benefits	Post-employment benefits	
		Fees $	Superannuation $	TOTAL $
Ms Lyndsey Cattermole	**2016**	**114,416**	**10,870**	**125,286**
	2015	114,155	10,845	125,000
Mr Raphael Geminder	**2016**	**-**	**-**	**-**
	2015	-	-	-
Mr Jonathan Ling	**2016**	**115,726**	**10,994**	**126,720**
	2015	107,306	10,194	117,500
Mr Peter Margin	**2016**	**132,307**	**12,569**	**144,876**
	2015	125,570	11,930	137,500
Mr Ray Horsburgh (appointed 5 October 2015)	**2016**	**80,479**	**7,646**	**88,125**
	2015	-	-	-
Former Non Executive KMP				
Mr Tony Hodgson (retired 30 September 2015)	**2016**	**32,036**	**3,043**	**35,079**
	2015	127,854	12,146	140,000
Total Non-executive KMP remuneration	**2016**	**474,964**	**45,122**	**520,086**
	2015	474,885	45,115	520,000

7. Equity holdings of KMP

The following table shows the respective shareholdings of KMP (directly and indirectly) including their related parties and any movements during the year ended 30 June 2016:

KMP	Balance 1 July 2015	Movements	Balance 30 June 2016
Raphael Geminder	117,036,546	-	117,036,546
Lyndsey Cattermole	78,948	-	78,948
Peter Margin	7,894	-	7,894
Jonathan Ling	2,365	-	2,365
Ray Horsburgh	-	20,100	20,100
Malcolm Bundey [1]	-	-	-
Richard Betts	-	-	-

[1] Mr Bundey is expected to be granted 146,444 shares under the LTIP. This is subject to shareholder approval at the 2016 Annual General Meeting.

8. Related party transactions with KMP

The following table provides the total amount of transactions with related parties for the year ended 30 June 2016:

$'000's		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties – director's interests[1]					
	2016	**10,051**	**19,048**	**293**	**681**
	2015	9,385	19,544	14	568

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

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

Pro-Pac Packaging Limited (Pro-Pac)
Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 49%, is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact for an initial term that expires on 1 October 2016. Total fees under this arrangement are approximately $4.9 million (2015: $4.8 million) for the twelve months ended 30 June 2016. The supply arrangement is on arm's length terms.

Terms and conditions of property leases with related parties

The Group leased 16 properties (13 in Australia and 3 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for the year ended 30 June 2016 was $6.6 million (2015: $6.6 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Of the Centralbridge Leases in Australia:

- seven of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 6th and 9th term;
- two of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 8th term; and
- two of the leases do not contain standard default provisions which give the landlord the right to terminate the lease in the event of default.

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

Of the Centralbridge Leases in New Zealand, three of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 6th and 9th term. With the exception of the early termination right, the Centralbridge Leases in New Zealand are on terms which are not uncommon for leases of commercial premises.

Terms and conditions of transactions with related parties

The purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil).

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 19.

ROUNDING

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

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

Raphael Geminder
Chairman

Malcolm Bundey
Managing Director and Chief Executive Officer

24 August 2016

Building a better working world

8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67
Melbourne VIC 3001

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

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

As lead auditor for the audit of Pact Group Holdings Ltd for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
24 August 2016

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

$'000	Notes	2016	2015
Sales revenue	1.1	**1,381,338**	1,249,153
Raw materials and consumables used		**(590,049)**	(534,522)
Employee benefits expense	5.1	**(340,767)**	(291,137)
Occupancy, repair and maintenance, administration and selling expenses		**(241,581)**	(218,776)
Interest and other income		**6,110**	3,978
Other losses	6.2	**(8,494)**	(24,879)
Depreciation and amortisation expense	3.2	**(57,688)**	(56,249)
Finance costs and loss on de-recognition of financial assets	4.1	**(30,644)**	(33,096)
Share of profit in associates	2.3	**2,227**	1,376
Profit before income tax expense		**120,452**	95,848
Income tax expense	1.2	**(35,408)**	(28,157)
Net Profit for the year		**85,044**	67,691
Net Loss / (Profit) attributable to non-controlling interest		**7**	(59)
Net Profit attributable to equity holders of the parent entity		**85,051**	67,632
Items that will be reclassified subsequently to profit or loss			
Cash flow hedges losses taken to equity		**(1,009)**	(1,657)
Foreign currency translation gains		**6,806**	7,036
Income tax on items in other comprehensive income		**301**	497
Other comprehensive income for the year, net of tax		**6,098**	5,876
Total comprehensive income for the year		**91,142**	73,567
Attributable to:			
● Equity holders of the parent entity		**91,149**	73,508
● Non-controlling interests		**(7)**	59
Total comprehensive income for the Group		**91,142**	73,567
$			
Basic earnings per share	1.1	**0.29**	0.23
Diluted earnings per share	1.1	**0.29**	0.23

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

FINANCIAL REPORT

Consolidated Statement of Financial Position
As at 30 June 2016

$'000	Notes	2016	2015
CURRENT ASSETS			
Cash and cash equivalents		**51,885**	32,612
Trade and other receivables	3.1	**114,604**	93,685
Inventories	3.1	**146,632**	117,492
Other current financial assets		**487**	1,657
Prepayments		**7,400**	7,763
TOTAL CURRENT ASSETS		**321,008**	253,209
NON-CURRENT ASSETS			
Trade and other receivables		**905**	-
Prepayments		**5,289**	935
Property, plant and equipment	3.2	**582,723**	541,473
Investments in associates and joint ventures	2.3	**16,039**	14,639
Intangible assets and goodwill	3.2	**417,944**	340,069
Deferred tax assets	1.2	**29,130**	26,778
TOTAL NON-CURRENT ASSETS		**1,052,030**	923,894
TOTAL ASSETS		**1,373,038**	1,177,103
CURRENT LIABILITIES			
Trade and other payables	3.1	**314,176**	267,532
Employee benefits provisions	5.1	**30,129**	26,156
Other provisions	3.4	**6,111**	11,983
Other current financial liabilities		**2,396**	187
TOTAL CURRENT LIABILITIES		**352,812**	305,858
NON-CURRENT LIABILITIES			
Trade and other payables		**5,392**	-
Employee benefits provisions	5.1	**8,293**	7,012
Other provisions	3.4	**22,532**	21,492
Interest-bearing loans and borrowings	4.1	**561,440**	472,900
Other non-current financial liabilities		**3,481**	3,327
Deferred tax liabilities	1.2	**49,894**	39,645
TOTAL NON-CURRENT LIABILITIES		**651,032**	544,376
TOTAL LIABILITIES		**1,003,844**	850,234
NET ASSETS		**369,194**	326,869
EQUITY			
Contributed equity	4.2	**1,502,097**	1,491,497
Reserves	4.2	**(903,361)**	(909,781)
Retained earnings		**(229,542)**	(255,157)
Parent entity interest		**369,194**	326,559
Non-controlling interests		**-**	310
TOTAL EQUITY		**369,194**	326,869

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

$'000	Contributed equity	Common control reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained Earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Parent entity								
Year ended 30 June 2016									
As at 1 July 2015	**1,491,497**	**(928,385)**	**(1,790)**	**20,394**	**-**	**(255,157)**	**326,559**	**310**	**326,869**
Profit / (Loss) for the year	**-**	**-**	**-**	**-**	**-**	**85,051**	**85,051**	**(7)**	**85,044**
Other comprehensive income (loss)	**-**	**-**	**(708)**	**6,806**	**-**	**-**	**6,098**	**-**	**6,098**
Total comprehensive income	**-**	**-**	**(708)**	**6,806**	**-**	**85,051**	**91,149**	**(7)**	**91,142**
Shares issued as consideration for business acquisitions	**10,600**	**-**	**-**	**-**	**-**	**-**	**10,600**	**-**	**10,600**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(327)**	**(327)**	**-**	**(327)**
Acquisitions under common control	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(59,109)**	**(59,109)**	**(303)**	**(59,412)**
Share based payments expense	**-**	**-**	**-**	**-**	**322**	**-**	**322**	**-**	**322**
Transactions with owners in their capacity as owners	**10,600**	**-**	**-**	**-**	**322**	**(59,436)**	**(48,514)**	**(303)**	**(48,817)**
Year ended 30 June 2016	**1,502,097**	**(928,385)**	**(2,498)**	**27,200**	**322**	**(229,542)**	**369,194**	**-**	**369,194**
Year ended 30 June 2015									
As at 1 July 2014	1,489,597	(928,385)	(630)	13,358	-	(266,906)	307,034	251	307,285
Profit / (Loss) for the year	-	-	-	-	-	67,632	67,632	59	67,691
Other comprehensive income (loss)	-	-	(1,160)	7,036	-	-	5,876	-	5,876
Total comprehensive income	-	-	(1,160)	7,036	-	67,632	73,508	59	73,567
Shares issued as consideration for business acquisitions	1,900	-	-	-	-	-	1,900	-	1,900
Dividends paid	-	-	-	-	-	(55,883)	(55,883)	-	(55,883)
Transactions with owners in their capacity as owners	1,900	-	-	-	-	(55,883)	(53,983)	-	(53,983)
Year ended 30 June 2015	1,491,497	(928,385)	(1,790)	20,394	-	(255,157)	326,559	310	326,869

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

$'000	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**562,383**	1,352,244
Receipts from securitisation program[1]		**984,549**	65,471
Payments to suppliers and employees		**(1,344,483)**	(1,212,801)
Income tax paid		**(28,514)**	(18,797)
Interest received		**133**	62
Proceeds from securitisation of trade debtors		**18,745**	96,855
Borrowing, trade debtor securitisation and other finance costs paid		**(32,024)**	(32,627)
Net cash flows provided by operating activities	4.1	**160,789**	250,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(52,050)**	(43,350)
Purchase of businesses and subsidiaries, net of cash acquired	2.1	**(113,936)**	(34,898)
Proceeds from sale of property, plant and equipment		**8,554**	243
Sundry items		**(1,358)**	407
Net cash flows used in investing activities		**(158,790)**	(77,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**348,705**	176,537
Repayment of borrowings		**(273,000)**	(285,512)
Payment of dividend		**(59,109)**	(55,883)
Payment of dividend to non-controlling interest		**(303)**	-
Net cash flows provided by / (used in) financing activities		**16,293**	(164,858)
Net increase in cash and cash equivalents		**18,292**	7,951
Cash and cash equivalents at the beginning of the year		**32,612**	24,227
Effect of exchange rate changes on cash and cash equivalents		**981**	434
Cash and cash equivalents at the end of the year		**51,885**	32,612

(1) Represents receipts from customers paid into the securitisation program. In the prior year $65.5 million has been reclassified from receipts from customers, which relates to the 8 days the program was in place in 2015 (refer Note 3.1).

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 2016.

1.1 GROUP RESULTS

Sales revenue

$'000	2016	2015
Pact Australia	**1,027,939**	889,911
Pact International	**353,399**	359,242
TOTAL	**1,381,338**	**1,249,153**

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

Reportable segments	Countries of Operation	Products/services
• Pact Australia	• Australia	• Manufacture and supply of rigid plastic and metal packaging and associated services
• Pact International	• New Zealand • China • Indonesia • Philippines • Singapore • United States of America	• Contract manufacturing and packing services • Manufacture and supply of materials handling products and the provision of associated services • Recycling and sustainability services

How Pact accounts for Revenue

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

1.1 GROUP RESULTS (CONTINUED)

EBIT

$'000	2016	2015
Pact Australia	**95,635**	86,313
Pact International	**66,834**	66,116
EBIT before significant items	**162,469**	**152,429**

Net profit after tax

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

$'000	2016	2015
EBIT before significant items (Pact Australia + Pact International)	**162,469**	152,429
Significant items		
Acquisition costs[1]	**(2,913)**	(2,691)
Business Reorganisation Program[2]		
• restructuring costs	**(7,759)**	(6,788)
• asset write downs	**(834)**	(12,582)
• loss on partial disposal of subsidiary	**-**	(1,486)
	(8,593)	(20,856)
Total significant items	**(11,506)**	(23,547)
EBIT after significant items	**150,963**	128,882
Finance costs[3]	**(30,511)**	(33,034)
Net profit before tax	**120,452**	95,848
Income tax expense	**(35,408)**	(28,157)
Net profit after tax	**85,044**	67,691

(1) Acquisition costs includes stamp duty, professional fees and all other costs associated with business acquisitions.
(2) The business reorganisation program relates to the optimisation of business facilities across the Group as announced in 2015.
(3) Net finance costs includes Interest income of $207,000 (2015: $62,000).

Basic and Diluted Earnings per share

	2016	2015
Earnings per share (EPS) ($) – Basic	**0.29**	**0.23**
Earnings per share (EPS) ($) - Diluted	**0.29**	**0.23**
Calculated using:		
• Net profit attributable to ordinary equity holders ($'000s)	**85,051**	67,632
• Weighted average of ordinary shares (shares) – Basic	**295,244,495**	294,183,109
• Weighted average of ordinary shares (shares) - Diluted	**295,329,321**	294,183,109

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 includes the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive shares. This would include items such as performance rights as disclosed in Note 5.2.

1.2 TAXATION

Reconciliation of tax expense

$'000	2016	2015
Accounting profit before tax	**120,452**	95,848
Income tax calculated at 30% (2015: 30%)	**36,136**	28,755
Adjustments in respect of income tax of previous years	**(302)**	(711)
Sundry items	**(426)**	113
Income tax expense / (benefit) reported in the Consolidated Statement of Comprehensive Income	**35,408**	28,157
Comprising of:		
• Current year income tax expense	**23,655**	20,780
• Deferred income tax expense	**12,055**	8,088
• Adjustments in respect of previous years income tax	**(302)**	(711)

Included in the above is a tax benefit on significant items of $2.3 million for the year ended 30 June 2016 (2015: $6.0 million), of which $2.0 million (2015: $5.8 million) related to Pact's business reorganisation program.

Recognised current and deferred tax assets and liabilities

$'000	2016 Current Income tax	2016 Deferred Income tax	2015 Current Income tax	2015 Deferred Income tax
Opening balance	**(6,098)**	**(12,867)**	(5,481)	(6,874)
Charged to income	**(23,655)**	**(12,055)**	(20,780)	(8,088)
Adjustments in respect of income tax of previous years	**(2,662)**	**2,964**	1,140	(428)
Charged to other comprehensive income	**-**	**301**	-	497
Payments	**28,712**	**-**	18,797	-
Acquisitions / disposals	**(211)**	**1,555**	(547)	1,760
Foreign exchange translation movement	**(927)**	**(662)**	773	266
Closing balance	**(4,841)**	**(20,764)**	(6,098)	(12,867)
Comprises of:				
• Deferred tax assets				
▫ Employee entitlements provision		**13,040**		10,269
▫ Provisions		**8,678**		10,019
▫ Hedges		**1,614**		767
▫ IPO transaction costs		**2,803**		3,976
▫ Unutilised tax losses		**680**		243
▫ Other		**2,315**		1,504
		29,130		26,778
• Deferred tax liabilities				
▫ Property, plant and equipment		**(46,652)**		(37,753)
▫ Other		**(3,242)**		(1,892)
		(49,894)		(39,645)

Key Estimates and Judgements – Taxation
Pact is subject to income tax in Australia and foreign jurisdictions. The calculation of the Group's tax charge requires management to determine whether it is probable that there will be sufficient future taxable profits to recoup deferred tax assets.

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

1.2 TAXATION (CONTINUED)

How Pact accounts for taxation

Income tax charges:

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

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

Deferred tax assets and liabilities are recognised on all assets and liabilities that have different carrying values for tax and accounting, except for:

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

Specifically for deferred tax assets:

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

Australian tax consolidated group

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

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

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

1.3 DIVIDENDS

$'000	2016	2015
Dividends paid during the financial year	**59,412**	55,883
Proposed dividend(1)	**32,644**	29,456

(1) Since the end of the financial year the directors have determined payment of a 65% franked final dividend of 11.0 cents per ordinary share (2015: 10 cents, 65% franked). The amount disclosed is based on the number of shares on issue at reporting date. The final dividend is expected to be paid on 6 October 2016.

Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2015: 30%)	**6,832**	1,707
Franking (debits) / credits that will arise from the payment of income tax payable as at the end of the financial year	**(1,033)**	964
Franking debits that will arise from the payment of dividends as at the end of the financial year	**(9,094)**	(8,206)
Total franking credit available for the subsequent financial year	**(3,295)**	(5,535)

Section 2 – Our Operational Footprint

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

2.1 BUSINESSES ACQUIRED

Summary of 30 June 2016 acquisitions

$'000	Jalco(1)	Other acquisitions(2)	Total
Consideration paid	**80,113**	**42,080**	**122,193**
Comprising of:			
• Cash consideration paid(3)	76,113	31,180	107,293
• Deferred settlement	4,000	300	4,300
• Shares issued as consideration	-	10,600	10,600
Fair value of identifiable net assets	**36,189**	**18,384**	**54,573**
• Assets			
▫ Cash(3)	62	854	916
▫ Trade and other receivables	30,001	6,964	36,965
▫ Inventory	16,103	3,064	19,167
▫ Property, plant & equipment	24,044	11,360	35,404
▫ Deferred tax asset	2,738	-	2,738
▫ Other assets	391	165	556
• Liabilities			
▫ Trade Payables and other provisions	(31,026)	(2,602)	(33,628)
▫ Employee benefits provisions	(5,594)	(775)	(6,369)
▫ Deferred tax liability	(530)	(646)	(1,176)
Goodwill arising on acquisition	**43,924**	**23,696**	**67,620**

(1) On 1 September 2015 the Group purchased 100% of the issued capital of Jalco Group Pty Limited and the following controlled entities: Jalco Automotive Pty Limited, Jalco Powders Pty Limited, Jalco Plastics Pty Ltd, Jalco Australia Pty Limited, Jalco Care Products Pty Limited, Packaging Employees Pty Limited, Jalco Cosmetics Pty Limited, and Jalco Promotional Packaging Pty Limited (Jalco) for a purchase consideration of $80.1 million. Jalco is a leading supplier of contract manufacturing, filling and packing in the non-food FMCG sector. The acquisition is part of the Group's overall strategy to deepen its existing FMCG customer relationships and to enter new areas of growth.

Goodwill of $43.9 million has arisen as a result of the purchase consideration exceeding the fair value of identifiable net assets acquired. Goodwill is allocated to the Pact Australia reportable segment. This goodwill will not be deductible for tax purposes.

The fair value of Jalco's trade and other receivables acquired amounted to $30.0 million. This was net of an immaterial impairment provision and it is expected that the stated fair value amount will be collected.

From the date of acquisition to 30 June 2016 Jalco contributed $165.4 million of revenue and $7.4 million to the net profit before tax of the Group. If the combination had taken place at 1 July 2015, contributions to revenue for the year ended 30 June 2016 would have been $38.0 million higher and the contribution to profit before tax for the Group would have been $2.6 million higher.

(2) During the year, consistent with strategy to expand its customer and product portfolio, the Group acquired:

- The business assets, business records and contracts of Stowers Containment Solutions Ltd for $13.9 million (NZ$15.0 million) on 29 February 2016.
- 100% of the shares in Power Plastics Pty Ltd for $25.2 million, consisting of a $15.8 million cash payment and the issue of $9.4 million shares in the Company on 1 March 2016 (refer Note 4.2).
- The business assets, business records and contracts of Ecopolymers Pty Ltd for $2.9 million, consisting of a $1.4 million cash payment, $0.3m deferred consideration and the issue of $1.2 million shares in the Company on 3 May 2016 (refer Note 4.2).

The provisional fair value of the trade and other receivables acquired through these acquisitions amounted to $7.0 million. None of the trade receivables were impaired and it was expected that the full contractual amounts would be collected.

In the Consolidated Statement of Financial Position provisional goodwill of $23.7 million has been recognised as a result of these acquisitions. This goodwill will not be deductible for tax purposes.

From the dates of acquisition to 30 June 2016 the acquisitions contributed $11.7 million of revenue and $0.6 million to the net profit before tax of the Group. If the combination of the acquisitions had taken place at 1 July 2015, contributions to revenue for the 12 months would have been $29.1 million higher and the contribution to profit before tax for the Group would have been $2.9 million higher.

(3) The difference between this balance and amounts recorded in the Consolidated Statement of Cash Flows is the net cash acquired as part of the transaction, and a $7.2 million deferred payment made this financial year relating to the Sulo acquisition, and a $0.3 million payment for a non-controlling interest in Vmax Returnable Packaging Systems Pty Ltd.

2.1 BUSINESSES ACQUIRED (CONTINUED)

Summary of 30 June 2015 acquisitions

$'000	Sulo[1]	Other acquisitions[2]	Total
Consideration paid	**31,421**	**14,888**	**46,309**
Comprising of:			
• Cash consideration paid[3]	24,173	11,813	35,986
• Deferred settlement	7,248	1,175	8,423
• Shares issued as consideration	-	1,900	1,900
Fair value of identifiable net assets	**20,961**	**8,127**	**29,088**
Comprising of:			
• Assets			
▫ Cash	1,088	-	1,088
▫ Trade and other receivables	4,954	-	4,954
▫ Inventory	5,312	1,420	6,732
▫ Property, plant & equipment	19,677	4,675	24,352
▫ Intangibles	85	2,061	2,146
▫ Deferred tax asset	1,915	-	1,915
▫ Other assets	154	-	154
• Liabilities			
▫ Trade Payables and other provisions	(11,074)	-	(11,074)
▫ Employee benefits provisions	(995)	(29)	(1,024)
▫ Deferred tax liability	(155)	-	(155)
Goodwill arising on acquisition	**10,460**	**6,761**	**17,221**

(1) On 8 August 2014 the Group purchased 100% of the shares in the Australian and New Zealand operations of Sulo MGB (Australia) Pty Ltd including its subsidiary Sulo (NZ) Ltd from Plastics Group Pty Ltd for a total consideration of $31.4 million. Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed above. There have been no further adjustments to these amounts in the current period and final goodwill of $10.5 million has been recognised on acquisition.

(2) During the year ended 30 June 2015, the Group acquired the:

- drum recycling assets from Brazier Group Pty Ltd for $1.4 million on 23 December 2014.
- business assets from Brackley Industries Pty Ltd for $5.4 million on 6 May 2015. Brackley is a supplier of consol games, computer software and other media packaging products.
- business assets from A&C Packers Pty Ltd for $4.7 million on 7 May 2015.
- the drum business assets of NCI for $3.4 million on 15 May 2015 by a cash payment.

(3) The difference between this balance and amount recorded in the Consolidated Cash Flow Statement is the net cash acquired as part of the transactions.

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

How Pact accounts for business acquisitions

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

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

2.2 CONTROLLED ENTIITES

Australian incorporated entities that are part to the Deed of Cross Guarantee at 30 June 2016:[1]

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

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

AUSTRALIA

- Plaspak Contaplas Pty Ltd[3]
- Plaspak Management Pty Ltd[3]
- Plaspak (PET) Pty Ltd[3]
- Plaspak Minto Pty Ltd[4]
- Sustainapac Pty Ltd

NEW ZEALAND

- Pact Group Holdings (NZ) Ltd
  - Pact Group Finance (NZ) Ltd
  - Pact Group (NZ) Ltd
  - VIP Steel Packaging (NZ) Ltd
  - VIP Plastic Packaging (NZ) Ltd
    - Alto Packaging Ltd
  - Auckland Drum Sustainability Services Ltd
  - Tecpak Industries Ltd
  - Astron Plastics Ltd
  - Pacific BBA Plastics (NZ) Ltd
    - Viscount Plastics (NZ) Ltd
  - Stowers Containment Solutions Ltd
- Sulo NZ Ltd [10]

CHINA

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

INDONESIA

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

PHILIPPINES

- Plastop Asia Inc[7]

SINGAPORE

- Asia Peak Pte Ltd[8]

UNITED STATES OF AMERICA

- Pact Group (USA) Inc[9]

[1] All entities are wholly owned unless otherwise stated
[2] Equity interest at 30 June 2016: 100% (30 June 2015: 51%)
[3] Owned by Skyson Pty Ltd
[4] Owned by Snopak Manufacturing Pty Ltd
[5] Owned by Viscount Plastics (China) Pty Ltd
[6] Owned by Asia Peak Pte Ltd
[7] Owned by Ruffgar Holdings Pty Ltd
[8] Owned by Pact Group Industries (Asia) Pty Ltd
[9] Owned by Pact Group Industries (ANZ) Pty Ltd
[10] Owned by Sulo MGB Australia Pty Ltd

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

2.2 CONTROLLED ENTIITES (CONTINUED)

How Pact accounts for controlled entities

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

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

2.3 ASSOCIATES AND JOINT VENTURES

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

Entity	Principal place of operation	About	Pact's ownership interest[1]	Carrying Value	
$'000				2016	2015
Changzhou Viscount Oriental Mould Co Ltd (Oriental Mould)	China	Is an associate company, which is a manufacturer of moulds, of which a proportion is purchased by the local Chinese subsidiaries of Viscount Plastics (China) Pty Ltd.	40%	**216**	240
Spraypac Products (NZ) Ltd (Spraypac)	New Zealand	Is an associate company distributing plastic bottles and related spray products.	50%	**783**	668
Weener Plastop Asia Inc (Weener)	Philippines	A joint venture with Weener Plastik GMBH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	**3,570**	3,495
Gempack Weener (Gempack)	Thailand	A joint venture with Weener Plastik GMBH which manufactures plastic jars and bottles for the Personal Care, Food & Beverage and Home Care markets.	50%	**11,470**	10,236

[1] Ownership interest at 30 June 2016 and 30 June 2015.

Summary of associates and joint venture financial information at 30 June

$'000	2016	2015
Carrying value of investment		
Current assets	**15,072**	11,756
Non-current assets	**24,250**	24,824
Current liabilities	**(7,899)**	(7,891)
Net assets	**31,423**	28,689
Carrying amount of the Group's investment	**16,039**	14,639
Group's share of profit/(loss) for the year		
Revenue	**29,915**	15,317
Expense	**(25,461)**	(12,565)
Net profit/(loss) after tax	**4,454**	2,752
Group's share of profit/(loss) for the year	**2,227**	1,376

Dividends received from associates and joint ventures during the year was $1.7 million (2015: $0.4 million).

The joint ventures and associates had no contingent liabilities or significant capital commitments at 30 June 2016 (2015: nil).

2.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

The Group uses the equity method to account for their investments in associates and joint ventures, where they consider they have significant influence but they do not have control. Generally significant influence is deemed if Pact has over 20% of the voting rights.

Under the equity method:

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

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

Section 3 – Our Operating Assets

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

Liabilities relating to the Group's financing activities are disclosed in Note 4.1 *Net Debt*, Deferred tax assets and liabilities are disclosed in Note 1.2 *Taxation* and employee benefits provisions are disclosed in Note 5.1 *Employee Benefits Expenses and Provisions.*

3.1 WORKING CAPITAL

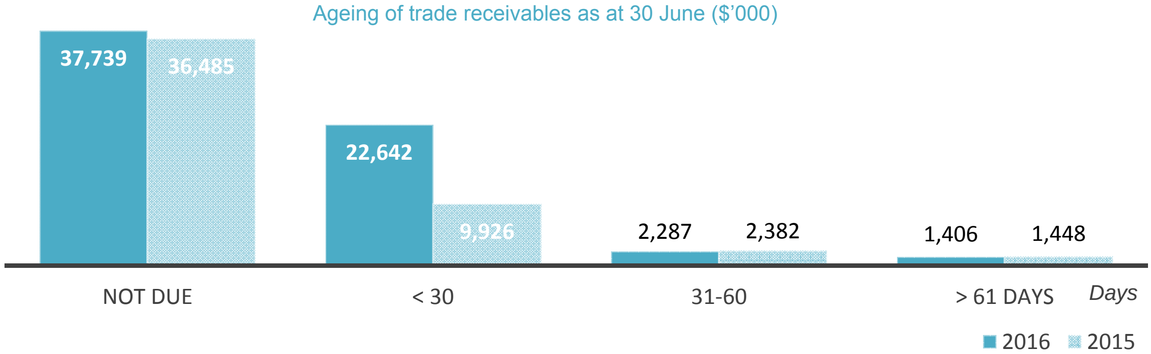
Trade and other receivables

Trade and other receivables at 30 June comprise of:

$'000	2016	2015
Trade receivables[(1)]	**64,265**	50,559
Allowance for impairment loss	**(191)**	(318)
Other receivables[(2)]	**50,530**	43,444
Total current trade and other receivables	**114,604**	93,685

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

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



(2) At 30 June 2016 $33.6 million (2015: $30.7 million) has been recognised as part of other receivables representing the Group's participation in the securitisation program. The program requires the Group (or an entity other than the bank) to be a participant of the program. Given the short term nature of this financial asset, the carrying value of the associated receivable approximates its fair value and represents the Group's maximum exposure to the receivables derecognised as part of the program.

At 30 June 2016, trade receivables with an invoice value of $0.2 million (2015: $0.3 million) were impaired and fully provided for. The Group has a number of mechanisms in place which assist in minimising financial losses due to customer non-payment. These include:

- all customers who wish to trade on credit terms are subject to strict credit verification procedures, which may include an assessment of their independent credit rating, financial position, past experience and industry reputation;
- individual risks limits, which are regularly monitored in line with set parameters;
- monitoring receivable balances on an ongoing basis; and
- a debtors securitisation program. This is a three year program established in June 2015 which allows Pact to sell receivables, at a discount, to a third party on a non-recourse basis.

How Pact accounts for trade and other receivables

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

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

Under the debtors securitisation program:

- The Group transfers substantially all the risks and rewards of receivables within the program to a third party.
- Receivables are sold at a discount under the debtors securitisation program and at the date of sale the receivable is derecognised and the discount is included as part of the loss on derecognition of financial assets in the Consolidated Statement of Comprehensive Income. The costs associated with establishing the program are also recognised on a pro rata basis within the same account (refer to Section 4.1).
- The Group also acts as a servicer to the program 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 program.

3.1 WORKING CAPITAL (CONTINUED)

Inventories

Inventories at 30 June comprise of:

$'000	Examples	2016	2015
Raw materials and stores	Plastic resin, steel and tinplate	**64,625**	49,103
Work in progress	Manufactured plastic, steel and tin packaging that have not yet reached a full stage of completion	**18,093**	15,290
Finished goods	Manufactured plastic, steel and tin packaging that are intended for sale to external customers	**63,914**	53,099
Total inventories		**146,632**	117,492

How Pact accounts for inventories

Inventories are recorded at cost, which for Pact includes:

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

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

Trade and other payables

Current trade and other payables at 30 June comprise of:

Trade payables	**248,339**	188,969
Other payables	**60,996**	72,465
Income tax payable	**4,841**	6,098
Total current trade and other payables	**314,176**	267,532

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.

3.2 NON-CURRENT ASSETS

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

$'000	2016	2015
Australia	**617,610**	559,663
New Zealand	**311,369**	251,429
Other	**71,688**	70,450
TOTAL	**1,000,667**	**881,542**

3.2 NON-CURRENT ASSETS (CONTINUED)

Property, plant and equipment

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

$'000	Property[1]	Plant and equipment	Capital work in progress	Total
Estimated useful life	Freehold: 40 – 50 years Leasehold: 10 – 15 years	3 – 20 years	n/a	
Year ended 30 June 2016				
At 1 July 2015 net of accumulated depreciation	**39,431**	**474,346**	**27,696**	**541,473**
Additions and transfers	**1,254**	**46,345**	**11,987**	**59,586**
Acquisition of subsidiaries and businesses	**1,865**	**32,585**	**954**	**35,404**
Disposals	**(4,082)**	**(1,892)**	**-**	**(5,974)**
Asset write downs	**-**	**(834)**	**-**	**(834)**
Foreign exchange translation movement	**3,430**	**6,420**	**481**	**10,331**
Depreciation charge for the year	**(2,982)**	**(54,281)**	**-**	**(57,263)**
At 30 June 2016 net of accumulated depreciation	**38,916**	**502,689**	**41,118**	**582,723**
Represented by:				
• At cost	**55,372**	**969,276**	**41,118**	**1,065,766**
• Accumulated depreciation	**(16,456)**	**(466,587)**	**-**	**(483,043)**
Year ended 30 June 2015				
At 1 July 2014 net of accumulated depreciation	28,902	486,991	29,711	545,604
Additions and transfers	6,814	44,086	(728)	50,172
Acquisition of subsidiaries and businesses	3,300	21,052	-	24,352
Disposals	-	(9,482)	(1,623)	(11,105)
Asset write downs	-	(12,582)	-	(12,582)
Foreign exchange translation movement	3,080	(2,337)	336	1,079
Depreciation charge for the year	(2,665)	(53,382)	-	(56,047)
At 30 June 2015 net of accumulated depreciation	39,431	474,346	27,696	541,473
Represented by:				
• At cost	53,111	924,150	27,696	1,004,957
• Accumulated depreciation	(13,680)	(449,804)	-	(463,484)

(1) Property consists of the following: leasehold improvements of $17.3 million (2015: $15.1 million) and accumulated depreciation of $6.5 million (2015: $4.9 million), and freehold property of $38.1 million (2015: $38.0 million) and accumulated depreciation of $10.0 million (2015: ($8.8 million).

Key Estimates and Judgements – Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience and lease terms. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Key Estimates and Judgements – Recoverability of property, plant and equipment
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, social, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is assessed.

3.2 NON-CURRENT ASSETS (CONTINUED)

Property, plant and equipment (continued)

How Pact accounts for property plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. Depreciation is calculated on a straight line basis over the estimated useful life of the assets. Where assets are in the course of construction at the reporting date they are classified as capital works in progress. Upon completion, capital works in progress are reclassified to plant and equipment and are depreciated from this date.

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

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

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

Goodwill and other intangibles

The majority of Pact's intangible assets and goodwill balance relates to Goodwill, with the remainder of the other intangibles balance comprising the carrying value of patents, trademarks and licenses. Other intangibles for the year were $2,472,000 (2015: $2,849,000) and includes amortisation charges of $425,000 (2015: $202,000). These are recognised at cost and amortised over their useful live.

The movements in goodwill over the year were:

$'000	2016	2015
Opening balance at 1 July net of impairment	**337,220**	326,210
Goodwill arising on acquisition	**67,620**	17,426
Foreign exchange translation movements	**10,632**	(6,416)
Closing balance at 30 June net of impairment[1]	**415,472**	337,220
Allocated to the following group of CGU's and segments[2]**:**		
• Pact Australia	**219,967**	164,708
• Pact International	**195,505**	172,512

(1) There are $nil impairment charges against the goodwill balance at 30 June 2016 (2015: $nil).
(2) This is the lowest level where goodwill is monitored.

Key Estimate and Judgement – Impairment of goodwill and other intangibles
The recoverable amount of each of the CGU's has been determined based on value in use calculations using cash flow projections contained within next year's financial budget approved by management and other forward projections. Management have used their current expectations and what is considered reasonably achievable when assigning values to key assumptions in their value in use calculations.

3.2 NON-CURRENT ASSETS (CONTINUED)

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

- **Gross margins and raw material price movement** – Gross margins are based on average budgeted (next years) margins which reflect current gross margins adjusted for any expected (and likely) efficiency improvements or price changes.
- **Cash Flows** – Cash flows beyond the one year period are extrapolated using growth rates which are a combination of volume growth and price growth. Rates are based on published industry research and economic forecasts relating to GDP growth rates. The long term growth rates are in the range of 2.3% - 6.0% (2015: 2.7% - 6.0%).
- **Discount rates** – The discount rates for each CGU are calculated using rates based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk factors specific to the countries in which the CGU's operate. Foreign currency cash flows are discounted using the functional currency of the CGU's and then translated to Australian Dollars using the closing exchange rate. The pre-tax discount rates applied to cash flow projections are in the range of 11.3% - 20.0% (2015: 11.0% -19.0%).

With regard to the assessment of value in use, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

How Pact accounts for goodwill

Goodwill is:

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

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGU's), to which the goodwill relates. When the recoverable amount of the CGU (or group of CGU's) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a CGU (or group of CGU's) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU's retained.

3.3 COMMITMENTS AND CONTINGENCIES

Operating leases

$'000	2016	2015
Operating lease and rental expense[1]	**46,746**	44,033

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

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

Within one year	**48,901**	36,466
After one year but not more than five years	**160,163**	105,031
More than five years	**142,791**	79,336
Total lease expenditure commitments	**351,855**	220,833

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

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

Payable within one year	**29,913**	3,720
Payable after one year but not more than five years	**4,792**	1,124
Total	**34,705**	4,844

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

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

3.4 OTHER PROVISIONS

Total other provisions at 30 June comprise of:

$'000's	2016	2015
CURRENT		
Business reorganisation	**6,082**	11,224
Other	**29**	759
Total current provisions	**6,111**	11,983
NON-CURRENT		
Fixed rent	**12,635**	9,882
Make good on leased premises	**9,897**	11,610
Total non-current provisions	**22,532**	21,492

Movement in provisions

$'000	Business reorganisation(1)	Fixed rent provision(2)	Make good on leased premises(3)	Other	Total
Year ended 30 June 2016					
At 1 July 2015	**11,224**	**9,882**	**11,610**	**759**	**33,475**
Acquisition of subsidiaries and businesses	**-**	**-**	**778**	**-**	**778**
Provided for during the year	**7,759**	**4,041**	**1,317**	**-**	**13,117**
Utilised	**(12,926)**	**(205)**	**-**	**-**	**(13,131)**
Unutilised amounts reversed	**-**	**-**	**(4,017)**	**(732)**	**(4,749)**
Transfer to unearned income	**-**	**(1,189)**	**-**	**-**	**(1,189)**
Foreign exchange translation movement	**25**	**106**	**209**	**2**	**342**
At 30 June 2016	**6,082**	**12,635**	**9,897**	**29**	**28,643**

(1) Business reorganisation - The business reorganisation program (announced in 2015) relates to the optimisation of business facilities by eliminating excess capacity. That program is expected to be completed in 2017.

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

(3) Make good on leased premises - In accordance with the form of lease agreements, the Group may be required to restore leased premises to their original condition at the end of the lease term and upon exiting the site. The provision is based on the costs which are expected to be incurred using historical costs as a guide. During the year, the Group reduced its property make good provisions by $4.0m following a review of contractual obligations, actual make good expenditure incurred and the renegotiation of existing leases.

Key Estimates and Judgements – Business reorganisation
Business reorganisation provisions are only recognised when a detailed plan has been approved and the business reorganisation has either commenced or been publicly announced, or contracts relating to the business reorganisation 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.

Section 4 – Our Capital Structure

This section details specifics of the Groups' capital structure. When managing capital, management's objective is to ensure that the entity continues as a going concern as well as to provide optimal returns to shareholders and other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Primary responsibility for identification and control of capital and financial risks rests with the Treasury Risk Management Committee.

4.1 NET DEBT

Debt profile

Pact has the following non-current interest bearing loans and borrowings at 30 June:

$'000	Term	Average interest rate	2016	2015
Syndicated Facility Agreement A Tranche 1(1)	3 years	3.28%	**295,000**	295,000
Syndicated Facility Agreement A Tranche 2(1)	5 years	3.48%	**112,000**	22,000
Syndicated Facility Agreement B Tranche 1(1)	3 years	4.10%	**71,473**	79,766
Syndicated Facility Agreement B Tranche 2(1)	5 years	4.38%	**85,767**	79,766
Capitalised borrowing costs			**(2,800)**	(3,632)
Total non-current interest bearing loans and borrowings			**561,440**	472,900

(1) The Group has a A$590.0 million facility (loans A above with total drawn debt: $407.0 million; 2015: $317.0 million) and a NZ$180.0 million facility (loans B above with total drawn debt: $157.2 million; 2015: $159.5 million). Each facility is split between a 3 year tranche maturing July 2018 and a 5 year tranche maturing in July 2020. The Group uses interest rate swaps to manage interest rate risk. As a result of utilising these swaps the average interest rate in the 3 year tranche is 3.84%.

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

$'000	Note	2016	2015
Interest on Syndicated Facility Agreement		**23,748**	31,169
Borrowing costs amortisation		**1,446**	1,046
Interest rate swaps		**1,695**	89
Sundry items		**392**	750
Total finance costs		**27,281**	33,054
Loss on de-recognition of financial assets	3.1	**3,363**	42
Total finance costs & loss on de-recognition of financial assets		**30,644**	33,096

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

How Pact accounts for loans and borrowings

All loans and borrowings are:

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

Fair value of the Group's interest-bearing loans and borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. As the underlying debt has a floating interest rate (excluding the impact of the separate interest rate swaps), the Group's own performance risk at 30 June 2016 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	2016	2015
Net profit for the year	**85,044**	67,691
Non cash flows in operating profit:		
Depreciation and amortisation	**57,688**	56,249
(Gain) / loss on sale of property, plant and equipment	**(2,580)**	1,511
Share of net profit in associates	**(2,227)**	(1,376)
Share based payments expense	**382**	-
Other	**2,367**	2,134
Changes in assets and liabilities:		
Decrease in trade and other receivables	**16,985**	62,245
(Increase) / decrease in inventory	**(7,550)**	3,795
Decrease in deferred tax assets	**2,050**	1,020
Increase in trade and other payables	**9,889**	38,113
Decrease in employee entitlement provisions	**(453)**	(1,168)
(Decrease) / increase in other provisions	**(6,498)**	12,543
(Decrease) / increase in current tax liabilities	**(581)**	699
Increase in deferred tax liabilities	**6,273**	6,951
Net cash flow provided by operating activities	**160,789**	250,407

Non-cash activities

$'000	Notes	2016	2015
Acquisition of assets, liabilities and business via issue of shares	2.1	**10,600**	1,900

How Pact accounts for cash and cash equivalents

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

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

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.

	2016		2015	
	Number of shares	$'000's	Number of shares	$'000's
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**294,555,855**	**1,491,497**	294,097,961	1,489,597
Issued during the year[1]	**2,205,025**	**10,600**	457,894	1,900
End of the year	**296,760,880**	**1,502,097**	294,555,855	1,491,497

(1) Shares issued during the year include:

- On 1 March 2016, 1,970,650 shares in the Company were issued as part of the acquisition of Power Plastics Pty Ltd (refer Note 2.1), 985,325 shares are subject to voluntary escrow for 12 months and will be released from escrow on 1 March 2017. The remaining 985,325 shares are subject to voluntary escrow for 24 months and will be released from escrow on 1 March 2018.

- On 3 May 2016, 234,375 shares in the Company were issued as part of the acquisition of the assets of EcoPolymers Pty Ltd (refer Note 2.1), the shares are subject to voluntary escrow for 12 months and will be released from escrow on 4 May 2017.

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	2016	2015
Foreign currency translation reserve[1]	**27,200**	20,394
Cash flow hedge reserve[2]	**(2,498)**	(1,790)
Common control transaction reserve[3]	**(928,385)**	(928,385)
Share based payments reserve[4]	**322**	-
Total reserves	**(903,361)**	(909,781)

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

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

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

(4) The share based payments reserve records items recognised as expenses on the valuation of employee rights issues.

4.3 MANAGING OUR FINANCIAL RISKS

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

The Group's principal financial risks are:

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

Managing interest rate risk

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2016
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 2016, the Group hedge cover is 44% (2015: 52%) of its long term variable debt excluding working capital facilities. Sensitivity analysis performed by management showed that a +1% in AUD interest rates would reduce net profit after tax by $1.1 million and reduce equity by $0.5m (2015: $0.5 million reduction in net profit after tax and $1.8m increase in equity). Sensitivity analysis performed by management showed that a +1% in NZD interest rates would reduce net profit after tax and equity by $1.1 million (2015: $1.1 million reduction).

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

Managing foreign currency risk

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

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

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

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2016
If transactions are denominated in currencies other than the functional currency of the operating entity, there is a risk of an unfavourable financial impact to earnings if there is an adverse currency movement.	• Utilises forward foreign currency contracts to eliminate or reduce currency exposures of individual transactions once the Group has entered into a firm commitment for a sale or purchase.	The Group has a significant exposure to the USD against the AUD and NZD from USD purchase commitments, while the Group's exposure to sales denominated in currencies other than the functional currency of the operating entity is less than 1%. At 30 June 2016, the Group has the majority of its foreign currency committed purchase orders hedged. Sensitivity analysis of the foreign currency contracts was performed to movements in the Australian dollar against the relevant foreign currencies, with all other variables held constant, taking into account all underlying exposures and related hedges. This analysis showed that a 10% movement in its major trading currencies would not materially impact net profit after tax or equity.
As Pact's overseas entities do not have an Australian dollar (AUD) functional currency, if currency rates move adversely compared to the AUD, then the amount of AUD-equivalent profit would decrease and the balance sheet net investment value would decline.	• Pact utilises borrowing in the functional currency of the overseas entity to naturally hedge offshore entities where considered appropriate. The foreign currency debt provides a balance sheet hedge of the asset, while the foreign currency interest cost provides a natural hedge of the offshore profit.	There is no material impact from a change in FX rates in other functional currencies on net profit after tax or equity, if the movement was within +/- 10%.

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

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

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

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

Managing liquidity risk

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

What is the risk?	How does Pact manage this risk?	Impact at 30 June 2016
The risk that Pact cannot meet its obligations to repay its financial liabilities as and when they fall due.	• Having access to an adequate amount of committed credit facilities. • Maintains a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and debtor securitisation.	The Group is in a net current asset deficiency of $31.7 million at balance date, however it has: • $197.3 million of unused credit within its syndicated facilitates; and • $20.2 million unused overdraft facility. The Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future they will be able to pay their debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

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

$'000	≤ 6 months	6–12 months	1–5 years	> 5 years	Total
Year ended 30 June 2016					
Financial assets(1)					
Cash and cash equivalents	**51,885**	**-**	**-**	**-**	**51,885**
Trade and other receivables	**114,604**	**-**	**905**	**-**	**115,509**
Foreign exchange forward contracts(2)	**87,255**	**1,723**	**455**	**-**	**89,433**
Total inflows	**253,744**	**1,723**	**1,360**	**-**	**256,827**
Financial liabilities(1)					
Trade and other payables	**(309,335)**	**-**	**(5,392)**	**-**	**(314,727)**
Foreign exchange forward contracts(2)	**(88,728)**	**(2,024)**	**(590)**	**-**	**(91,342)**
Interest rate swaps	**(1,226)**	**(1,394)**	**(956)**	**-**	**(3,576)**
Syndicated Facility Agreement(3)	**(9,932)**	**(9,824)**	**(601,481)**	**-**	**(621,237)**
Total outflows	**(409,221)**	**(13,242)**	**(608,419)**	**-**	**(1,030,882)**
Net inflow/(outflow)	**(155,477)**	**(11,519)**	**(607,059)**	**-**	**(774,055)**
Year ended 30 June 2015					
Financial assets(1)					
Cash and cash equivalents	32,612	-	-	-	32,612
Trade and other receivables	93,685	-	-	-	93,685
Foreign exchange forward contracts(2)	66,553	260	1,283	-	68,096
Total inflows	192,850	260	1,283	-	194,393
Financial liabilities(1)					
Trade and other payables	(261,434)	-	-	-	(261,434)
Foreign exchange forward contracts(2)	(65,105)	(264)	(1,257)	-	(66,626)
Interest rate swaps	(898)	(896)	(1,652)	-	(3,446)
Syndicated Facility Agreements(3)	(11,039)	(10,919)	(433,385)	(102,234)	(557,577)
Total outflows	(338,476)	(12,079)	(436,294)	(102,234)	(889,083)
Net inflow/(outflow)	(145,626)	(11,819)	(435,011)	(102,234)	(694,690)

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

(2) Foreign exchange forward contracts are recorded as a net balance in the Consolidated Statement of Financial Performance, 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.

4.3 MANAGING OUR FINANCIAL RISKS (CONTINUED)

Managing credit risk

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

- Operating activities: The Group has in place a number of mechanisms to manage its exposure to customer credit risk, discussed in Note 3.1, including a debtor's securitisation program where substantially all the risks and rewards of the receivables within the program are transferred to a third party.
- Financial activities: Restricting dealings to counterparties with high credit ratings and limiting concentration of credit risk.

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

Commodity price risk

The Group is exposed to commodity price risk from a number of commodities, mainly resin. In managing this risk the Group is generally able to pass on the price risk contractually with customers through rise and fall adjustments.

Utilising hedging contracts to manage risk

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

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

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

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

Derivative financial instruments are:

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

The fair value of:

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

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

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

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

Section 5 – Remunerating Our People

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

This section should be read in conjunction with the Remuneration Report, contained within the Directors Report, which provides specific details on the setting of remuneration for Key Management Personnel.

5.1 EMPLOYEE BENEFITS EXPENSES AND PROVISIONS

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

$'000	2016	2015
Wages and salaries	**300,414**	262,217
Defined contribution superannuation expense	**16,197**	14,014
Other employee benefits expense	**23,834**	14,906
Share based payments expense	**322**	-
Total employee benefits expense	**340,767**	291,137

The Group's non-current employee benefits provisions, $8,293,000 (2015: $7,012,000) relate to long serve leave entitlements, while the current employee benefits provisions as at 30 June comprise of the following:

Annual leave	**16,807**	14,397
Long service leave	**13,322**	11,759
Total current provisions	**30,129**	26,156

How Pact accounts for employee benefits

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

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

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

5.2 SHARE BASED PAYMENTS

Long Term Incentive Plan (LTIP)

An LTIP was introduced in FY2016 as a component of the CEO's remuneration, comprising the issue of Performance Rights. The CEO is the sole participant in the LTIP for the current period and is entitled to performance rights equal to 100% of annual base salary with a vesting period of three years. The LTIP scheme commenced on 1 December 2015. Details of the LTIP can be found on page 9 of the Directors Report.

For the year ended 30 June 2016, 146,444 performance rights are expected to be granted to the CEO. These rights were independently valued to establish the fair value in accordance with AASB2 *Share Based Payments*. The fair value of each right at the valuation date of 22 June 2016 is $3.85. A total share based payment expense of $127,312 in relation to the LTIP has been recognised in the current year.

The key assumptions in the independent valuation were as follows:

Share price at valuation date	**$5.79**
Annualised volatility	**25.0%**
Annual dividend yield	**4.0%**
Risk free rate	**1.7%**
Expected life of performance right	**31 months**
Model used	**Monte Carlo Simulation Model**

5.2 SHARE BASED PAYMENTS (CONTINUED)

Initial Share Grant

The CEO is entitled to receive an initial share grant of $1 million in shares to be issued evenly at the conclusion of each anniversary from 1 December 2015 for the first three years of employment. These shares are subject to escrow until the three years of service has been completed. Should the CEO cease employment during this time the shares will be forfeited.

The share based payments expense in relation to the initial share grant recognised in the current year was $194,444.

The total share based payments expense arising from the LTIP and the initial share grant in the current year was $321,756.

Employee Benefits Expense

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

$'000	2016	2015
Wages and salaries	**300,414**	262,217
Defined contribution superannuation expense	**16,197**	14,014
Other employee benefits expense	**23,834**	14,906
Share based payments expense	**322**	-

5.3 KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel (KMP) of the Group

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

$'000	2016	2015
Short-term employee benefits	**3,609**	3,468
Post-employment benefits	**153**	169
Long-term benefits	**(28)**	6
Share based payments expense	**322**	-
Total compensation	**4,056**	3,643

The following table provides the total amount of transactions with related parties for the year ended 30 June 2016:

$'000's		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties – director's interests[1]					
	2016	**10,051**	**19,048**	**293**	**681**
	2015	9,385	19,544	14	568

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

P'Auer Pty Ltd (P'Auer)

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

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 49%, is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact for an initial term that expires on 1 October 2016. Total fees under this arrangement are approximately $4.9 million (2015: $4.8 million) for the twelve months ended 30 June 2016. The supply arrangement is on arm's length terms.

5.3 KEY MANAGEMENT PERSONNEL (CONTINUED)

Terms and conditions of property leases with related parties

The Group leased 16 properties (13 in Australia and 3 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for the year ended 30 June 2016 was $6.6 million (2015: $6.6 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Of the Centralbridge Leases in Australia:

- seven of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 6th and 9th term;
- two of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 8th term; and
- two of the leases do not contain standard default provisions which give the landlord the right to terminate the lease in the event of default.

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

Of the Centralbridge Leases in New Zealand, three of the leases contain early termination rights in favour of the landlord to terminate the lease at the expiry of the 6th and 9th term. With the exception of the early termination right, the Centralbridge Leases in New Zealand are on terms which are not uncommon for leases of commercial premises.

Terms and conditions of transactions with related parties

The purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil).

Section 6 – Other Disclosures

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001*.

6.1 BASIS OF PREPARATION

Basis of preparation and compliance

This financial report:

- Comprises the financial statements of Pact Group Holdings Ltd, being the ultimate parent entity, and its controlled entities as specified in Section 2.2.
- Is a general purpose financial report.
- Has been prepared in accordance and complies with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.
- Complies with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board.
- Has been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value.
- Has revenues, expenses and assets recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or as part of the expense item to which it relates. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.
- Has Research and development costs of $430,000 (2015: $392,000).
- Is presented in Australian dollars with all values rounded to the nearest $1,000, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.
- Has all intercompany balances, transactions, income and expenses and profit and losses resulting from intra-group transactions eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

New Accounting Standards and Interpretations

There were no standards that were adopted during the year ended 30 June 2016 that have had a material impact on the Group.

There are a number of Australian Standards and Interpretations that have been issued but are not yet effective and have not been adopted by the Group at 30 June 2016. The following has been identified as those which may impact the Group in the period of initial application:

New Standards, Interpretations or Amendments	Pact financial year that it is effective if not early adopted	Impact on Pact financial results
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	Commencing 1 July 2016	Not expected to have a material impact
AASB 9 *Financial Instruments*(1)	Commencing 1 July 2018	Not expected to have a material impact
AASB 15 *Revenue from Contracts with Customers*(1)	Commencing 1 July 2018	Management have commenced an assessment, which will be completed in FY2017
AASB 16 *Leases*(1)	Commencing 1 July 2019	Management are currently assessing the impact

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

Comparatives

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

6.2 OTHER GAINS / (LOSSES)

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

$'000	2016	2015
Significant items		
Acquisition Costs	**(2,913)**	(2,691)
Business Reorganisation Program		
• restructuring costs	**(7,759)**	(6,788)
• asset write downs	**(834)**	(12,582)
• loss on partial disposal of subsidiary	**-**	(1,486)
Business Reorganisation Program Total	**(8,593)**	(20,856)
Total Significant items	**(11,506)**	(23,547)
Other gains / (losses)		
Unrealised (losses) / gains on revaluation of foreign exchange forward contracts	**(49)**	39
Gain / (loss) on sale of property, plant and equipment	**2,580**	(1,511)
Realised net foreign exchange gains / (losses)	**481**	140
Total other gains / (losses)	**3,012**	(1,332)
Total significant items and other gains / (losses) before tax	**(8,494)**	(24,879)

6.3 PACT GROUP HOLDINGS LTD – PARENT ENTITY FINANCIAL STATEMENTS SUMMARY

$'000	2016	2015
Current assets	**346,944**	337,780
Total assets	**1,358,503**	1,350,326
Current liabilities	**-**	234
Total liabilities	**-**	6,968
Net assets	**1,358,503**	1,343,358
Issued capital	**1,322,097**	1,311,497
Retained earnings	**513**	64
Profit reserve	**35,893**	31,797
Total equity	**1,358,503**	1,343,358
Profit / (Loss) of the Parent entity	**63,205**	52,680
Total comprehensive income / (Loss) of the Parent entity	**63,205**	52,680

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

- is the ultimate parent of the Group;
- is a for-profit company limited by shares;
- is incorporated and domiciled in Australia;
- has its registered office is at Level 1, Building 6, 650 Church Street, Richmond, Victoria, Australia; and
- is listed on the Australian Stock Exchange (ASX) and its shares are publicly traded.

How Pact accounted for information within parent entity financial statements

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

- Investments in subsidiaries are accounted for at cost in the financial statements of Pact Group Holdings Ltd.

6.4 AUDITORS REMUNERATION

During the period, the following fees were paid or payable for services provided by Pact Group Holdings Ltd's external auditors Ernst & Young:

$'000	2016	2015
Ernst & Young		
AUDIT AND ASSURANCE SERVICES		
Audit and review of financial statements	**1,300**	1,300
Other assurance related services	**528**	543
Total remuneration for audit and other assurance services	**1,828**	1,843
OTHER SERVICES		
Tax compliance services and reviewing of company income tax returns	**138**	248
Tax consulting services and advice	**334**	259
Total remuneration for other services	**472**	507
Total auditor's remuneration of Ernst & Young	**2,300**	2,350

6.5 DEED OF CROSS GUARANTEE

$'000	2016	2015
Closed group consolidated income statement		
Profit before income tax	**65,894**	47,595
Income tax expense	**(18,356)**	(11,981)
Net profit for the year	**47,538**	35,614
Retained earnings at beginning of the year	**8,120**	(14,163)
Net profit for the year	**47,538**	35,614
Dividends provided for or paid	**(20,738)**	(9,279)
Transfers (to) / from reserves	**-**	(4,052)
Retained earnings at end of the year	**34,920**	8,120
Closed group consolidated balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	**29,247**	12,711
Trade and other receivables	**70,620**	58,399
Inventories	**116,274**	90,649
Loans to related parties	**88,780**	31,351
Current tax assets	**837**	-
Other financial assets	**488**	1,657
Prepayments	**10,198**	9,110
TOTAL CURRENT ASSETS	**316,444**	203,877
NON-CURRENT ASSETS		
Trade and other receivables	**905**	-
Property, plant and equipment	**422,472**	392,349
Investments in subsidiaries	**363,322**	363,322
Investments in associates	**15,256**	13,971
Intangible assets and goodwill	**221,995**	167,009
Deferred tax assets	**25,932**	24,177
TOTAL NON-CURRENT ASSETS	**1,049,882**	960,828
TOTAL ASSETS	**1,366,326**	1,164,705
CURRENT LIABILITIES		
Trade and other payables	**216,851**	176,999
Loans from related parties	**73,804**	52,431
Current tax liabilities	**-**	706
Provisions	**26,307**	22,904
Other current financial liabilities	**5,877**	3,514
TOTAL CURRENT LIABILITIES	**322,839**	256,554
NON-CURRENT LIABILITIES		
Trade and other payables	**5,392**	1,555
Provisions	**31,935**	35,098
Interest bearing loans and borrowings	**407,000**	317,000
Deferred tax liabilities	**37,036**	27,927
TOTAL NON-CURRENT LIABILITIES	**481,363**	381,580
TOTAL LIABILITIES	**804,202**	638,134
NET ASSETS	**562,124**	526,571
EQUITY		
Contributed equity	**1,502,097**	1,491,497
Reserves	**(974,893)**	(973,046)
Retained earnings	**34,920**	8,120
TOTAL EQUITY	**562,124**	526,571

Pact has a number of Australian entities that are part to a Deed of Cross Guarantee (Deed), representing the 'Closed Group', entered into in accordance with ASIC Class Order 98/1418. This Deed grants these entities relief from preparing and lodging audited financial statements under the *Corporations Act 2001*.

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

6.6 GEOGRAPHIC SALES

Australia is Pact's largest sales region with $1,027.9 million sales made to Australian based customers during the year ended 30 June 2016 (2015: $905.4 million). Pact's second largest region is New Zealand, with $288.2 million sales made to New Zealand based customers during the year ended 30 June 2016 (2015: $280.4 million).

6.7 SUBSEQUENT EVENTS

On 1 July 2016 the Group acquired the assets, brands and trademarks of the Fruit Case Company (FCC), for a provisional consideration of $16.9 million. FCC operates crate pooling and hire in New Zealand.

The acquisition aligns with the Group's strategic intent to expand within the materials handling sector.

The acquisition includes the following:

$'000	AUD
Provisional Consideration paid	**16,930**
Provisional Fair value of identifiable net assets	**3,178**
Provisional Goodwill arising on acquisition	**13,752**

Goodwill represents the provisional value attributed to established networks and strong long term relationships that FCC currently enjoys with growers and retailers.

Other than the matter mentioned above, in the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 30 June 2016 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.

The accounting for this acquisition is preliminary and therefore the Group is currently unable to make further disclosures as required by the relevant Accounting Standards.

Directors' Declaration

In the Directors' opinion:

1. The consolidated financial statements and notes, and the remuneration report included in the Directors' report are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date;

   (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (c) complying with International Financial Reporting Standards as disclosed in Note 6.1;

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. As at the date of this Declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 6.5 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee described in Note 6.5.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

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

…………………………………..

Raphael Geminder
Chairman

……………………………......

Malcolm Bundey
Managing Director and Chief Executive Officer

Dated 24 August 2016

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

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

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

Report on the financial report

We have audited the accompanying financial report of Pact Group Holdings Ltd, which comprises the Consolidated Statement of Financial Position as at 30 June 2016, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 6.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

a. the financial report of Pact Group Holdings Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 6.1.

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Pact Group Holdings Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
24 August 2016