

ASX ANNOUNCEMENT

DATE: 27 August 2014

FINANCIAL REPORT – 30 JUNE 2014

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 2014 (Appendix 4E)
2. Consolidated Financial Report including the Directors' Report for the full year ended 30 June 2014.

Dividend

The Directors have determined a final dividend for the six months to 30 June 2014 of 9.5 cents per share which will be 65% franked. The record date for determining dividend entitlements is 5 September 2014. The dividend will be paid on 3 October 2014.

Annual General Meeting

The Directors have resolved to convene the Annual General Meeting of the Company on Friday 21 November 2014 commencing at 11am to be held at Encore St Kilda Beach, Level 6, 10-18 Jacka Boulevard, St Kilda Sea Baths, St Kilda, Victoria.

For further information, contact:

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

PACT GROUP HOLDINGS LTD

ABN 55 145 989 644

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APPENDIX 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:
Year ended 30 June 2014

Previous Corresponding Period:
Year ended 30 June 2013

2. Results for announcement to the market

	30 June 2014 \$'000	30 June 2013 \$'000	% Change
2.1 Revenue from Ordinary Activities ⁽¹⁾	1,160,016	1,117,189	3.83%
2.2 Net profit/(loss) from ordinary activities after tax attributable to members ⁽¹⁾	57,689	45,125	27.84%
2.3 Net profit/(loss) for the period attributable to members ⁽¹⁾	57,689	45,125	27.84%
2.4 No interim dividend was paid consistent with statements in the Company's Prospectus dated 27 November 2013. The Directors have determined to pay a final dividend of 9.5 cents per ordinary share franked to 65% per ordinary share.			
2.5 Record date for determining entitlements to the dividend:	5 September 2014		
⁽¹⁾Comments			
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 – 2.3 above.			

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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 attached Full Year Consolidated Financial Report, Note 17 Retained Earnings.

7. Net tangible assets

Net tangible asset backing per ordinary security	30 June 2014 \$(0.07)	30 June 2013 Not Applicable ⁽²⁾
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⁽²⁾As Pact Group Holdings Ltd had not issued any listed securities as at 30 June 2013, no comparative for this period has been provided.

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

Refer to the attached Full Year Consolidated Financial Report, Note 21 Business Combinations. There were no business disposals during the period.

9. Details of individual dividends and payment dates

The Directors' determined on 27 August 2014 that a final dividend of 9.5 cents per ordinary share franked to 65% per ordinary share will be paid by the Company on 3 October 2014. The record date for entitlement to the dividend is 5 September 2014. There are no foreign sourced dividends.

10. Details of dividend reinvestment plan

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

11. Details of associates and joint venture entities

Refer to the attached Full Year Consolidated Financial Report, Note 10 Investments in Associates and Joint Ventures.

12. Earnings per share

Refer to the attached Full Year Consolidated Financial Report, Note 29 Earnings per share.

13. 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 2014.

A handwritten signature in black ink that reads "Penny Grau".

Penny Grau
Company Secretary

Dated: 27 August 2014



FULL YEAR CONSOLIDATED FINANCIAL REPORT

30 JUNE 2014

Pact Group Holdings Ltd
ABN 55 145 989 644

PACT
GROUP

Full Year Consolidated Financial Report

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Directors' Report

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" or the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2014 (the "Group").

1. Directors

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

i. 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 founding Pact, 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 the Carlton Football Club and several other 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 2003, 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 both Treasury Wine Estates Limited and Tatts Group Limited.

Director of the Victorian Major Events Company, Melbourne Theatre Company, Melbourne Rebels Rugby Union Limited and directorships with several private companies.

Former ASX listed company directorships in last 3 years

Non-Executive Director of Foster's Group Limited (1999 – 2011) and Paperlinx Limited (2010–2012).

Tony Hodgson AM

Independent Non-Executive Director

Member of the Board since 26 November 2013

Chairman of the Audit, Business Risk and Compliance Committee

Tony was the co-founder and former Senior Partner of the chartered accounting firm Ferrier Hodgson from which he retired in 2000 after 24 years. He serves as a consultant to BRIFerrier Chartered Accountants and has extensive experience serving on various board committees including the Audit, Nomination, Risk and Compliance committees.

Directors' Report

Tony holds a Certificate of Commerce, is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Other current directorships

Member of the Advisory Council of J.P. Morgan, Non-Executive Director and Chair of the Audit & Risk Committee of Racing NSW and a Non-Executive Director of the Waubra Foundation.

Peter Margin

Independent Non-Executive Director

Member of the Board since 26 November 2013

Chairman of the Nomination and Remuneration Committee

Member of the Audit, Business Risk and Compliance 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 and HJ Heinz Company Australia Limited.

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

Other current directorships

Non-Executive Director of Bega Cheese Limited, PMP Limited, Nufarm Limited and of NSX listed company Ricegrowers Limited.

Former ASX listed company directorships in last 3 years

Executive Director of Goodman Fielder Limited (2005 – 2011)

Jonathan Ling

Independent Non-Executive Director

Member of the Board since 28 April 2014

Member of the Nomination and Remuneration Committee

Jonathan has extensive experience in complex manufacturing businesses from his current role as the Chief Executive Officer and Managing Director of GUD Holdings Limited and following a number of leadership roles with Fletcher Building, Nylex, Visy and Pacifica.

Prior to Jonathan's GUD role, he was the Chief Executive Officer and Managing Director of Fletcher Building Ltd (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

Chairman of Melbourne Rebels Rugby Union Limited.

Former ASX listed company directorships in last 3 years

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

Directors' Report

ii. Executive

Brian Cridland

Managing Director and Chief Executive Officer

Member of the Board since 26 November 2013

Brian is the Managing Director and Chief Executive Officer of Pact. He has been the Chief Executive Officer at Pact since its inception in 2002. Brian has been in the manufacturing industry for 41 years. He previously held senior roles including General Manager of Visypak, Managing Director of Rexel Australia, Managing Director of GEC Australia, General Manager of Rigid Packaging Southcorp and many senior roles in Rheem Australia Limited and other companies.

Brian has a Bachelor of Chemical Engineering and Bachelor of Commerce from the University of Queensland.

Other current directorships

No other external directorships.

iii. Company Secretary

Penny Grau was appointed to the position of Company Secretary of Pact on 10 February 2014.

Prior to this appointment, Penny was General Counsel and Company Secretary of listed company, Tatts Group Limited, from April 2007 until July 2014. Prior to this, Penny practised as a corporate lawyer for 18 years, the last 8 as partner, with national law firm Clayton Utz.

Penny holds Bachelors of Laws and Commerce, a Masters of Laws, a Graduate Diploma in Applied Finance and Investment and is a Fellow of the Governance Institute of Australia.

2. Directors' shareholding

As at the date of this report, the relevant interests of the Directors in the shares of the Company were as follows:

	Relevant Interest in Ordinary Shares
Raphael Geminder	117,036,546
Lyndsey Cattermole	78,948
Tony Hodgson	50,000
Peter Margin	7,894
Jonathan Ling	-
Brian Cridland	50,000

Directors' Report

3. 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 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	2	2
Lyndsey Cattermole	8	8	3	3	2	2
Tony Hodgson	8	7	3	3	NM	N/A
Peter Margin	8	8	3	3	2	2
Jonathan Ling	2	2	NM	N/A	2	2
Brian Cridland	8	8	NM	N/A	2	2

NM - Not a member of the relevant committee

N/A - Not applicable

4. Principal activities

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

Directors' Report

5. Operating and Financial Review

Financial Performance

Despite challenging market conditions, the Group exceeded Prospectus statutory and pro-forma NPAT and EBITDA forecasts and EBITDA and EBIT margins were stable compared to FY13. Pleasingly, the Group experienced statutory sales growth of 3.6% over the year, and EBIT (before significant items) growth of 4.8%.

The following table presents the statutory results of the Group for the year ended 30 June 2014 compared to both the Prospectus forecasts and the prior financial year.

Year ended 30 June, A\$ in millions	30 June 14 Actual	30 June 14 Prospectus ⁽¹⁾	30 June 13 Actual
Sales revenue	1,143.2	1,151.6	1,103.7
Other revenue (excluding interest revenue)	11.7	10.1	10.6
Total revenue (excluding interest revenue)	1,154.9	1,161.7	1,114.3
Expenses	(956.7)	(965.0)	(916.9)
Depreciation and amortisation	(51.2)	(50.6)	(57.1)
EBIT (before significant items)⁽²⁾	147.0	146.1	140.3
EBIT margin (before significant items)	12.9%	12.7%	12.7%
Significant items (before tax)	(26.2)	(30.1)	4.8
EBIT	120.8	116.0	145.1
Net finance costs expense	(66.7)	(72.4)	(91.8)
Income tax expense	(20.5)	(20.9)	(14.4)
Significant tax items	24.2	2.7	6.4
Net profit after tax	57.8	25.4	45.3
Minority interests	(0.1)	(0.2)	(0.2)
Net profit after tax attributable to shareholders	57.7	25.2	45.1

⁽¹⁾ On 27 November 2013 Pact lodged with the Australian Securities and Investments Commission (ASIC) a prospectus for an Initial Public Offering (IPO) to be listed on the Australian Securities Exchange (ASX).

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

Commentary

Sales revenue increased by \$39.5 million to \$1,143.2 million, or 3.6% compared to the prior year. Sales were positively affected by the contribution of the businesses acquired at the time of the IPO; consistently favourable currency translation movements and recouping of higher raw material costs. These effects were partially offset by the loss of a major contract, which occurred in the second half of the 2013 financial year, and softer agricultural sales due to the drought conditions in Australia.

Expenses were predominantly higher as a result of increases in raw material prices, and costs associated with the businesses acquired at the time of the IPO. These increases were partially offset by business rationalisation savings and efficiency improvements within the business, implemented to lower the Group's overall cost of operations.

EBIT before significant items of \$147.0 million exceeded the Prospectus statutory forecast by \$0.9 million. EBIT before significant items increased by 4.8% compared to the prior year. The increase compared to the prior year was driven by the combination of sales and expense impacts noted above, as well as a lower depreciation in FY14. EBIT margin improved by 0.2%, to 12.9%.

Pre-tax significant items for the year totalled \$26.2 million in expenses. These related entirely to transactions that occurred at the time of the IPO. The equivalent value as estimated in the Prospectus was \$30.1 million. The major item giving rise to the favourable result was in relation to favourable foreign exchange movements and interest rates at the time of the close-out of the cross currency interest rate swaps. The cost of closing out the interest rate swaps was \$3.2 million less than forecast in the Prospectus.

Directors' Report

Net financing costs for the period of \$66.7 million included gross financing costs of \$73.2 million, and net interest revenue of \$6.5 million. Gross financing costs primarily comprised \$17.5 million relating to the current Syndicated Finance Agreement entered into at the time of the IPO plus \$55.7 million of interest relating to the pre-IPO capital structure.

Pact announced to the ASX on 7 August 2014 that it would book a favourable \$18-20 million tax impact in the year ended 30 June 2014. Pact formed a new tax consolidation group effective on 1 January 2014, which involved a revaluation to market of assets, including plant & equipment, which were \$64 million higher than book value. The final tax benefit included in the accounts for FY14 came to \$19.2 million, and has been classified as a significant item in the Company's Consolidated Financial Report. In addition, the significant tax item includes a benefit of \$5.0 million relating to the pre-tax significant items.

The announcement made on 7 August 2014 also referred to a potential adverse effect arising from proposed changes in tax law relating to the formation of a new income tax consolidated group. As these proposed changes in tax law have not been enacted, or substantially enacted, no amounts have been recognised in the Financial Report for 30 June 2014.

Net debt as at 30 June 2014 was \$565.3 million, \$9.7 million lower than the Prospectus forecast of \$575.0 million with strong cash flow generation.

Review of operations

Pact is the leading supplier of rigid plastics packaging and related products in Australia and New Zealand and has an emerging presence in Asia.

Pact Australia comprises the Group's operations across Australia where it has manufacturing plants in New South Wales, Victoria, Tasmania, Queensland and Western Australian. Pact Australia is where the Group sources the majority of its revenue, accounting for 72% of the Group's total sales revenue in FY14.

Pact International comprises the Group's operations in New Zealand, China, the Philippines, Singapore and Thailand. Together, revenue sourced from these regions contributes 28% of the Group's total sales revenue in FY14.

Whilst the majority of the Group's sales and EBIT is derived from the Australian segment, the relative size of the International segment increased in the 2014 financial year.

The following table represents the results of segment operations during the year compared to the Prospectus and prior year.

A\$ in millions	30 June 14 Actual	30 June 14 Prospectus	30 June 13 Actual
Sales Revenue			
Pact Australia	822.7	829.5	813.1
Pact International	320.5	322.1	290.6
Total	1,143.2	1,151.6	1,103.7
EBIT (before significant items)⁽¹⁾			
Pact Australia	82.2	83.5	93.2
Pact International	64.8	62.6	47.1
Total	147.0	146.1	140.3

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

Directors' Report

Commentary

During the year, Pact Australia sales were positively impacted by the pass-through of higher raw material and other input costs, and a positive contribution from the Cinqplast business which was acquired at the time of the IPO. These effects were partially offset by the loss of a major contract, which occurred in the second half of FY13, and softer agricultural sales due to the drought conditions in Australia. Overall, Pact Australia experienced sales growth of 1.2% on the previous year.

Pact International sales were 10.3% higher in FY14, due to a combination of positive contributions from the Asian businesses acquired at the time of the IPO, the recouping of higher raw material costs and consistently favourable currency translation movements. These effects were partially offset by the year on year effect of businesses disposed of in FY13.

EBIT was down 11.8% in Pact Australia due to the effect of increased raw material price increases and lags in passing these costs on to contracted customers, primarily in the first half of the financial year. This was in addition to the effect of losing a major contract as noted above. These adverse impacts were partially offset by the contribution of the businesses acquired at IPO as well as business rationalisation savings and efficiency improvement programs implemented by the Group. Pact Australia's EBIT margin improved in the second half of the year compared to the first half.

Pact International EBIT increased by 37.6% as a result of the contribution of the Asian businesses acquired at the time of the IPO, business rationalisation savings and consistently favourable currency translation movements. Pact International's EBIT margin also improved year on year.

The Group's long-term relationships across its blue-chip customer base are supported by its focus on innovation. During the year, the Group won over 10 awards for design and innovation, including:

- Australian Manufacturing Company of the Year by ACQ Global Awards;
- Best Product from New Zealand at the 'World Tour by SIAL Product' Awards;
- Good Design Selection Award from Good Designs Australia;
- 2 awards from the Aerosol Association including Aerosol Product of the Year in 2014

Likely developments and expected results from operations

The 2015 financial year will mark the Group's first full year as a listed entity and will see a full year contribution from the businesses acquired at the time of the IPO, as well as a contribution from the newly acquired Sulo business (completed on 8 August, 2014).

The outlook for the Group is for revenue growth consistent with overall increases in GDP in the International segment and benign in Australia. Margins across the Group are expected to be in line with FY14 levels.

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

Business strategies and future prospects

The Group's long-term focus is to maximise value to stakeholders and deliver growth in the business. The Group has an aspirational "5 cubed vision" to be a \$5 billion company, operating in five regions within five years.

The key strategic focus areas for the Group are:

Innovation – rolling-out a pipeline of leading edge products

Resilience – rationalisation, productivity strategies, and simplification

Growth – focussing on driving organic growth, and growth via disciplined M&A

Innovation

The Group is focussed on rolling out a pipeline of leading edge products to underpin organic growth across its business. Designing and supplying innovative products to the Group's customers is key to the Group's success in increasing sales from new and existing customers. Customer retention is particularly strong where the Group provides new products which create a competitive advantage for its customers.

Directors' Report

For example, in FY14 the Group developed an innovative design for a customer who provides personal care products in Australasia. On the back of this innovation, Pact is investing in a Jakarta manufacturing plant to supply these products to the customer for the Australasia region.

In Australia, including through its licence partners, Pact is delivering new technologies to market. Combining global technologies and customised designs for local markets has enabled speed to market, and the ability to offer leading edge technologies to Australian customers.

The Group is also seeing the benefits of continuing modernisation of product packaging and is focussed on capturing new customers in segments of the market that previously were not users of rigid plastics packaging. In FY14, the Group developed moulded plastic sound walls for the M5 in New South Wales, replacing the previous concrete sound walls. The Group continues to seek opportunities to provide innovative packaging solutions to customers in adjacent markets looking to modernise their products.

Resilience

The Group's long term strategy is underpinned by maintaining resilience in the Group's earnings. The three key focus areas going forward are:

- Rationalisation
- Simplification
- Productivity

In FY15, the Group will focus on cost reduction through business rationalisation and production consolidation which will include optimising its manufacturing footprint across its Australian and International operations. The Group will also be reviewing areas of the business that can benefit from simplification. This includes its manufacturing technology, IT platform and shared business services.

The Group's business model involves servicing a large number of customers many of whom have multiple contracts covering a variety of products in various geographies. During any financial year there are numerous customer wins and losses, new business wins, volume increases and reductions, some of which may involve a positive or negative margin impact. This continual change is constantly managed by the Company with the aim to seek to improve overall, and avoid a material adverse impact on, financial performance.

The Company values its relationship with its customers however, as part of its disciplined approach, it will not enter into unsustainable contracts nor will it look to retain or win volume at any price. The Company considers such changes to be a normal part of its business and such customer, geographic and product diversity is, and will continue to be, sought to promote resilience.

Growth

The Group is focussed on driving organic growth within the business. These include ongoing investment in innovation, fostering strong licence agreements to secure new technologies for the Group's market, focussing on best-in-class customer service, and leveraging customer relationships for entry into new markets in Asia.

In Australia, the Group plans to leverage its leadership in innovation to increase sales to new and existing customers. Customers are increasingly demanding innovative packaging, labelling and performance features and the Group is well placed to benefit from these trends in customer preferences. The Group will also seek to penetrate areas of the packaging market where it is seeing substrate substitution.

In Asia in FY15, Pact expects to complete construction of a new manufacturing plant in Jakarta, Indonesia to supply personal care packaging to a multinational customer. The Group has executed a joint venture heads of agreement for the manufacturing of high value add proprietary closures in Thailand, providing a regional offering for its global customers and delivering innovative closure capability to the region.

Global customers seeking innovative, quality manufacturing providers, with acknowledged good manufacturing practice systems, offer a strong platform for future growth for the Group within the Asian market.

Directors' Report

The Group is also focussed on delivering growth through acquisition. Pact has a long history of successfully acquiring and integrating businesses, acquiring 39 businesses since Pact's inception in 2002.

The Board takes a disciplined approach to evaluating acquisitions which must be value accretive and in the best interests of shareholders. Acquisitions generally should meet an aspirational 20% return on investment within three years and fall into three focus areas: adjacent and overlapping industries; those that provide geographical expansion; or those with potential to drive transformational change.

In respect to the Dynapack acquisition, the Board has undertaken a preliminary review of this acquisition opportunity and has some concern over the financial metrics of the proposed transaction in light of the criteria outlined above. The Board has therefore requested for further due diligence to occur.

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

6. Dividends

On 27 August 2014, the Directors determined to pay a final dividend of 9.5 cents per share partially franked to 65%.

The dividend is payable on 3 October 2014. The record date for entitlement to the dividend is 5 September 2014.

No dividends have been paid during the year ended 30 June 2014.

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

The Board's current intention is to pay an interim dividend in respect of the half years ending 31 December and a final dividend in respect of the full years ending 30 June.

There is a Dividend Reinvestment Plan (DRP); however, the Directors have determined not to activate the DRP for the final dividend.

7. Other events of significance relating to the capital and debt structure

Significant events that occurred during the period in connection with the IPO are as follows:

- i. \$648.8 million in cash was generated as a result of the share issue;
- ii. The Group repaid its existing US dollar denominated Term Loan B and Revolving Credit Facilities and closed out the associated cross currency interest rate swaps;
- iii. The Group entered into a new secured revolving credit facility with a syndicate of nine banks with available committed lines totalling A\$590 million and NZ\$180 million. As at 30 June 2014, the net debt of the Group was \$565 million;
- iv. On 17 December 2013 the Group acquired 100% of the shares in Viscount Plastics (China) Pty Ltd, Asia Peak Pte Ltd, Ruffgar Holdings Pty Ltd, and the remaining 49% interest in Cinqplast Plastop Australia Pty Ltd; and
- v. Pact repaid the outstanding promissory note owed to the former holding company of the Group.

8. Significant events after balance date

The Company made an ASX announcement on 1 August 2014 that it had signed an agreement to acquire the Australian and New Zealand operations of Sulo MGB (Australia) Pty Ltd including its subsidiary Sulo (NZ) Ltd from Plastics Group Pty Ltd. The acquisition was completed on 8 August 2014.

Sulo is the leading manufacturer of plastic waste and recycling bins in Australia and New Zealand, with an unaudited turnover of approximately \$48 million in the year ended 30 June 2014.

Directors' Report

9. Risks

The Company recognises that risk is an inherent part of the business, and has established a Risk Management Framework to deal with such threats. Set out below is a selection of some of the key risks that could have a material impact on the future financial performance of the Group, including some which are industry specific:

- **Competitor Risks** – The sectors in which Pact operates are subject to vigorous competition, based on factors including price, service, 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 may result in a decline in sales revenue and margins, which may have an adverse effect on the Group's future financial performance.
- **Customer Risks** – Pact has strong relationships with key customers, which are fundamental to the success of the business. The loss of key customers can have a negative effect on the future financial performance of the Group.
- **Growth through acquisitions** – Pact has grown over time through the acquisition of a number of businesses and assets. Pact's 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 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.
- **Change in consumer preferences** – Pact and its customers service end user markets in the consumer sector (eg food, dairy, beverages, personal care and other household consumables) and the industrial sector (eg surface coatings, petrochemical, agriculture and chemicals). Demand for Pact's products is impacted by various factors. Some examples include climate conditions, seasonality of foods and an increased focus in Australian and New Zealand supermarket chains on private brands. Any of these factors may materially reduce demand for Pact's products which could have an adverse effect on the Group's future financial performance.
- **Foreign exchange movements** – 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, China's yuan, the Philippines peso and the Thai baht in relation to Pact's business operations. Any depreciation of the Australian dollar would have an adverse effect on the Group's future financial performance.
- **Relationships with key suppliers** – Pact relies on various procurement relationships for the supply of raw materials. Risks include the availability and price of raw materials, input costs such as freight and electricity, and future consolidation in industry sectors which could result in a decrease in the number of suppliers or a decrease in the number of alternative supply sources available to Pact. Further 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.
- **People retention** – The success of Pact depends to a significant extent on the ability and performance of key personnel, in particular senior management. This includes both the ability to retain key personnel, and attract high calibre individuals to the business. Unexpected or unplanned loss of key personnel or the inability to recruit and retain high calibre individuals may adversely affect the Group's future financial performance.
- **Regulatory matters** – Pact is required to comply with a range of laws and regulations. Regulatory areas of particular significance to Pact include employment, occupational health and safety, property and environment, customs and international trade, competition and taxation. Pact announced to the ASX on 7 August 2014 that laws applying to the formation of a new tax consolidation group are subject to various proposed changes by the Federal Government at the time of delivering its federal budget in May 2013. Depending on the final form of the proposed changes they could have a one-off negative impact on Pact's financial performance.

Directors' Report

10. Environmental regulation

The Group has a strong commitment to sustainability and minimising the environmental impacts of its operations in all regions in which it operates.

In respect to its Australian and New Zealand operations, the Group operates under a Corporate Environmental Management System (EMS) aligned with ISO 14001 and under an Environmental Policy. The EMS is fundamental to achieving compliance with environmental regulations in all jurisdictions in which the Group operates and is implemented at all of its sites.

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

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

It is intended to roll out similar environmental practices and compliance procedures for the Group's Asian operations within the next twelve months.

Specifically in relation to Australia, Pact is subject to the reporting and compliance requirements of both the Energy Efficiency Opportunities Act 2006 (Cth) and the National Greenhouse and Energy Reporting Act 2007 (Cth).

The Energy Efficiency Opportunities Act 2006 requires Pact to assess energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken within the Group. As required under this Act, Pact has submitted all annual reports and Government reports as required, and also submitted its Assessment Plan for the second cycle.

The National Greenhouse and Energy Reporting Act requires Pact to report 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 2014.

11. Share options & rights

The Company does not have any options or rights over issued or unissued shares on issue.

12. 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. 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.

Directors' Report

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.

13. 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 the 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.

14. Non-audit services

The Company may decide to engage EY on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

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:

	(\$000's)
Tax services	178
Other assurance related services	78
Other services relating to the IPO	2,932
Total	3,188

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 the 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.

Directors' Report

15. Remuneration Report (audited)

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and 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. Remuneration governance
3. Executive remuneration arrangements
 - i. Remuneration principles and strategy
 - ii. Approach to setting remuneration
 - iii. Details of incentive plans
4. Executive remuneration outcomes for 2014 (including linkage to performance)
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 Directors of the Board (both executive and non-executive) and the Chief Financial Officer (CFO) of the Company and the Group.

i. Non-Executive directors (NEDs)

Raphael Geminder Chairman (non-executive)	
Lyndsey Cattermole AM (non-executive)	Appointed 26 November 2013
Tony Hodgson AM (non-executive)	Appointed 26 November 2013
Peter Margin (non-executive)	Appointed 26 November 2013
Jonathan Ling (non-executive)	Appointed 28 April 2014

ii. Managing Director

Brian Cridland (Chief Executive Officer)	Appointed 26 November 2013
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iii. Other KMP

Darren Brown (Chief Financial Officer)
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There have been no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Directors' Report

2. Remuneration governance

i. Nomination and Remuneration Committee

The Nomination and Remuneration Committee (Committee) comprises four NEDs.

The responsibilities of the Committee which have a focus on remuneration include:

- Review and recommend to the Board appropriate remuneration policies and arrangements including incentive plans for the Chief Executive Officer (CEO) and Senior Executives & Managers;
- Review and approve short term incentive plans, performance targets and bonus payments;
- Review the performance of the CEO;
- Review the Senior Executives' performance assessment processes to ensure they are structured and operate in a manner to realise the business strategy; and
- Review and recommend to the Board remuneration arrangements for the Chairman and NEDs.

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

ii. Use of remuneration consultants

To ensure the Committee is fully informed when making remuneration decisions, it may seek external remuneration advice. During the financial year for the period subsequent to the Company being listed on the ASX ("IPO") on 17 December 2013, the Committee has not sought any remuneration recommendations relating to KMP. In the event the Committee does seek remuneration advice which would require the engagement of a consultant to follow the requirements prescribed in the Act, the Committee has resolved to adopt a process which will comply with the Act to ensure any remuneration recommendation would be free from undue influence by the KMP to whom the recommendation relates.

The decision on engagement of a remuneration consultant would be made by the Committee or the Board. Communication, contractual engagement and briefing of the consultant will be done by the Committee Chair. The consultant will provide the remuneration recommendation directly to the Committee Chair. If the Committee decides that the remuneration recommendation should be shared with management it can then be provided through the Committee Chair. The annual financial report would contain the relevant disclosures required by the Act relating to the appointment of a remuneration consultant.

3. Executive remuneration arrangements

i. Remuneration principles and strategy

Pact's executive remuneration strategy is 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.

The following table illustrates how the Company's remuneration strategy aligns with its strategic direction and links remuneration outcomes to performance. The table also illustrates how the Short Term Incentive (STI) component is linked to the performance of both financial and non-financial measures.

Directors' Report

Remuneration strategy

Attract, retain, reward and motivate high performing individuals	Align remuneration with the interests of shareholders
The remuneration arrangements are based on performance and experience, and are competitive for companies of a similar size and nature	<p>The remuneration framework includes an STI component, which motivates and rewards management for the achievement of performance measures</p> <p>Performance is assessed against financial measures for all participants in the STI program. The CEO and Senior "Functional" Executives & Managers also have various non-financial measures</p> <p>These measures are a key driver in the achievement of business objectives and the on going success of the Group</p>



CEO and Senior Executives & Managers

Remuneration component	Purpose	Link to performance measure
<p>Fixed remuneration</p> <p>Comprises base salary, company superannuation contributions and other fixed remuneration benefits</p>	To provide competitive fixed remuneration to attract high calibre executives with the right mix of experience, qualifications and industry expertise	Group financial achievements and individual performance are considered during annual remuneration reviews
<p>STI and discretionary bonuses</p> <p>Paid in cash</p>	To reward executives for their role in the achievement of Group financial performance measures, their own individual performance targets, and for performance in relation to specific projects.	Group EBITDA as the key financial measure is assessed against budget on a quarterly basis. Non-financial measures are assessed on a semi annual basis

The Committee has recognised the need to review the current incentive arrangements adopted by the Group. As part of this review, consideration will be given to the optimal arrangements to ensure KMP performance is linked to the Group's financial outcomes, which aim to drive growth in shareholder wealth. A process has commenced to engage a remuneration consultant for this purpose. It is the intention of the Committee that this review will be completed and relevant recommendations considered and implemented for FY16 if considered appropriate. It is proposed that consultation may occur with key stakeholders as part of this process.

Directors' Report

ii. Approach to setting remuneration

In FY14, the executive remuneration framework consisted of a mix of both fixed remuneration and short term incentives for Executive KMP as outlined in the table below.

Executive KMP remuneration component at target	%
Fixed remuneration	74%
Short term incentives	26%
Total	100%

The percentages in this table are based on a split of fixed remuneration and short term incentives for achieving 100% of EBITDA target, and excludes discretionary bonuses and retention awards which are referred to in Executive KMP contracts (in section 5).

Target remuneration is calculated as follows:

- Fixed remuneration plus STI at target remuneration = Total Target
- Fixed remuneration at target divided by Total Target = 74% of remuneration
- STI remuneration at target divided by Total Target = 26% of remuneration

The Group aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market.

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.

iii. Detail of incentive plans

a) KMP

The CEO and CFO have maximum STI excluding discretionary bonuses of 50% of their fixed remuneration if they achieve 110% of their stretch targets. Both the CEO and CFO have achievement of Group EBITDA as a financial performance measure as part of their STI plans. The CEO also has a number of non-financial measures, as disclosed under Executive KMP contracts in section 5.

On an annual basis, after consideration of performance against KPI's, the Committee, in line with its responsibilities, approves the amount, if any, of the STI including discretionary bonuses to be paid to the CEO and the CFO. The Committee will seek recommendations from the CEO as appropriate when approving the STI of the CFO.

The CEO was paid a sign on bonus upon signing a new employment agreement. The CEO and CFO were paid a retention award on 30 June 2014, and are eligible for a further retention award to be paid at or around 1 July 2015 for remaining employed until 30 June 2015. These awards reflect the need to retain the executive KMP in the years immediately following the IPO, to ensure stability and manage the transition to a public company environment. Full details have been disclosed under Executive KMP contracts in section 5.

The NEDs do not have any incentive component as part of their remuneration arrangements.

Directors' Report

b) Senior Executives & Managers

The Group STI program for Senior Executives & Managers rewards a cash bonus of up to 40% of their annual base salary for the achievement of clearly defined targets. The Committee, in line with its responsibilities, approves the amount, if any, of the STI's to be paid to Senior Executives & Managers, seeking recommendations from the CEO as appropriate.

Senior "Operational" Executives & Managers with direct profit and loss accountability are rewarded for their achievement of EBITDA targets.

Senior "Functional" Executives & Managers whom do not have direct profit and loss responsibility are rewarded for the achievement of both Group EBITDA performance and other non-financial targets relevant to their functional areas of responsibility.

Examples of some of the non-financial components include:

- Improved workplace health & safety performance;
- Improved environmental performance;
- Implementation of Group performance improvement programs;
- Implementation of significant capital expenditure programs;
- Successful implementation of business reorganisation programs; and
- Successful integration of acquired businesses.

The STI program is predominantly focused towards the achievement of EBITDA targets at all levels of the organisation. The STI program also provides for Senior Executives & Managers with functional responsibilities to be assessed on achievement of various non-financial measures. To the extent bonuses are earned at the relevant measurement period, 50% of any bonus entitlement is withheld and only paid at year-end conditional on achievement of full year targets.

4. Executive remuneration outcomes for FY2014 (including linkage to performance)

i. Performance against targets - Executive KMP and Senior Executives & Managers

The table below outlines the Group's EBITDA performance for the year ended 30 June 2014. Historical information is not shown, as the Group only existed in its current structure following the IPO.

The table also illustrates the performance outcome against the EBITDA target for Executive KMP and Senior Executives & Managers.

Performance measure	Target applicable to	Actual (\$m)	% Achieved
EBITDA before significant items	Group	198.2	101%

ii. STI Outcomes - Executive KMP

The table below outlines the STI outcomes for Executive KMP for FY14.

Executive KMP	Proportion of maximum STI earned in FY14	Proportion of maximum STI forfeited in FY14
Mr Brian Cridland (CEO)	80%	20%
Mr Darren Brown (CFO)	80%	20%

Directors' Report

Table 1: Executive KMP remuneration for the year ended 30 June 2014⁽¹⁾

	Short term benefits				Post employment benefits	Long term benefits	Total
	Salary & fees	Cash bonus	Non monetary benefits ⁽²⁾	Other benefits ⁽³⁾	Superannuation	Long service leave	
	\$	\$	\$	\$	\$	\$	\$
CEO Mr Brian Cridland	911,681	1,931,271 ⁽⁴⁾	41,780	1,256	84,330	23,957	2,994,275
CFO Mr Darren Brown	475,195	1,244,624 ⁽⁴⁾	19,790	27,145	39,984	10,221	1,816,959
Total Executive KMP remuneration	1,386,876	3,175,895	61,570	28,401	124,314	34,178	4,811,234

⁽¹⁾ No comparative has been disclosed for Executive KMP remuneration in FY13. In accordance with section 300A of the Act, no comparative information is required in the first period of reporting on a specific individual.

⁽²⁾ Non monetary benefits includes motor vehicle lease payments made by the Company on behalf of Mr Cridland, and FBT payments made by the Company on behalf of Mr Cridland and Mr Brown.

⁽³⁾ Other benefits include the movement in the annual leave provision for the period for Mr Cridland and Mr Brown, and a car allowance paid to Mr Brown.

⁽⁴⁾ In addition to the contracted amounts identified below the CEO and CFO were paid discretionary bonuses of \$66,600 and \$56,000 respectively in relation to performance on other measures and projects.

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:

i. Chief Executive Officer (CEO)

The CEO, Mr Brian Cridland, is employed under an agreement which is fixed for two years and will automatically terminate on 10 October 2015 unless, the Company in its sole discretion and on one month's notice extends the term by an additional year. As such there is no notice period for termination prior to the expiry of the term. Under the terms of his present contract as disclosed in the Prospectus dated 27 November 2013, Mr Cridland's remuneration package contains the following components:

- The CEO receives fixed remuneration of \$996,011 per annum including base salary of \$911,681.
- The CEO is entitled to an incentive of up to 50% of his base salary if he achieves 110% of the target levels. Lower percentages (40% and 10%) are payable if 100% of, or 95% of, the target, respectively, are achieved.
- The CEO has a financial performance measure based on the achievement of Group EBITDA. The CEO also has a number of non-financial performance measures, including but not limited to successful integration of acquired businesses, executing and delivering on business strategy, providing leadership to the business, working capital management and improved workplace health & safety performance.
- The CEO was paid a sign on bonus of \$500,000 within five days of him signing the employment agreement, and was paid a discretionary bonus of \$500,000 on 31 December 2013 in relation to the successful IPO of the Company.

Directors' Report

- The CEO was paid a retention award, on 30 June 2014 of \$500,000 for remaining employed to 30 June 2014. He will be eligible for a further \$500,000 to be paid on or around 1 July 2015 for remaining employed to 30 June 2015.
- In the event a redundancy occurs, the CEO is entitled to receive a redundancy payment of 3 weeks for every year of service which is capped at 52 weeks. If the CEO is terminated without cause he is entitled to receive a payment equivalent to what he would have received if the agreement had not been terminated. 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.

ii. Chief Financial Officer

The CFO, Mr. Darren Brown, is employed under an agreement which is fixed for two years and will automatically terminate on 16 October 2015.

Under the terms of his present contract:

- The CFO receives fixed remuneration of \$550,219 per annum, including base salary of \$471,560.
- The CFO is entitled to an incentive of up to 50% of his base salary if he achieves 110% of the target levels based on the achievement of Group EBITDA performance. Lower percentages (40% and 10%) are payable if 100% of, or 95% of, the target, respectively, are achieved.
- The CFO was paid a discretionary bonus of \$500,000 on 31 December 2013 in relation to the successful IPO of the Company.
- The CFO was paid a retention award, on 30 June 2014 of \$500,000 for remaining employed to 30 June 2014. He will be eligible for a further \$500,000 to be paid on or around 1 July 2015 for remaining employed to 30 June 2015.
- 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 60 weeks. If the CFO is terminated without cause he is entitled to receive a payment equivalent to what he would have received if the agreement had not been terminated. The Company is not required to make any payment of 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

i. Remuneration policy

The Committee seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors 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 (typically S&P ASX 200 listed companies with market capitalisation of 50% to 200% of the Company as well as similar sized industry comparators). The Board may consider general advice from external consultants when undertaking the annual review process.

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. As disclosed in the Prospectus on 27 November 2013, the total amount paid to NEDs must not exceed a fixed sum of \$1,000,000 per financial year in aggregate. Raphael Geminder does not receive a fee for his position as Chairman and a NED of the Company.

Directors' Report

ii. 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 FY14:

Responsibility	Fees \$
Board fees	
Directors	110,000
Audit, Business Risk & Compliance Committee	
Chair	30,000
Member	7,500
Nomination & Remuneration Committee	
Chair	20,000
Member	7,500

All NED fees are inclusive of 9.25% of superannuation. NEDs do not participate in any incentive programs.

The remuneration of NEDs for the year ended 30 June 2014 is detailed in the following table.

	Short term benefits	Post employment benefits	Total
	Fees	Superannuation	
	\$	\$	\$
Ms Lyndsey Cattermole	68,023	6,292	74,315
Mr Raphael Geminder	-	-	-
Mr Tony Hodgson	76,186	7,047	83,233
Mr Jonathan Ling	18,858	1,744	20,602
Mr Peter Margin	74,825	6,921	81,746
Total Non-Executive KMP remuneration	237,892	22,004	259,896

No comparative has been disclosed for NED remuneration in FY13. In accordance with section 300A of the Act, no comparative information is required in the first period of reporting on a specific individual.

7. Equity holdings of KMP

During the year entities associated with Mr Raphael Geminder acquired 117,036,544 shares in the Company. For all other KMP appointed as Directors during the year, there has been no movement in the shares that they have held since the date of listing.

8. Related party transactions

The Group has entered into some property leases with related parties. For those leases where there are terms and conditions that are not at arm's length, those terms and conditions have been shown below:

The Group leased 21 properties (18 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 Raphael Geminder (the Non-Executive Chairman of Pact) and are therefore related parties of the Group ("Centralbridge Leases"). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Directors' Report

As at 30 June 2014, 5 of the Australian properties had been unconditionally sold by the Centralbridge Entities to third parties, these sales settled during July 2014.

Following the settlement of the property sales, the Group leases 16 properties (13 in Australia and 3 in New Zealand) from the Centralbridge Entities. Of the 13 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;
- One of the leases contains early termination rights in favour of the landlord to terminate the lease at the expiry of the 5th and 8th term;
- One of the leases contains 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.

All other related party transactions are on arm's length terms, refer to note 24 of the Financial Report for further details.

16. 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 22.

17. Rounding

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

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



Raphael Geminder
Chairman



Brian Cridland
Managing Director and Chief Executive Officer

27 August 2014



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

In relation to our audit of the financial report of Pact Group Holdings Ltd for the financial year ended 30 June 2014, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tim Wallace
Partner

27 August 2014

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

		2014	2013
	Notes	\$'000's	\$'000's
Sales revenue	3	1,143,219	1,103,707
Raw materials and consumables used		(474,694)	(444,820)
Employee benefits expense	3	(287,752)	(277,405)
Occupancy, repair and maintenance, administration and selling expenses		(193,687)	(194,822)
Interest & other income	3	16,797	13,482
Other gains / (losses)	3	(26,716)	4,814
Depreciation, amortisation and impairment	3	(51,199)	(57,079)
Finance costs expense	3	(73,202)	(95,429)
Share of profit in associates	10	1,351	786
Profit before income tax expense		54,117	53,234
Income tax benefit / (expense)	4	3,680	(7,964)
Profit for the period		57,797	45,270
Profit attributable to non-controlling interests		(108)	(145)
Profit attributable to equity holders of the parent entity	17	57,689	45,125
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Cash flow hedges gains / (losses) taken to equity		(2,280)	7,465
Foreign currency translation		4,625	12,626
Income tax on items in other comprehensive income		686	(2,273)
Other comprehensive income for the period, net of tax		3,031	17,818
Total comprehensive income for the period		60,828	63,088
Attributable to:			
Equity holders of the parent entity		60,720	62,943
Non-controlling interests		108	145
Total comprehensive income for the Group		60,828	63,088
Earnings per share			
		\$	\$
Basic/diluted earnings per share	29	0.35	3,760,416

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

Consolidated Statement of Financial Position

As at 30 June 2014

		2014	2013
	Notes	\$'000's	\$'000's
CURRENT ASSETS			
Cash and cash equivalents	5	25,603	22,899
Trade and other receivables	6	150,341	253,205
Inventories	7	115,211	105,350
Other current financial assets	23	403	4,247
Prepayments	8	7,844	8,031
TOTAL CURRENT ASSETS		299,402	393,732
NON-CURRENT ASSETS			
Other receivables	6	7	522
Prepayments	8	1,274	-
Property, plant and equipment	9	545,604	492,770
Investments in associates and joint ventures	10	4,087	8,771
Intangible assets and goodwill	11	327,127	251,042
Other non-current financial assets	23	-	56,276
Deferred tax assets	4	27,944	25,155
TOTAL NON-CURRENT ASSETS		906,043	834,536
TOTAL ASSETS		1,205,445	1,228,268
CURRENT LIABILITIES			
Trade and other payables	12	198,397	164,560
Interest bearing loans and borrowings	14	1,099	7,475
Provisions	13	46,456	55,050
Other current financial liabilities	23	1,342	311
TOTAL CURRENT LIABILITIES		247,294	227,396
NON-CURRENT LIABILITIES			
Provisions	13	26,201	25,893
Interest bearing loans and borrowings	14	589,847	2,001,828
Other non-current financial liabilities	23	-	735
Deferred tax liabilities	4	34,818	49,171
TOTAL NON-CURRENT LIABILITIES		650,866	2,077,627
TOTAL LIABILITIES		898,160	2,305,023
NET ASSETS / (NET LIABILITIES)		307,285	(1,076,755)
EQUITY			
Contributed equity	15	1,489,597	180,000
Reserves	16	(915,657)	(932,303)
Retained earnings	17	(266,906)	(324,595)
Parent entity interest		307,034	(1,076,898)
Non-controlling interests		251	143
TOTAL EQUITY		307,285	(1,076,755)

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 2014

	Attributable to equity holders of the Parent entity							Total equity
	Contributed equity	Common control reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings ⁽¹⁾	Total	Non- controlling interest	
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	
Year ended 30 June 2014								
As at 1 July 2013	180,000	(942,000)	964	8,733	(324,595)	(1,076,898)	143	(1,076,755)
Profit for the period	-	-	-	-	57,689	57,689	108	57,797
Other comprehensive income/(loss)	-	-	(1,594)	4,625	-	3,031	-	3,031
Total comprehensive income	-	-	(1,594)	4,625	57,689	60,720	108	60,828
Issuance of share capital	1,327,643	-	-	-	-	1,327,643	-	1,327,643
Transaction costs taken to equity	(25,285)	-	-	-	-	(25,285)	-	(25,285)
Tax benefit on transaction costs	7,239	-	-	-	-	7,239	-	7,239
Acquisitions under common control	-	13,615	-	-	-	13,615	-	13,615
Dividends paid	-	-	-	-	-	-	-	-
Total equity transactions	1,309,597	13,615	-	-	-	1,323,212	-	1,323,212
As at 30 June 2014	1,489,597	(928,385)	(630)	13,358	(266,906)	307,034	251	307,285
Year ended 30 June 2013								
As at 1 July 2012	180,000	(942,000)	(4,228)	(3,893)	114,444	(655,677)	98	(655,579)
Profit for the period	-	-	-	-	45,125	45,125	145	45,270
Other comprehensive income	-	-	5,192	12,626	-	17,818	-	17,818
Total comprehensive income	-	-	5,192	12,626	45,125	62,943	145	63,088
Dividends paid	-	-	-	-	(484,164)	(484,164)	(100)	(484,264)
As at 30 June 2013	180,000	(942,000)	964	8,733	(324,595)	(1,076,898)	143	(1,076,755)

⁽¹⁾ Includes profits reserve of the parent entity

The 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 2014

	2014	2013
Notes	\$'000's	\$'000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,286,318	1,220,085
Payments to suppliers and employees	(1,109,717)	(1,061,965)
Income tax paid	(22,023)	(27,543)
Interest received	1,088	118
Borrowing and other finance costs paid	(65,953)	(42,498)
Net cash flows from operating activities	89,713	88,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(36,397)	(43,810)
Proceeds on sale of property, plant and equipment	1,555	23,729
Dividends received	1,125	63
Proceeds on sale of businesses and subsidiaries	22	35,429
Purchase of shares in associates	-	(4,648)
Purchase of businesses and subsidiaries ⁽¹⁾	21	(104,313)
Net cash flows used in investing activities	(81,334)	(93,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings net of borrowing costs	674,752	886,658
Repayment of borrowings	(1,007,564)	(374,819)
Repayment of promissory note	(549,407)	-
Proceeds from IPO	648,800	-
Issuance of shares	255,000	-
IPO transaction costs	(24,204)	-
Swap break costs	(6,407)	-
Payment of dividend	-	(484,264)
Repayment of related-entity subordinated loan	-	(1,184)
Net cash flows from / (used in) financing activities	(9,030)	26,391
Net increase/(decrease) in cash and cash equivalents	(651)	21,038
Cash and cash equivalents at beginning of year	22,629	1,359
Effect of exchange rate changes on cash and cash equivalents	2,249	232
Cash and cash equivalents at end of year	20	22,629

⁽¹⁾ Purchases of businesses and subsidiaries for the year ended 30 June 2014 includes a settlement of deferred consideration relating to an acquisition in the year ended 30 June 2013 of \$1,193,000.

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

Notes to the Full Year Consolidated Financial Report

For the year ended 30 June 2014

NOTE 1. CORPORATE INFORMATION

Pact Group Holdings Ltd ("Pact" or the "Company") is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. This consolidated Financial Report includes the financial statements of the Company and the entities it controlled at the end of, or during the year ended 30 June 2014 (the "Group"), and was issued in accordance with a resolution of the Directors on 27 August 2014.

The parent of the Group is Pact Group Holdings Ltd. In the comparative period, the ultimate parent of the Group was Salvage Pty Ltd, as trustee for the Geminder Family Trust, incorporated in Australia.

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value, (refer to section (u)).

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

(b) Statement of compliance

The financial report also complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended are outlined below, of which some of these amendments apply for the first time in the year ended 30 June 2014. The Group has assessed whether there is a material impact on the consolidated Financial Report for the current financial year, and also whether there is a requirement to restate prior year comparatives. The outcomes of this assessment are described below.

► Accounting Standards and Interpretations which have been issued and are effective

AASB 10 Consolidated Financial Statements: AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.

The application date of the standard was 1 January 2013 and was applied by the Group for the financial year commencing 1 July 2013. These amendments did not have a material impact on the Group.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.

The application date of the standard was 1 January 2013 and was applied by the Group for the financial year commencing 1 July 2013. The Group has historically used the equity method to account for joint ventures, so overall there was no impact from these amendments.

AASB 12 Disclosure of Interests in Other Entities: AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

The application date of the standard was 1 January 2013 and was applied by the Group for the financial year commencing 1 July 2013. These amendments did not have a significant impact on the Group.

AASB 13 Fair Value Measurement: AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Consequential amendments were also made to other standards via AASB 2011-8. The application date of the standard was 1 January 2013 was applied by the Group for the financial year commencing 1 July 2013.

AASB 119 Employee Benefits:

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the option for accounting for the liability, and requires that the liability arising from such plans to be recognised in full whereby actuarial gains and losses are reported within other comprehensive income. It also revised the method of calculating the return on plan assets.

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consequential amendments were also made to other standards through AASB 2011-10. The application date of the standard was 1 January 2013 and was applied by the Group for the financial year commencing 1 July 2013. These amendments did not have a material impact on the Group as there were no defined benefit funds and the revisions to definition of short term employee did not give rise to a material difference.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel disclosure requirements: This amendment deletes from AASB 124 *Related parties disclosure* individual key management personnel (KMP) disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The application date of the standard was 1 July 2013 and was applied by the Group on the same date. These amendments did not have a material impact on the Group.

AASB 2012-2 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities: Principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

The application date of the amendment was 1 January 2013 and was applied by the Group for the financial year commencing 1 July 2013. These amendments did not have a material impact on the Group.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets: AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

The application date of the standard is 1 January 2014. The Group has early adopted this change in Accounting Standards commencing 1 July 2013. These amendments did not have a material impact on the Group. Pact has adopted the value in use approach under AASB 136.

► Accounting Standards and Interpretations which have been issued but not yet effective

AASB 1031 Materiality: The revised AASB 1031 is an interim standard that cross-references to other Accounting Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all other Accounting Standards and Interpretations have been removed.

The application date of the standard is 1 January 2014 and will be applied by the Group for the financial year commencing 1 July 2014. These amendments are not expected to have a material impact on the Group.

AASB 9 Financial Instruments: On 24 July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Accounting Standard is available for early application. The 'own credit' changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of IFRS 9 introduces a new 'expected-loss' impairment model that will require more timely recognition of expected credit losses. Specifically, the new Accounting Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income; and
 - The remaining change is presented in profit or loss.

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

These amendments are not expected to have a material impact on the Group.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities: AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The application date of the standard is 1 January 2014 and will be applied by the Group commencing 1 July 2014. These amendments are not expected to have a material impact on the Group.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation: IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The application date of the amendment is 1 January 2016 and will be applied by the Group commencing 1 July 2016. These amendments are not expected to have a material impact on the Group.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

- (a) IAS 11 Construction Contracts;
- (b) IAS 18 Revenue;
- (c) IFRIC 13 Customer Loyalty Programmes;
- (d) IFRIC 15 Agreements for the Construction of Real Estate;
- (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services; and
- (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with this core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The application date of the amendment is 1 January 2017 and will be applied by the Group commencing 1 July 2017. Management is currently assessing the impact of IFRS 15.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pact Group Holdings Ltd and its controlled entities as specified in note 25. Interests in associates are equity accounted (refer to note 2(y) below).

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial reports of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated Financial Report, all intercompany balances, transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirees identifiable net assets. However, acquisitions occurring while under common control are accounted at the carrying amount of assets and liabilities of the acquiree immediately before control over the acquiree is obtained. Any difference between the fair value of consideration paid and the fair value net identifiable assets acquired is recognised in reserves.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. 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, but only after a reassessment of the identification and measurement of the net assets acquired. Where settlement of any part of the consideration is deferred, 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.

(f) Significant accounting judgements, estimates and assumptions

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the Financial Report.

► Significant accounting judgements

In the process of applying the Group's accounting policies, Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the notes to the Financial Report:

i) Taxation

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result significant judgement is required in determining the Group's provision for income tax. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, based upon the timing and generation of sufficient future taxable profits.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the profit or loss, or other comprehensive income.

ii) Impairment of non-financial assets other than goodwill

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.

iii) Impairment of net investment in associates

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 are 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.

► Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 2(m).

ii) Make good provision on leased premises

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling, closure and decontamination. The calculation of this provision requires assumptions such as contractual obligations, application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for site exits are recognised in the Statement of Financial Position by adjusting both the expense and provision. The related carrying amounts are disclosed in note 13.

iii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and lease terms (for assets under finance leases). 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. Depreciation charges are included in notes 3 and 9.

iv) 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 firm contracts relating to the business reorganisation have been entered into. Costs related to ongoing activities are not provided for.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Business combinations

The consolidated Financial Report includes the information and results of each controlled entity from the date on which the Group obtains control until such time as the Group ceases to control such entity (refer note 2e).

The determination as to the existence of control or significant influence over an entity necessarily requires management judgement to assess the Group's ability to govern the financial and operating activities of an investee. In making such an assessment, a range of factors are considered including voting rights in an investee and board & management representation.

A business acquisition also requires judgement with respect to the determination of the fair value of purchase consideration given and the fair value of identifiable net assets and liabilities acquired. Many of these assets and liabilities either given up or acquired are not normally traded in active markets, and 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.

(g) Revenue and other income

Revenue is recognised and 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. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

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.

(ii) Interest income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividend income

Income is recognised when the Group's right to receive the payment is established.

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs associated with qualifying assets are capitalised.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit or loss.

(ii) Capitalised leased assets

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Operating lease commitments

The Group has entered into commercial property, office equipment and motor vehicles leases. The entity has determined that it does not obtain all the significant risks and rewards of the properties, office equipment and motor vehicles and has thus classified the leases as operating leases.

Operating lease payments are recognised as an expense in profit or loss 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.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank & 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 changes in value.

For the purposes of the 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 Statement of Financial Position.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are capitalised. Such costs include the cost of replacing major parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, the part's cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

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 subject to fair value assessments and depreciation from this date.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings Freehold	40 – 50 years
Buildings Leasehold	10 – 15 years
Plant and equipment	3 – 20 years

(l) Trade and other receivables

Trade receivables, generally have 30 day terms and are non-interest bearing. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is recognised to reduce the carrying amount of accounts receivable when there is objective evidence that the receivable will not be collected. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment, subject to review of the particular debtor. 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 profit or loss.

(m) Goodwill

Goodwill acquired in a business combination 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.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Recoverable amount is determined by using a value in use discounted cash flow methodology. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit (or group of cash-generating units) 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 cash-generating units retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(n) Intangible assets

Intangible assets acquired separately outside of a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense for intangible assets with finite lives is recognised in the profit or loss.

(o) Impairment of non-financial assets other than goodwill

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 profit or loss unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrement).

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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant taxation authorities in each jurisdiction. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax cost bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is to be realised or the liability is to be settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Interest bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, which is calculated based on the principal borrowing amount less directly attributable transaction costs.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

Borrowings 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.

(r) Inventories

Inventories have been classified as follows:

Raw Materials:

Plastic resins, steel and tinplate.

Work in Progress:

Manufactured plastic, steel and tin packaging that have not yet reached a full stage of completion.

Finished Goods:

Manufactured plastic, steel and tin packaging that are intended for sale to external customers.

Inventories are valued at the lower of cost and net realisable value, with directly attributable costs incurred in bringing each product to its present location and condition being accounted for, on a full absorption basis, as follows:

Raw Materials:

Purchase cost of material, including discounts, rebates, duties, taxes and other inward transport costs, on a moving average cost basis.

Work in Progress & 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(s) Trade and other payables

Trade and other payables are carried at amortised cost which due to the terms associated with these items equates to their principal amounts and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make a future payment with respect to the purchase of these goods and services. The amounts are generally unsecured and are usually paid within 30 – 90 days of recognition.

(t) 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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Derivatives

The Group uses derivative financial instruments such as forward currency contracts, cross currency interest rate swaps, and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

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. The fair value of cross currency interest rate swaps and interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or a forecast transaction; or
- hedge of a net investment in a foreign operation.

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, 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.

Cash flow hedges are accounted for as follows:

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The Group uses forward exchange contracts (FECs) to hedge foreign exchange purchases. The FECs are accounted for as cash flow hedges. Refer to note 23 for details. In the prior year, the Group had cross currency interest rate swaps to hedge exposure against variable interest rate and foreign exchange rates, there are none outstanding as at 30 June 2014.

Amounts taken to equity are transferred to profit or loss when the hedge transaction affects profit or loss, 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 forecasted transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the profit or loss. 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 profit or loss.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currency translation

Both the functional and presentation currency of Pact Group Holdings Ltd is Australian dollars (AUD).

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.

The table below outlines the functional currencies that the Group has determined to apply for each country in which the Group's entities are domiciled.

Country	Functional currency
Australia	AUD
New Zealand	NZD
Thailand	THB
Singapore	USD
China	RMB
Philippines	PHP

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at 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 Group Holdings Ltd 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 profit or loss.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are 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 the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item to which it relates; and
- receivables and payables are stated as GST inclusive amounts.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the 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.

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

(x) Provisions

Provisions are recognised when 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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Group expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that 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 finance cost.

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.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits are recognised for employees' services up to the reporting date. 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 with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(y) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. 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's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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.

(z) Comparatives

Comparative figures have been 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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 3. REVENUE AND EXPENSES

	2014	2013
	\$'000's	\$'000's
(a) Revenue		
Sales revenue	1,143,219	1,103,707
Interest income		
Interest income (external)	1,089	118
Interest income on related party loans	5,388	3,550
Total interest income	6,477	3,668
Other income		
Management fees received	1,650	3,570
Sundry income items	8,670	6,244
Total other income	10,320	9,814
Total of interest & other income	16,797	13,482
Total sales revenue, interest & other income	1,160,016	1,117,189
(b) Expenses		
Depreciation		
Depreciation of buildings – freehold	110	115
Depreciation of buildings – leasehold	1,671	1,095
Depreciation of plant and equipment	49,323	55,712
Total depreciation	51,104	56,922
Amortisation and impairment		
Amortisation of patents, trademarks and licences	96	157
Total amortisation and impairment	96	157
Total depreciation, amortisation and impairment expense	51,200	57,079

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 3. REVENUE AND EXPENSES (CONTINUED)

	2014	2013
	\$'000's	\$'000's
(b) Expenses (continued)		
Finance costs expense		
Interest on A\$750m Syndicated Revolving Loan Facility ⁽¹⁾	17,545	-
Interest on A\$550m Syndicated Revolving Loan Facility	-	30,277
Interest on Revolving Credit Facility	1,901	-
Interest on Term Loan B Facility	29,492	6,061
Interest on overdraft facility	828	1,118
Finance charges payable under finance lease and hire purchase contracts	133	218
Borrowing costs amortisation	1,176	2,057
Interest on promissory note & related parties loans	22,116	55,568
Property make good provision discount adjustment	11	130
Total finance costs expense	73,202	95,429
Employee benefits expense		
Provision for employee entitlements	656	2,560
Wages and salaries	257,030	245,996
Defined contribution superannuation expense	14,187	13,676
Other employee benefits expense	15,879	15,173
Total employee benefits expense	287,752	277,405
Other expense items		
Operating lease and rental expense	40,735	38,517
Research and development costs	392	128
Fixed rent adjustment	(2,209)	1,088
Make good expense	673	655
Provision for impairment of trade receivables	133	687

⁽¹⁾ On 17 December 2013 the Group entered into new 3 and 5 year syndicated debt facilities, together referred to as the A\$750m Syndicated Revolving Loan Facility. Details of these borrowings are disclosed in note 14.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 3. REVENUE AND EXPENSES (CONTINUED)

	2014	2013
	\$'000's	\$'000's
(c) Significant items and other gains / (losses) before tax		
Significant items⁽⁵⁾		
Reversal of unrealised revaluation gain on hedges associated with the Term Loan B Facility	(3,791)	3,791
Swap break costs ⁽¹⁾	(6,407)	-
Gain on business acquisition ⁽²⁾	10,834	21,103
Gain on disposal of businesses	-	3,072
Gain on disposal of shares in associate	-	1,853
Business reorganisation program ⁽³⁾	-	(25,035)
Write-off of capitalised borrowing costs in relation to the Term Loan B Facility	(21,576)	-
IPO transaction costs	(5,245)	-
Total significant items	(26,185)	4,784
Other gains / (losses)		
Unrealised gain / (losses) on revaluation of foreign exchange forward contracts	(256)	36
Gain / (loss) on sale of property, plant and equipment ⁽⁴⁾	34	107
Realised net foreign exchange gains / (losses)	(309)	(113)
Total other gains / (losses)	(531)	30
Total significant items and other gains / (losses) before tax	(26,716)	4,814

⁽¹⁾ Swap break costs relate to the early termination of the cross currency interest rate swaps and other derivative instruments associated with the Term Loan B Facility, refer to note 23.

⁽²⁾ On 17 December 2013 the Group acquired the remaining 49% of Cinqplast Plastop Australia Pty Ltd. In accordance with AASB 3 Business Combinations the Group's investment in the associate was remeasured at its acquisition date fair value. Refer to note 21 for further details on the assets and liabilities acquired as part of this business combination.

⁽³⁾ The business reorganisation program relates to optimisation of business facilities.

⁽⁴⁾ Profit / (loss) on sale of property, plant and equipment is determined as follows:

Proceeds on sale of property, plant and equipment	1,555	23,730
Carrying amount of property, plant and equipment disposed	(1,521)	(23,623)
Profit / (loss) on disposal of property, plant and equipment	34	107

⁽⁵⁾ Total significant items after tax are as follows:

Significant items in other gains / (losses) before tax	(26,185)	4,784
Tax benefit on significant items in other gains / (losses) before tax	4,959	6,373
Tax benefit relating to reset of tax cost base (refer note 4)	19,190	-
Total significant items after tax	(2,036)	11,157

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 4. INCOME TAX

	2014	2013
	\$'000's	\$'000's
Statement of Comprehensive Income		
The major components of income tax expense are:		
Current year income tax expense	13,633	8,539
Adjustments in respect of previous years income tax	(3,880)	(964)
Deferred income tax relating to origination and reversal of temporary differences	(13,433)	389
Income tax (benefit) / expense reported in the consolidated statement of comprehensive income	(3,680)	7,964
Statement of Changes in Equity		
Deferred income tax relating to items charged directly to equity:		
Tax effect of IPO transaction costs charged to equity	5,188	-
Net (gain) / loss on interest rate and foreign exchange hedging instruments	686	(2,273)
Income tax (expense) / benefit charged directly to equity	5,874	(2,273)
Tax on significant items before tax (refer note 3)		
Reversal of unrealised revaluation gain on hedges associated with the Term Load B Facility	1,137	(1,137)
Swap break costs	726	-
Write-off of capitalised borrowing costs	1,523	-
IPO transaction costs	1,573	-
Business reorganisation program	-	7,510
Total tax on significant items before tax (refer note 3)	4,959	6,373
Tax significant item relating to reset of tax cost base	19,190	-
Total tax on significant items	24,149	6,373

(i) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before tax	54,117	53,234
Income tax expense at 30% (2013: 30%)	16,235	15,970
Adjustments in respect of income tax of previous years	(3,880)	(964)
Non assessable income	(632)	-
Difference between book and tax cost base	756	1,280
Losses acquired unable to be utilised on formation of new tax consolidated group	672	-
Non deductible expenses	117	414
Gains on acquisitions and disposals	(3,250)	(7,809)
Non deductible swap break costs	1,196	-
Non deductible write-off of capitalised borrowing costs	4,949	-
Tax benefit relating to reset of tax cost base	(19,190)	-
Overseas tax rate differential	(653)	(927)
Income tax (benefit) / expense reported in the consolidated statement of comprehensive income	(3,680)	7,964

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 4. INCOME TAX (CONTINUED)

(ii) Tax consolidation

Up until 17 December 2013 Pact Group Holdings Ltd, previously Pact Group Holdings Pty Ltd, and its 100% owned Australian resident subsidiaries were members of a tax consolidated group which was formed on 1 July 2003. Geminder Holdings Pty Ltd, the previous parent entity of Pact, was head of this tax consolidated group. As a result of the initial public offering on 17 December 2013, Pact and its 100% owned Australian resident subsidiaries exited the Geminder Holdings tax consolidated group. Contribution amounts under the tax sharing agreement were determined and paid by the exiting Pact entities pursuant to the tax sharing agreement. Deeds of release were entered into and executed by the Pact entities and Geminder Holdings. These deeds together with the contributed amounts above resulted in the exiting entities leaving the Geminder Holdings tax consolidated group clear from any further income tax liability, relating to the period during which they were part of the Geminder Holdings tax consolidated group.

From 17 December 2013 until the formation of the new tax consolidated group on 1 January 2014, each entity was recognised as a stand alone tax payer.

The Company has notified the ATO of its election to form a tax consolidated group with each of its wholly owned Australian resident subsidiaries with effect from 1 January 2014. Under the current income tax consolidation rules, the tax cost of assets brought into the tax consolidated group by subsidiary members that join the group is required to be reset under the tax cost setting process. Work performed to date is based on independent expert valuations, and estimates that the effect of the tax cost setting process is a net increase in the tax cost of the depreciable assets, inventory and certain other sundry assets which has resulted in a net income tax benefit in the period of \$19.2 million.

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

The previous tax sharing arrangement provided for the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, due to the clear exit of the Pact entities from the Geminder Holdings tax consolidated group.

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

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 4. INCOME TAX (CONTINUED)

Nature of the tax funding agreement

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

The new Australian tax consolidated Group formed on 1 January 2014 is comprised of entities incorporated in Australia, with Pact Group Holdings Ltd as the parent. The accounting treatment for the new tax consolidated Group is applicable for the period from 1 January 2014. During that period, the tax sharing arrangement provides for the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No arrangements were recognised in the financial statements in respect of this agreement.

The head entity and the controlled entities accounted for their own current and deferred tax amounts during the six months to 30 June 2014. In addition to its own current and deferred tax amounts, the head entity also recognised current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The law applying to the formation of an income tax consolidated group is subject to various proposed changes announced by the former federal Government at the time of delivering its federal budget in May 2013. The current federal Government has confirmed its intention to proceed with the announced amendments.

While the proposed changes in law were announced to apply from May 2013, limited information on their exact application is available. Depending on the final form of the proposed law changes they could have a material negative impact on Pact's financial performance and position.

The estimation of liability will be subject to the final form and content of the law once released. As these changes in law are not currently enacted or substantially enacted, in accordance with IFRS the potential impact of this measure has not been taken into account in the 30 June 2014 Financial Report. Assuming that the relevant legislation is introduced prior to 30 June 2015 this item would be included in the Pact's financial report for the 2015 financial year.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 4. INCOME TAX (CONTINUED)

(v) Recognised current and deferred tax assets & liabilities

	2014	2014	2013	2013
	\$'000's	\$'000's	\$'000's	\$'000's
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	928	(24,016)	2,120	(21,479)
Charged to income	(9,753)	13,432	(7,575)	(389)
Charged to other comprehensive income	-	686	-	(2,273)
Receipt from head entity ⁽¹⁾	(20,024)	-	(19,564)	-
Payments	22,023	-	27,543	-
IPO transaction costs charged to equity	2,051	5,188	-	-
Acquisitions / disposals	(78)	(1,642)	(498)	418
Foreign exchange translation movement	(627)	(522)	(1,098)	(293)
Closing balance	(5,480)	(6,874)	928	(24,016)

Amounts recognised in the Statement of Financial Position:

Deferred tax asset	27,944	25,155
Deferred tax liability	(34,818)	(49,171)
Net deferred tax assets / (liabilities)	(6,874)	(24,016)

Deferred tax assets & liabilities relate to the following:

Deferred tax assets		
Doubtful debts provision	144	120
Business reorganisation provision	4,319	6,795
Make good on leased premises provision	3,355	3,197
Fixed rent provision	2,341	2,960
Employee entitlements provision	11,219	10,626
IPO transaction costs	5,188	-
Other provisions	124	591
Unrealised foreign currency losses	270	-
Unutilised tax losses	119	-
Other	865	866
Deferred tax assets	27,944	25,155
Deferred tax liabilities		
Property, plant and equipment	32,782	47,878
Unrealised foreign currency gains	-	1,293
Other	2,036	-
Deferred tax liabilities	34,818	49,171

⁽¹⁾ Represents a receipt from the head of the Geminder Holdings tax consolidated group. These receipts are reflected in the financing section of the Statement of Cash Flows.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 5. CASH AND CASH EQUIVALENTS

	2014	2013
	\$'000's	\$'000's
Cash at bank	25,603	22,899

NOTE 6. TRADE AND OTHER RECEIVABLES

	2014	2013
	\$'000's	\$'000's
CURRENT		
Trade receivables ⁽¹⁾	137,438	126,274
Allowance for impairment loss ⁽²⁾	(490)	(440)
Other receivables	13,393	10,674
Receivable from Geminder Holdings ⁽³⁾	-	112,595
Income tax receivable from head entity in tax group	-	4,102
Total current trade and other receivables	150,341	253,205

	2014	2013
	\$'000's	\$'000's
NON-CURRENT		
Other receivables	7	522

⁽¹⁾ The ageing of trade receivables (net of allowance for impairment loss) is as follows:

	Total	Not Due	< 30 days	30 – 60 days	61 – 90 days	> 90 days
2014	136,948	108,118	25,364	2,564	533	369
2013	125,834	99,155	24,160	1,474	651	394

⁽²⁾ At 30 June 2014 trade receivables with an initial value of \$490,000 (2013: \$440,000) were impaired and fully provided for. The movements in the allowance for impairment of receivables are as follows:

	2014	2013
	\$'000's	\$'000's
Opening balance for the period	(440)	(376)
Charge for the year	(508)	(691)
Utilised	344	648
Acquired	(248)	(25)
Unused amounts reversed	375	4
Foreign exchange translation movement	(13)	-
Closing balance for the period	(490)	(440)

⁽³⁾ During the period receivables owed by Geminder Holdings Pty Ltd to Pact Group Holdings Ltd were assigned in exchange for partial repayment of the outstanding promissory note payable to Geminder Holdings Pty Ltd.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 7. INVENTORIES

	2014	2013
	\$'000's	\$'000's
Raw materials and stores	45,105	34,477
Work in progress	14,368	13,687
Finished goods	55,738	57,186
Total inventories	115,211	105,350

During the period the Group recognised a net release (whole dollars) of \$15,279 with regard to the net realisable value of inventories (2013: a net write down of \$48,372). Both the expense and reversal have been included in "raw materials and consumables used" in the Consolidated Statement of Comprehensive Income.

NOTE 8. PREPAYMENTS

	2014	2013
	\$'000's	\$'000's
CURRENT		
Prepayments	7,844	8,031
NON-CURRENT		
Prepayments	1,274	-

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period are as follows:

	Property ⁽ⁱ⁾	Plant and equipment	Capital works in progress	Total
	\$'000's	\$'000's	\$'000's	\$'000's
Year ended 30 June 2014				
At 1 July 2013 net of accumulated depreciation and impairment	15,557	463,842	13,371	492,770
Additions	1,876	36,538	15,030	53,444
Acquisition of subsidiaries and businesses (note 21)	13,882	29,955	-	43,837
Disposals	-	(1,521)	-	(1,521)
Foreign exchange translation movement	(633)	7,500	1,310	8,177
Depreciation charge for the year	(1,780)	(49,323)	-	(51,103)
At 30 June 2014 net of accumulated depreciation and impairment	28,902	486,991	29,711	545,604
Represented by:				
At cost	38,918	883,474	29,711	952,103
Accumulated depreciation	(10,016)	(396,483)	-	(406,499)
Net carrying amount	28,902	486,991	29,711	545,604

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying amounts at the beginning and end of the period are as follows:

	Property ⁽¹⁾	Plant and equipment	Capital works in progress	Total
	\$'000's	\$'000's	\$'000's	\$'000's
Year ended 30 June 2013				
At 1 July 2012 net of accumulated depreciation and impairment	6,454	406,594	22,306	435,354
Additions	6,476	54,334	(9,346)	51,464
Acquisition of subsidiaries and business (note 21)	25,800	73,959	-	99,759
Divestment of subsidiary (note 22)	-	(20,897)	-	(20,897)
Disposals	(22,200)	(653)	-	(22,853)
Foreign exchange translation movement	236	6,219	411	6,866
Depreciation charge for the year	(1,209)	(55,714)	-	(56,923)
At 30 June 2013 net of accumulated depreciation and impairment	15,557	463,842	13,371	492,770
Represented by:				
At cost	18,294	796,442	13,371	828,107
Accumulated depreciation	(2,737)	(332,600)	-	(335,337)
Net carrying amount	15,557	463,842	13,371	492,770
			2014	2013
			\$'000's	\$'000's
⁽¹⁾ Property consists of the following:				
Leasehold improvements			13,703	11,575
Freehold property			25,215	6,719
Less: accumulated depreciation			(10,016)	(2,737)
Total property			28,902	15,557

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2014	2013
	\$'000's	\$'000's
Investments in associates and joint ventures	4,087	8,771

The Group accounts for its investments in associates and joint ventures using the equity method in the consolidated financial statements. The following tables illustrate the summarised financial information of the Group's investments in associates and joint ventures at 30 June 2014, and the reconciliation to the carrying amount of the investment:

Associate and joint venture summarised financial information

	30 June 2014 \$'000's			
	Viscount Oriental Mould ⁽¹⁾	Spraypac Products (NZ) ⁽²⁾	Weener Plastop ⁽³⁾	Total
Current assets	590	514	3,245	4,349
Non-current assets	142	137	4,382	4,661
Current liabilities	(126)	(84)	(1,311)	(1,521)
Net assets	606	567	6,316	7,489
Proportion of the Group's ownership interest	40%	50%	50%	
Carrying amount of the investment	242	687	3,158	4,087

	30 June 2014 \$'000's				
	Cinqplast ⁽⁴⁾	Viscount China	Spraypac Products (NZ)	Weener Plastop	Total
Revenue	15,230	25	1,060	4,953	21,268
Expenses	(14,532)	(118)	(770)	(3,178)	(18,598)
Net profit after tax	698	(93)	290	1,775	2,670
Group's share of the profit for the year	356	(37)	145	887	1,351

⁽¹⁾ Changzhou Viscount Oriental Mould Co Ltd (Oriental Mould)

The Group holds a 40% interest in Oriental Mould, which was acquired as part of the Viscount Plastics (China) Pty Ltd acquisition. Oriental Mould manufactures moulds, of which a proportion is purchased by the local Chinese subsidiaries of Viscount Plastics (China) Pty Ltd.

⁽²⁾ Spraypac Products (NZ) Ltd (Spraypac)

The Group holds a 50% interest in Spraypac. Spraypac is a private company which distributes plastic bottles and related spray products. The Group's investments in Spraypac includes \$0.4 million of goodwill.

⁽³⁾ Weener Plastop Asia Inc (Weener)

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

⁽⁴⁾ Cinqplast Plastop Australia Pty Ltd (Cinqplast)

On 30 June 2013 the Group held a 51% interest in the shares of Cinqplast which is involved in the manufacture of specialty plastics products. The Group assessed its 51% interest as an investment in an associate, as the Group did not control the relevant activities of the business due to the existence of an option held by the other 49% shareholder. On 17 December 2013, the Group acquired the remaining interest in Cinqplast and its 100% owned subsidiary Steri-Plas Pty Ltd.

The Group has included its share of profit in associate for Cinqplast and Steri-Plas up until 16 December 2013 in its consolidated Statement of Comprehensive Income.

Information relating to the acquisitions of Ruffgar, Cinqplast, and Viscount Plastics (China) Pty Ltd is disclosed in note 21.

The joint ventures and associates had no contingent liabilities or significant capital commitments at 30 June 2014 and did not contribute significantly to the revenue or net profit of the Group during the year.

Associate and joint venture summarised financial information

	30 June 2013 \$'000's		
	Spraypac Products (NZ)	Cinqplast	Total
Current assets	432	8,394	8,826
Non-current assets	90	13,516	13,606
Current liabilities	(84)	(5,490)	(5,574)
Non-current liabilities	-	(7,504)	(7,504)
Net assets	438	8,916	9,354
Proportion of the Group's ownership interest	50%	51%	
Carrying amount of the investment	604	8,167	8,771

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

The joint ventures and associates had no contingent liabilities or significant capital commitments at 30 June 2013 and did not contribute significantly to the revenue or net profit of the Group during the year.

The Group's investment in Cinqplast Plastop Australia Pty Ltd and Spraypac Products (NZ) Ltd contained \$3.6 million and \$0.4 million of goodwill, respectively.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 11. INTANGIBLE ASSETS AND GOODWILL

Reconciliation of carrying amounts at the beginning and end of period are as follows:

	Patents, trademarks and licences ⁽¹⁾	Goodwill	Total
	\$'000's	\$'000's	\$'000's
Year ended 30 June 2014			
At 1 July 2013 net of accumulated amortisation and impairment	1,065	249,977	251,042
Additions	52	-	52
Intangible assets arising on acquisitions (note 21)	-	63,757	63,757
Disposals	(178)	-	(178)
Foreign exchange translation movements	74	12,476	12,550
Amortisation	(96)	-	(96)
At 30 June 2014 net of accumulated amortisation and impairment	917	326,210	327,127
Represented by:			
At cost	2,235	326,210	328,445
Accumulated amortisation and impairment	(1,318)	-	(1,318)
Net carrying amount	917	326,210	327,127
Year ended 30 June 2013			
At 1 July 2012 net of accumulated amortisation and impairment	1,058	227,391	228,449
Additions	139	-	139
Intangible assets arising on acquisitions (note 21)	2,347	12,869	15,216
Disposals	(2,181)	-	(2,181)
Foreign exchange translation movements	(141)	9,717	9,576
Amortisation	(157)	-	(157)
At 30 June 2013 net of accumulated amortisation and impairment	1,065	249,977	251,042
Represented by:			
At cost	2,235	249,977	252,212
Accumulated amortisation and impairment	(1,170)	-	(1,170)
Net carrying amount	1,065	249,977	251,042

⁽¹⁾ **Patents, trademarks and licences**

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 11. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Acquisition during the year

As a result of business acquisitions during the year, \$63.8 million of goodwill has been recognised. Business combinations are disclosed in note 21.

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

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

For the full year, there were no indicators of impairment and no impairment losses recognised.

Impairment tests for goodwill

For impairment testing purposes goodwill acquired through business combinations has been allocated to and tested at the level of their respective cash generating units (or group of CGU's) in accordance with the level at which management monitors goodwill. For the Group, the lowest level where goodwill is monitored is at its segments, being:

- Pact Australia (PA)
- Pact International (PI)

(i) Description of the cash generating units and other relevant information

The recoverable amount of each of the cash generating units has been determined based on Value in Use calculations using cash flow projections contained within the current year's financial budget approved by management and other forward projections.

(ii) Carrying amount of goodwill allocated to each of the cash generating units (CGU's) or group of CGU's

The carrying amounts of goodwill allocated to the PA and the PI segments are as follows:

	Pact Australia		Pact International	
	2014	2013	2014	2013
	\$'000's	\$'000's	\$'000's	\$'000's
Carrying amount of goodwill	149,600	119,835	176,610	130,142

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 11. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(iii) Key assumptions used in Value in Use calculations

The calculations of Value in Use for both PA and PI CGU's are most sensitive to the following assumptions:

- Gross margins
- Cash flows
- Discount rates
- Raw materials price movement

Gross margins – Gross margins are based on average margins achieved in the year preceding the current budget period. These are increased over the budget period for any anticipated efficiency improvements.

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 2.7% - 6.5% (2013: 2.0% – 3.0%).

Discount rates – Discount rates represent the current market assessment of the risk specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's shareholders. The cost of debt is based on the cost of funds relating to the interest bearing loans of the Group. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data where applicable.

Discount rates applied are based on the pre-tax weighted average cost of capital applicable to the relevant CGU. The pre-tax risk discount rates applied to these cash flow projections are in the range of 11.0% – 14.0% (2013: 12.0%).

Raw material price movement – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw material price movements are used as an indicator of future price movements.

(iv) Sensitivity to changes in assumptions

The key estimates and assumptions used to determine the Value in Use of a CGU are based on management's current expectations and are considered to be reasonably achievable.

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

NOTE 12. TRADE AND OTHER PAYABLES

	2014	2013
	\$'000's	\$'000's
CURRENT		
Trade payables	176,210	143,318
Other payables	16,706	18,068
Income tax payable	5,481	3,174
Total current trade and other payables	198,397	164,560

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 13. PROVISIONS

	2014	2013
	\$'000's	\$'000's
CURRENT		
Annual leave	20,584	15,585
Long service leave	11,382	15,179
Business reorganisation provision	14,404	22,748
Other	86	1,538
Total current provisions	46,456	55,050
NON-CURRENT		
Long service leave	6,820	4,969
Fixed rent provision	7,874	9,960
Make good on leased premises	11,507	10,964
Total non-current provisions	26,201	25,893

(a) Movement in provisions	Business reorganisation provision	Fixed rent provision	Make good on leased premises	Total
Year ended 30 June 2014				
At 1 July 2013	22,748	9,960	10,964	43,672
Acquisition of a subsidiaries and businesses	-	-	274	274
Provided for during the year	-	1,784	673	2,457
Utilised	(8,449)	(1,849)	-	(10,298)
Unutilised amounts reversed	-	(2,144)	(687)	(2,831)
Discount rate adjustments	-	-	11	11
Foreign exchange translation movement	105	123	272	500
At 30 June 2014	14,404	7,874	11,507	33,785
Year ended 30 June 2013				
At 1 July 2012	10,810	7,986	10,274	29,070
Acquisition of subsidiaries and businesses	1,518	789	537	2,844
Provided for during the year	25,873	1,088	655	27,616
Utilised	(15,591)	-	(837)	(16,428)
Discount rate adjustments	-	-	130	130
Foreign exchange translation movement	138	97	205	440
At 30 June 2013	22,748	9,960	10,964	43,672

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 13. PROVISIONS (CONTINUED)

(b) Nature and timing of provisions

(i) Business reorganisation provisions

The business reorganisation program relates to optimisation of business facilities.

(ii) Fixed rent provision

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

(iii) Make good on leased premises

In accordance with the form of lease agreement, the Group may be required to restore the leased premises to their original condition at the end of the lease term upon exiting the site. The provision is based on what costs are expected to be incurred using historical estimates as a guide.

NOTE 14. INTEREST BEARING LOANS AND BORROWINGS

	Notes	2014 \$'000's	2013 \$'000's
CURRENT			
Bank overdraft	23	1,376	270
Term Loan B Facility	23	-	9,596
Capitalised borrowing costs		(1,252)	(3,244)
Obligations under finance leases and hire purchase contracts		975	853
Total current interest bearing loans and borrowings		1,099	7,475
NON-CURRENT			
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m) ⁽¹⁾	23	295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m) ⁽¹⁾	23	130,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m) ⁽¹⁾	23	83,534	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m) ⁽¹⁾	23	83,534	-
Term Loan B Facility ⁽¹⁾	23	-	949,962
Obligations under finance leases and hire purchase contracts		-	975
Capitalised borrowing costs		(2,221)	(18,541)
Promissory note (including interest capitalised) ⁽²⁾	24	-	1,069,432
Total non-current interest bearing loans and borrowings		589,847	2,001,828

⁽¹⁾ On 17 December 2013 the Group entered into new 3 and 5 year syndicated debt facilities. The drawdown of which, together with part proceeds from the initial public offering, were used to repay the Term Loan B Facility.

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

⁽²⁾ The promissory note payable to Geminder Holdings Pty Ltd accrued interest quarterly at a rate based on the bank bill Rate (BBSY) plus a margin of 2%. On 26 November 2013 Pact issued shares to Geminder Holdings Pty Ltd in exchange for \$255.0 million in cash and a new promissory note. After the assignment of loan receivable from Geminder Holdings Pty Ltd, the promissory note and any capitalised interest were then repaid in full through the issue of shares to Geminder Holdings Pty Ltd and in cash, using part proceeds of the initial public offering.

(a) Fair values

Fair values of the Group's interest-bearing loans and borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own performance risk at 30 June 2014 was assessed to be insignificant.

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

	Average Interest Rate	2014 \$'000's		2013 \$'000's	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Term Loan B Facility ⁽¹⁾		-	-	959,558	976,082
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)	4.44%	295,000	295,000	-	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)	4.74%	130,000	130,000	-	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)	4.84%	83,534	83,534	-	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)	5.15%	83,534	83,534	-	-
Total borrowings		592,068	592,068	959,558	976,082

⁽¹⁾ The primary difference between the carrying value and the fair value of the Term Loan B Facility at 30 June 2013 arose as a result of the fair value of an embedded LIBOR floor of 1.00%.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 23.

(c) Defaults and breaches

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 15. CONTRIBUTED EQUITY

	2014	2013
	\$'000's	\$'000's
Issued and paid up capital		
Ordinary shares fully paid	1,489,597	180,000

	2014		2013	
	Number of shares	\$'000's	Number of shares	\$'000's
Movements in contributed equity				
Ordinary shares				
Beginning of the period	12	180,000	12	180,000
Issued during the period ⁽¹⁾	294,097,949	1,327,643	-	-
Transaction costs taken to equity	-	(25,285)	-	-
Tax benefit on transaction costs	-	7,239	-	-
End of the period	294,097,961	1,489,597	12	180,000

⁽¹⁾ Shares issued during the year include:

	Number of shares
Shares issued on 7 November 2013 to Geminder Holdings Pty Ltd in exchange for cash	10
Shares issued on 26 November 2013 to Geminder Holdings Pty Ltd in exchange for partial repayment of the promissory note	113,764,188
Shares issued for the acquisitions of Ruffgar Holdings Pty Ltd and Cinqplast Australia Pty Ltd	9,596,909
Shares issued as part of the initial public offering	170,736,842
Total number of shares issued during the year	294,097,949

(a) Terms and conditions of contributed equity

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

(b) Capital management

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

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 16. RESERVES

	2014	2013
	\$'000's	\$'000's
Foreign currency translation reserve	13,358	8,733
Cash flow hedge reserve	(630)	964
Common control reserve	(928,385)	(942,000)
Total reserves	(915,657)	(932,303)

Nature and purpose of reserves:

(a) Foreign currency translation reserve

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

(b) Cash flow hedge reserve

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

Refer to note 23 for further disclosure on forward exchange contracts designated in cash flow hedge relationships.

(c) Common control reserve

The opening common control reserve arose through a Group restructure in the financial year ended 30 June 2011. It represented the difference between the historical cost of the net assets of the Group compared to the consideration paid to acquire the transferred entities.

On 17 December 2013 the Group acquired Viscount Plastics (China) Pty Ltd and Asia Peak Pte Ltd. These acquisitions have been accounted for using the AASB 3 Business Combinations common control exemption. The movement of \$13.6 million in the common control reserve relates to the difference between the consideration paid and the identifiable net assets acquired.

NOTE 17. RETAINED EARNINGS

	2014	2013
	\$'000's	\$'000's
Retained (losses) / earnings at the beginning of the financial year	(324,595)	114,444
Net (loss) / profit attributable to members of the Group	57,689	45,125
Dividend paid	-	(484,164)
Retained losses at the end of the reporting period	(266,906)	(324,595)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 18. DIVIDENDS

	2014	2013
	\$'000's	\$'000's
(a) Dividends paid		
Dividends on ordinary shares	-	484,164
(b) Dividends not recognised at year end		
<p>Since year end the directors have recommended payment of a final dividend of 9.5 cents, 65% franked (2013: nil). The final dividend is expected to be paid on 3 October 2014.</p> <p>Based on the number of shares on issue at reporting date, the aggregate amount of the proposed dividend would be:</p>		
	27,939	-
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2013 30%)	2,196	-
Franking credits that will arise from the payment of income tax payable as at the end of the financial year.	1,940	-
Franking debits that will arise from the payment of dividends as at the end of the financial year.	(7,783)	-
Total franking credit balance	(3,647)	-

NOTE 19. COMMITMENTS AND CONTINGENCIES

	2014	2013
	\$'000's	\$'000's
(a) Lease expenditure commitments		
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	39,265	34,960
After one year but not more than five years	109,735	99,669
More than five years	90,902	74,822
Total lease expenditure commitments	239,902	209,451

The Group leases buildings and plant & equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Property leases generally provide the Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Notes	2014 \$'000's	2013 \$'000's
(b) Finance lease and hire purchase commitments			
The Group has finance leases and hire purchase contracts for various items as follows:			
Minimum lease payments are as follows:			
Within one year		1,022	986
After one year but not more than five years		-	1,022
More than five years		-	-
Total minimum lease payments		1,022	2,008
Less amounts representing finance charges		(47)	(180)
Present value of minimum lease payments		975	1,828
Current	15	975	853
Non current	15	-	975
Total		975	1,828

(c) Other expenditure commitments

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

Capital expenditure projects		6,551	9,029
These are payable as follows:			
Within one year		6,441	8,706
After one year but not more than five years		110	323
Total		6,551	9,029

(d) 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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 20. CASH FLOW INFORMATION

	Notes	2014 \$'000's	2013 \$'000's
(a) Reconciliation of cash and cash equivalents			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash on hand and at bank	5	25,603	22,899
Bank overdraft	14	(1,376)	(270)
Total net cash		24,227	22,629
(b) Reconciliation of net profit before income tax to net cash flow from operations			
Net profit before income tax		54,117	53,234
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation		51,199	57,080
Employee entitlement provisions		11,098	11,939
Trade receivables impairment provision		165	678
Business reorganisation provision		-	25,035
Fixed rent provision		(2,209)	1,088
Property make good provision		(14)	652
Profit on sale of property, plant and equipment		(34)	(107)
Gain on business acquisition		(10,834)	(21,103)
Gain on disposal of businesses and associate		-	(4,925)
Share of net profit in associates		(1,351)	(786)
Unrealised gain on revaluation of cross currency swaps		3,791	(4,025)
Loss / (gain) on revaluation of foreign exchange contracts		280	(37)
Swap break costs		6,407	-
IPO transaction costs (recorded against profit for the year)		5,245	-
Write-off capitalised borrowing costs in relation to the Term Loan B Facility		21,576	-
Finance costs expense		73,202	95,429
Interest income		(6,477)	(3,668)
Changes in assets and liabilities:			
(Increase) / decrease in trade and other receivables		18,458	(4,485)
(Increase) / decrease in prepayments		(639)	(5,013)
(Increase) / decrease in inventory		(1,259)	(1,678)
Decrease in trade and other payables		(23,394)	(10,684)
Decrease in provisions		(22,726)	(30,505)
Cash flow from operating activities		176,601	158,120
Interest income received		1,088	118
Finance costs paid		(65,953)	(42,498)
Income tax paid		(22,023)	(27,543)
Net cash flow from operating activities		89,713	88,197

During the year a non-cash repayment of a promissory note amounting to \$387.3 million was recorded as a result of the issue of shares.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 21. BUSINESS COMBINATIONS

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

Summary of 30 June 2014 acquisitions

	Asia Peak ⁽¹⁾	Viscount China ⁽²⁾	Ruffgar ⁽³⁾	Cinqplast ⁽⁴⁾	Total
	\$'000	\$'000	\$'000	\$'000's	\$'000's
Date acquired	17/12/2013	17/12/2013	17/12/2013	17/12/2013	
Fair value of net assets acquired					
Cash	378	1,238	554	106	2,276
Trade and other receivables (net of provision)	15,802	16,605	3,553	5,195	41,155
Prepayments	-	921	134	102	1,157
Inventory	-	3,374	1,680	3,707	8,761
Property, plant & equipment	15	19,662	6,711	17,449	43,837
Equity method investments	-	300	4,062	-	4,362
Deferred tax asset	-	127	34	421	582
Total assets	16,195	42,227	16,728	26,980	102,130
Payables and provisions	16,070	10,073	1,746	6,026	33,915
Employee provisions	-	72	62	929	1,063
Interest bearing liabilities	92	-	11	10,440	10,543
Deferred tax liability	-	-	829	1,396	2,225
Total liabilities	16,162	10,145	2,648	18,791	47,746
Fair value of identifiable net assets	33	32,082	14,080	8,189	54,384
Cash consideration paid	500	18,000	23,200	7,000	48,700
Shares issued as consideration paid	-	-	24,870	11,599	36,469
Total consideration paid	500	18,000	48,070	18,599	85,169
Common control reserve	(467)	14,082	-	-	13,615
Goodwill arising on acquisition	-	-	33,990	29,767	63,757
Net difference between fair value and consideration paid	(467)	14,082	33,990	29,767	77,372
Reconciliation of cash paid to Statement of Cash Flows					
Net cash acquired	378	1,238	554	106	2,276
Cash paid	500	18,000	23,200	7,000	48,700
Net cash consideration paid	122	16,762	22,646	6,894	46,424

⁽¹⁾ Asia Peak Pte Ltd (Asia Peak)

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

As Asia Peak was acquired by way of the common control exemption under AASB 3 Business Combinations, the difference between the fair value of the identifiable net assets acquired and the cash consideration paid of \$0.5 million has been recorded in the common control reserve, refer to Note 16.

The trade and other receivables acquired amounted to \$15.8 million of which \$15.3 million was with Group entities. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected.

From the date of acquisition Asia Peak has contributed \$2.8 million of revenue and \$0.7 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$4.4 million higher and the profit from continuing operations for the Group would have been \$0.1 million higher.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 21. BUSINESS COMBINATIONS (CONTINUED)

Summary of 30 June 2014 acquisitions (continued)

⁽²⁾ Viscount Plastics (China) Pty Ltd (Viscount China)

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

As Viscount China was acquired by way of the common control exemption under AASB 3 Business Combinations, the difference between the fair value of the net assets acquired of \$32.1 million and the cash consideration paid of \$18.0 million has been recorded in the common control reserve, refer to note 16.

The fair value of trade and other receivables acquired amounted to \$16.6 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected. The deferred tax asset of \$0.1 million mainly comprised the tax effect of provisions acquired.

From the date of acquisition Viscount China has contributed \$22.4 million of revenue and a net loss before tax of \$0.1 million to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$23.6 million higher and the profit from continuing operations for the Group would have been \$0.1 million lower.

⁽³⁾ Ruffgar Holdings Pty Ltd (Ruffgar)

On 17 December 2013 the Group acquired 100% of the shares in Ruffgar. Ruffgar owns 100% of Plastop Asia Inc (Plastop Asia) and a 50% interest in Weener Plastop Asia Inc (Weener Plastop). Plastop Asia and Weener Plastop manufacture personal care injection moulded plastic products. The Group acquired Ruffgar as part of its overall growth strategy within the Asian region. Ruffgar shares were purchased for cash of \$23.2 million and shares with a fair value of \$24.9 million at the date of acquisition. The goodwill of \$34.0 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 International operating segment.

The fair value of Ruffgar's trade receivables acquired amounted to \$3.6 million. None of the trade receivables were impaired and it was expected that the full contractual amounts would be collected.

From the date of acquisition Ruffgar contributed \$8.8 million of revenue and \$1.9 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, contributions to revenue from continuing operations would have been \$7.2 million higher and the contribution to profit from continuing operations for the Group would have been \$0.6 million higher.

⁽⁴⁾ Cinqplast Plastop Australia Pty Ltd (Cinqplast)

On 17 December 2013 the Group acquired the remaining shares in Cinqplast including its controlled entity Steri-Plas Pty Ltd for cash of \$7.0 million and shares with a fair value of \$11.6 million at the date of acquisition. Cinqplast is involved in the manufacture of speciality plastic products. The Group acquired the remaining shares in Cinqplast as part of the Group's overall strategy to diversify its presence in plastic related industries. The goodwill of \$29.8 million has arisen as a result of the purchase consideration exceeding the fair value of assets acquired. Goodwill is allocated to the Pact Australia operating segment.

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

The fair value of trade and other receivables acquired amounted to \$5.2 million. The gross amount of trade receivables was \$5.3 million. The deferred tax asset mainly comprises the tax effect of provisions acquired.

From the date of acquisition Cinqplast contributed \$13.7 million of revenue and a net profit before tax of \$1.7 million to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$15.2 million higher and the profit from continuing operations for the Group would have been \$0.6 million higher.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 21. BUSINESS COMBINATIONS (CONTINUED)

Sulo MGB (Australia) Pty Ltd and Sulo (NZ) Ltd

On 8 August 2014, Pact completed the acquisition of Sulo MGB (Australia) Pty Ltd and Sulo (NZ) Ltd. Details of the assets and liabilities acquired have not been disclosed as it is impracticable to do so, as the audit of the acquisition has not been completed.

Summary of 30 June 2013 acquisitions

	Viscount ⁽¹⁾	NSW Drum ⁽²⁾	Sunrise ⁽³⁾	Total
	\$'000	\$'000	\$'000's	\$'000's
Date acquired	1/08/2012	1/11/2012	1/12/2012	
Fair value of net assets acquired				
Receivables (net of provision)	29,329	1,452	3,923	34,704
Prepayments	1,195	13	122	1,330
Inventory	10,461	273	1,132	11,866
Property, plant & equipment	90,599	2,524	6,636	99,759
Intangible assets	2,347	-	-	2,347
Deferred tax asset	5,067	-	160	5,227
Total assets	138,998	4,262	11,973	155,233
Payables and provisions	(28,035)	(446)	(2,777)	(31,258)
Business reorganisation	(1,529)	-	-	(1,529)
Employee provisions	(7,986)	(190)	(534)	(8,710)
Total liabilities	(37,550)	(636)	(3,311)	(41,497)
Fair value of identifiable net assets	101,448	3,626	8,662	113,736
Cash outflow on acquisition				
Cash	91,923	10,113	14,115	116,151
Repayment of debt like items	-	-	(812)	(812)
Deferred settlement	-	-	2,001	2,001
Net consideration paid	91,923	10,113	15,304	117,340
(Discount)/goodwill arising on acquisition	(21,103)	6,487	6,382	(8,234)
Reconciliation of cash paid to Statement of Cash Flows				
Net cash acquired	11,578	-	260	11,838
Cash paid	91,923	10,113	14,115	116,151
Net cash consideration paid	80,345	10,113	13,855	104,313

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 21. BUSINESS COMBINATIONS (CONTINUED)

Summary of 30 June 2013 acquisitions (continued)

⁽¹⁾ **Viscount Plastics Pty Ltd (Viscount)**

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

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

From the date of acquisition Viscount has contributed \$161.2 million of revenue and \$13.5 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$14.0 million higher and the profit from continuing operations for the Group would have been \$0.7 million lower.

⁽²⁾ **Drum Reconditioners (NSW) Pty Ltd (NSW Drum)**

On 1 November 2012 the Group acquired the business assets of NSW Drum. The business is based in New South Wales and provides a comprehensive service for the collection, reconditioning and disposal of industrial containers. The Group acquired the business to expand its sustainability business. The goodwill of \$6.5 million arose as a result of the purchase consideration exceeding the fair value of identifiable net assets acquired. Goodwill was allocated to the Pact Australia operating segment.

The fair value of the trade receivables acquired amounted to \$1.5 million and none of the trade receivables were impaired as it was expected that the full contractual amounts would be collected.

From the date of acquisition NSW Drum has contributed \$7.9 million of revenue and \$1.3 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$3.2 million higher and the profit from continuing operations for the Group would have been \$0.6 million higher.

⁽³⁾ **Sunrise Plastics Pty Ltd (Sunrise)**

On 1 December 2012 Pact Group Pty Ltd acquired 100% of the shares in Sunrise. The business is based in Victoria and manufactures a variety of thin wall plastic containers and lids. The Group acquired the business as part of the Group's on-going growth strategy. The goodwill of \$6.4 million arose as a result of the valuation of the purchase consideration exceeding the fair value of assets acquired. Goodwill was allocated to the Pact Australia operating segment.

The fair value of the trade receivables acquired amounted to \$3.9 million and none of the trade receivables were impaired as it was expected that the full contractual amounts would be collected.

As part of the sale and purchase agreement with the previous owner of Sunrise, a contingent consideration was agreed. An amount of \$2.0 million was provided and during FY14 this liability was settled for the amount of \$1.2 million.

From the date of acquisition Sunrise has contributed \$9.4 million of revenue and \$1.5 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$7.7 million higher and the profit from continuing operations for the Group would have been \$1.1 million higher.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 22. BUSINESS DIVESTMENTS

Summary of 30 June 2014 divestments

For the year ended 30 June 2014 the Group has not sold any of its subsidiaries.

Summary of 30 June 2013 divestments

	Viscount Plastics (Malaysia) Sdn Bhd ⁽¹⁾	Viscount Plastics (China) Pty Ltd ⁽²⁾	Total
	\$'000	\$'000's	\$'000's
Date divested	31/01/2013	28/05/2013	
Written down value of net assets sold			
Receivables (net of provision)	2,463	11,695	14,158
Prepayments and other receivables	109	1,686	1,795
Inventory	847	3,243	4,090
Property, plant & equipment (Note 9)	1,793	19,104	20,897
Intangible assets	2,181	-	2,181
Deferred tax asset	-	458	458
Total assets	7,393	36,186	43,579
Payables and provisions	(1,530)	(8,671)	(10,201)
Employee benefits	(20)	(229)	(249)
Total liabilities	(1,550)	(8,900)	(10,450)
Fair value of identifiable net assets	5,843	27,286	33,129
Net cash consideration received	6,745	28,684	35,429
Gain on disposal	902	1,398	2,300
Foreign currency translation gain / (loss) realised on disposal	(546)	1,319	773
Impact on net profit before tax	356	2,717	3,073

⁽¹⁾ Divestment of Viscount Plastics (Malaysia) Sdn Bhd

On 31 January 2013 the Group sold its shares in Viscount Plastics (Malaysia) Sdn Bhd to Dynapack Asia Pte Ltd, an associated entity.

⁽²⁾ Divestment of Viscount Plastics (China) Pty Ltd

On 28 May 2013 the Group sold its shares in Viscount Plastics (China) Pty Ltd to Bennamon Pty Ltd, a related entity.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2014	2013
	\$'000's	\$'000's
Other current financial assets		
Cross currency interest rate swaps ⁽¹⁾	-	684
Foreign exchange forward contracts ⁽²⁾	403	3,563
Total other current financial assets	403	4,247
Other non-current financial assets		
Cross currency interest rate swaps ⁽¹⁾	-	56,276
Other current financial liabilities		
Foreign exchange forward contracts ⁽²⁾	1,342	311
Other non-current financial liabilities		
Cross currency interest rate swaps ⁽¹⁾	-	735

⁽¹⁾ Cross currency interest rate swaps (CCIRS)

On 17 December 2013 the Group's 7 year US\$885 million Term Loan B was repaid using part proceeds from the initial public offering as well as drawdowns on the new A\$750m Syndicated Revolving Loan Facility. As a result, the cross currency interest rate swap positions were terminated. Further details on the Group's borrowings are disclosed in note 14.

⁽²⁾ Foreign exchange forward contracts – cash flow hedges

To protect against exchange rate movements, the Group has entered into forward currency contracts to purchase foreign currency. These contracts are hedging highly probable forecasted purchases or payment obligations and their terms reflect those of the underlying payment obligations. At 30 June 2014, the Group hedged 88% (2013: 96%) of its foreign currency purchases for which highly probable forecasted transactions existed at the reporting date.

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

As the Group does not seek security from the counterparties with whom it enters into derivative financial instruments, the Group also considers the risk of counterparty non-performance. As at 30 June 2014 the Group assessed this risk to be insignificant.

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

- (i) **Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;
- (ii) **Level 2:** other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- (iii) **Level 3:** techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy for assets and liabilities.

	Fair value measurement using			Total \$'000's
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000's	
Year ended 30 June 2014				
Assets measured at fair value				
Foreign exchange forward contracts	-	403	-	403
Liabilities measured at fair value				
Foreign exchange forward contracts	-	1,342	-	1,342
Year ended 30 June 2013				
Assets measured at fair value				
Cross currency interest rate swaps	-	56,960	-	56,960
Foreign exchange forward contracts	-	3,563	-	3,563
Total	-	60,523	-	60,523
Liabilities measured at fair value				
Cross currency interest rate swaps	-	735	-	735
Foreign exchange forward contracts	-	311	-	311
Total	-	1,046	-	1,046

There are no differences between the fair value and the book value of the assets and liabilities for the current or comparative period. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial Risk Management

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

(a) Fair value

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

The Group's financial instruments measured at fair value are comprised of derivatives only. The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade or better credit ratings. These derivatives are not quoted in active markets. The Group therefore uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs, of which the unobservable market inputs are considered to be insignificant.

(b) Risk exposures and responses

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

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

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

(i) Market Risk

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

► Interest rate risk

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

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

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

As discussed in note 14, the US dollar Term Loan B Facility and related cross currency interest rate swaps were terminated during the period and new variable rate debt facilities have been utilised.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. For the Group, no financial assets or liabilities that are subject to interest rate risk have been designated at fair value through other comprehensive income or as available-for-sale, therefore, there is no impact on equity at 30 June 2014 (30 June 2013: nil). At 30 June 2014, if interest rates had moved with all other variables held constant, net profit after tax would have been higher / (lower) as follows:

	Interest rate increase +1%		Interest rate decrease -1%	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000's	\$'000's
Impact on net profit after tax				
Australian Dollar (AUD)	(2,975)	(12,786)	2,975	12,786
United States Dollar (USD)	-	3,496	-	(1,330)
New Zealand Dollar (NZD)	(1,203)	(1,097)	1,203	1,097
Basis swap	-	(559)	-	559
Impact on equity				
Australian Dollar (AUD)	(2,975)	(12,786)	2,975	12,786
United States Dollar (USD)	-	3,496	-	(1,330)
New Zealand Dollar (NZD)	(1,203)	(1,097)	1,203	1,097
Basis swap	-	559	-	559

Significant assumptions used in the interest rate sensitivity analysis include:

- 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.

► Foreign currency risk

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

Less than 2% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst approximately 85% (2013: 81%) of costs are denominated in the operating entities functional currencies.

At reporting date, the Group had significant exposure to the USD and NZD currencies which are not designated as cash flow hedges. The Group utilises forward foreign currency contracts to eliminate or reduce currency exposures of individual transactions once the Group has entered into a firm commitment for a sale or purchase. It is the Group's policy not to enter into forward foreign currency contracts until a firm commitment is in place and to structure the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

During the year to 30 June 2014 the Group entered into a new syndicated facility arrangement with available tranches denominated in both AUD and NZD. The Group mitigates its exposure to fluctuations in the exchange rate of its NZD borrowings by borrowing funds through entities with NZD functional currencies.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table illustrates the sensitivity of the foreign currency contracts of the Group to movements in the value of the Australian dollar against the relevant foreign currencies, with all other variables held constant, taking into account all underlying exposures and related hedges.

	Net profit after tax		Equity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000's	\$'000's
Judgements of reasonably possible movements:				
AUD to USD + 10%	(40)	2	1,256	(550)
AUD to USD - 10%	35	(2)	(1,534)	672
NZD to USD + 10%	66	(33)	649	(314)
NZD to USD - 10%	(94)	40	(792)	384

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on economic forecast expectations.
- The reasonably possible movements were calculated by taking the USD and NZD spot rate as at reporting date, moving this spot rate by the reasonably possible movements and then re-converting the USD, NZD into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- A price sensitivity of derivatives has been based on reasonably possible movements of spot rates at reporting dates rather than forward rates.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

A sensitivity of 10% has been selected based on the reasonably possible movements given recent and historical levels of volatility and exchange rates and economic forecast expectations.

► Commodity Price risk

The Group is exposed to price risk in relation to a number of raw materials. This risk is partially mitigated by 'rise and fall' clauses in contracts with customers. In managing commodity price risk, the Group ordinarily seeks to pass on commodity price risk to both contracted and uncontracted customers. As the Group has historically passed on the movement risk associated with commodity prices, no sensitivity analysis has been performed. However the speed, magnitude and competitive dynamics of end markets can adversely impact the Group's ability to fully pass on commodity price changes.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Counterparty credit risk

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

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

► Trade receivables

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

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

► Financial instruments

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

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

(iii) Liquidity risk

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

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

► Credit Facilities

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

			2014	2013
	Term	Note	\$'000's	\$'000's
Available credit facilities				
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)	3 years		295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)	5 years		295,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)	3 years		83,534	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)	5 years		83,534	-
Term Loan B Facility	7 years		-	959,558
Revolving Credit Facility	5 years		-	100,402
Promissory note			-	1,069,415
Overdraft facility			20,105	17,500
Multi Option Interchangeable Working Capital Facility ⁽¹⁾			15,175	15,175
Trade finance facility ⁽¹⁾			4,000	4,000
Total available credit facilities			796,348	2,166,050
Credit Facilities Utilised				
A\$750m Syndicated Revolving Loan Facility A Tranche 1 (AUD \$295m)		14	295,000	-
A\$750m Syndicated Revolving Loan Facility A Tranche 2 (AUD \$295m)		14	130,000	-
A\$750m Syndicated Revolving Loan Facility B Tranche 1 (NZD \$90m)		14	83,534	-
A\$750m Syndicated Revolving Loan Facility B Tranche 2 (NZD \$90m)		14	83,534	-
Term Loan B Facility		14	-	959,558
Promissory note		24	-	1,069,432
Overdraft facility		14	1,376	270
Multi Option Interchangeable Working Capital Facility ⁽¹⁾			11,463	7,620
Trade finance facility ⁽¹⁾			-	2,798
Total credit facilities utilised			604,907	2,039,678
Net unused credit facilities			191,441	126,372
Cash and cash equivalents			25,603	22,899
Net unused facilities and cash and cash equivalents			217,044	149,271

⁽¹⁾ These facilities allow the Group to procure goods and service on credit whereby the initial payment obligation rests with the facility provider. The liability attaching to these transactions is recognised in the Statement of Financial Position when title or risk associated these goods & services passes to the Group or an event occurs which causes the liability to be crystallised in accordance with normal accounting principles. Up until such time, any obligation attaching to the procurement of these goods & services does not represent a liability and therefore has not been recognised in the Statement of Financial Position.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

► Derivative and non-derivative financial assets and liabilities

The following liquidity risk disclosures reflect all contractually fixed payments, repayments and interest resulting from recognised financial liabilities as of 30 June 2014. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for assets and liabilities is based on the contractual terms of the underlying contract.

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.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital.

Included in the Statement of Financial Position are loans and receivables consisting of trade and other receivables of \$150.3 million (2013: \$253.7 million)

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short term cash payments.

The table below summarises the maturity profile of the Group's assets and liabilities based on contractual undiscounted payments:

	≤ 6 months	6-12 months	1-5 years	> 5 years	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Year ended 30 June 2014					
Financial assets					
Cash and cash equivalents	25,603	-	-	-	25,603
Trade and other receivables	150,341	-	-	-	150,341
Foreign exchange forward contracts	-	194	-	-	194
Total inflows	174,741	194	-	-	174,935
Financial liabilities					
Bank overdraft	(1,376)	-	-	-	(1,376)
Trade and other payables	(192,916)	-	-	-	(192,916)
Foreign exchange forward contracts	(1,087)	-	(45)	-	(1,132)
A\$750m Syndicated Revolving Loan Facility	(14,739)	(14,499)	(655,588)	-	(684,826)
Finance leases	(975)	-	-	-	(975)
Total outflows	(213,889)	(14,499)	(655,633)	-	(884,021)
Net inflow/(outflow)	(39,148)	(14,305)	(655,633)	-	(709,086)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	≤ 6 months	6–12 months	1–5 years	> 5 years	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Year ended 30 June 2013					
Financial assets					
Cash and cash equivalents	22,899	-	-	-	22,899
Trade and other receivables	253,205	-	-	-	253,205
Foreign exchange forward contracts	3,101	474	365	-	3,940
Total inflows	279,205	474	365	-	280,044
Financial liabilities					
Bank overdraft	(270)	-	-	-	(270)
Trade and other payables	(154,918)	(6,092)	(306)	-	(161,316)
Secured Loan Syndicated Finance Facility	(23,366)	(22,776)	(275,856)	(945,796)	(1,267,794)
Promissory notes	-	-	-	(1,573,728)	(1,573,728)
Cross currency interest rate swaps	(13,022)	(11,149)	(41,906)	-	(66,077)
Finance leases	(493)	(493)	(1,022)	-	(2,008)
Total outflows	(192,069)	(40,510)	(319,090)	(2,519,524)	(3,071,193)
Net inflow/(outflow)	87,136	(40,036)	(318,725)	(2,519,524)	(2,791,149)

In addition to maintaining sufficient liquid assets to meet short term payments, at reporting date, the Group has available \$191.4 million (2013: \$126.4 million) of unused credit facilities available for its immediate use. Refer to note 23(c)(i) for details.

Due to the unique characteristics and risks inherent to derivative instruments, the Group, through the Group Treasury Function, separately monitors the liquidity risk arising from transacting in derivative instruments.

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows however these amounts may be settled gross or net.

The following table shows the corresponding reconciliation of those amounts to their carrying amounts:

	≤ 6 months	6–12 months	1–5 years	> 5 years	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Year ended 30 June 2014					
Derivative liabilities – gross settled					
Inflows	47,275	2,650	824	-	50,749
Outflows	(48,362)	(2,456)	(869)	-	(51,687)
Net maturity	(1,087)	194	(45)	-	(938)
Year ended 30 June 2013					
Derivative liabilities – gross settled					
Inflows	79,529	28,888	1,120,081	-	1,228,498
Outflows	(89,450)	(39,563)	(1,161,622)	-	(1,290,635)
Net maturity	(9,921)	(10,675)	(41,541)	-	(62,137)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 24. RELATED PARTY DISCLOSURES

Parent entity

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

Terms and conditions of transactions with related parties

The purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ending 30 June 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (June 2013: Nil).

Terms and conditions of loans from related parties

The promissory note payable to Geminder Holdings Pty Ltd was repaid in full on 17 December 2013. This promissory note accrued interest quarterly at a rate based on the bank bill swap bid rate (BBSY) plus a margin of 2%. Interest was capitalised annually on the anniversary of the promissory note.

Terms and conditions of property leases with related parties

The Group leased 21 properties (18 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 Raphael Geminder (the Non-Executive Chairman of Pact) and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for FY14 was \$10.2m. The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

As at 30 June 2014, 5 of the Australian properties had been unconditionally sold by the Centralbridge Entities to third parties, these sales settled during July 2014.

Following the settlement of the property sales, the Group leases 16 properties (13 in Australia and 3 in New Zealand) from the Centralbridge Entities. 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;
- one of the leases contains early termination rights in favour of the landlord to terminate the lease at the expiry of the 5th and 8th term;
- one of the leases contains 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.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 24. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties

The following table provides the total amount of transactions with related parties for the year ended 30 June 2014:

		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
		\$'000's	\$'000's	\$'000's	\$'000's
Entity which previously controlled the Group:					
Geminder Holdings Pty Ltd ⁽¹⁾	2014	-	-	(1,650)	(72)
	2013	-	-	(7,850)	116,697
Associates and joint ventures:					
Cinqplast Plastop Australia Pty Ltd ⁽²⁾	2014	268	458	-	-
	2013	543	580	-	163
Steri-Plas Pty Ltd ⁽²⁾	2014	-	-	(48)	-
	2013	-	-	(115)	(441)
Spraypac Products (NZ) Ltd	2014	-	-	-	-
	2013	57	-	-	-
Weener Plastop Asia Inc ⁽⁵⁾	2014	-	-	(30)	-
	2013	-	-	(26)	-
Other related parties – other director's interests:					
Albury Property Holdings Pty Ltd	2014	-	2,773	-	10
	2013	-	2,671	-	(245)
Asia Peak Pte Ltd ⁽²⁾	2014	-	31,846	(1,482)	-
	2013	-	49,689	(1,311)	(17,098)
BB&M Holdings Pty Ltd ⁽³⁾	2014	-	-	(68)	100
	2013	-	-	(134)	231
Centralbridge (NZ) Ltd ⁽⁶⁾	2014	-	1,709	-	-
	2013	-	2,806	-	156
Centralbridge Pty Ltd as Trustee for Centralbridge Unit Trust ⁽⁶⁾	2014	-	667	-	-
	2013	-	641	-	(59)
Centralbridge Two Pty Ltd ⁽⁶⁾	2014	-	5,086	-	(12)
	2013	-	3,795	-	(512)
Closed Loop Environmental Solutions Pty Ltd	2014	485	20	-	29
	2013	1,720	13	-	124
Dynapack Asia Pte Ltd ⁽⁴⁾	2014	-	-	-	15
	2013	-	-	128	(21)
P'Auer Pty Ltd ⁽⁸⁾	2014	640	7,533	458	-
	2013	-	4,804	(104)	4
Plastop Asia Inc ⁽²⁾	2014	-	-	(55)	-
	2013	-	-	(71)	-
Pro-Pac Packaging Ltd ⁽⁷⁾	2014	8,274	5,225	-	870
	2013	8,066	2,021	-	423

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 24. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

⁽¹⁾ As a result of the initial public offering on 17 December 2013, Geminder Holdings Pty Ltd no longer owns 100% of the Group. Geminder Holdings Pty Ltd remains a substantial shareholder and related party of the Group. Transactions disclosed above relate to transactions with Geminder Holdings Pty Ltd during the twelve months ended 30 June 2014 and the comparative twelve month period. The amount of fees received from Geminder Holdings Pty Ltd for the period from 17 December 2013 to 30 June 2014 was \$250,000.

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

⁽²⁾ On 17 December 2013 Cinoplast Plastop Australia Pty Ltd, Steri-Plas Pty Ltd, Asia Peak Pte Ltd, Plastop Asia Inc and Viscount Plastics (China) Pty Ltd were acquired by the Group (refer note 10). Related party transactions disclosed above relate to the period up to the acquisition date of 17 December 2013 for financial year 2014, the comparatives are for the 12 month period ending 30 June 2013.

⁽³⁾ During the period an entity controlled by Raphael Geminder held a significant influence over BB&M Holdings Pty Ltd through a 43% equity interest in the entity.

⁽⁴⁾ A memorandum of understanding has been entered into with the shareholders of Dynapack Asia Pte Ltd giving Pact Group Holdings Ltd, or its nominee, the exclusive opportunity to negotiate the acquisition of all the shares in Dynapack Asia Pte Ltd at any time up to 12 months after 17 December 2013. Dynapack Asia Pte Ltd is currently owned 50% by entities controlled by the Hambali family of Indonesia and 50% by an entity controlled by Geminder Holdings Pty Ltd, Pact's former parent. Geminder Holdings Pty Ltd acquired its interest in Dynapack Asia Pte Ltd in 2011.

⁽⁵⁾ On 17 December 2013, as a result of acquiring Ruffgar Pty Ltd, the Group acquired a 50% interest in Weener Plastop Asia Inc. Weener Plastop Asia Inc. (refer note 10) was established by an entity controlled by Raphael Geminder in 2007. Transactions disclosed above relate to any transactions with the associate during the twelve months ended 30 June 2014 and the comparative twelve month period.

⁽⁶⁾ Payments to the entities represent lease payments for rental of sites.

⁽⁷⁾ Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac an entity controlled by Raphael Geminder, 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 annual fees under this arrangement are approximately \$5.2 million per annum. The supply arrangement is on arm's length terms.

⁽⁸⁾ P'Auer Pty Ltd (P'Auer)

P'Auer an entity controlled by Raphael Geminder 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.

(b) Loans from related parties

		Interest income	Interest expense	Promissory note owed to related parties
Entity which previously controlled the Group:		\$'000's	\$'000's	\$'000's
Geminder Holdings Pty Ltd ⁽¹⁾	2014	5,388	22,116	-
	2013	-	55,534	(1,069,432)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 24. RELATED PARTY DISCLOSURES (CONTINUED)

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

(c) Divestment of businesses to related parties

The Group made the following disposals of businesses to related parties during the financial year ended 30 June 2013:

(i) Viscount Plastics (Malaysia) Sdn Bhd was sold to Dynapack Asia Pte Ltd. (Refer note 22)

(ii) Viscount Plastics (China) Pty Ltd was sold to Bennamon Pty Ltd. (Refer note 22)

(d) Transactions with Key Management Personnel

Entity	Country of Incorporation	Equity Interest	
		2014	2013
Other director's interests			
Albury Property Holdings Pty Ltd	Australia	100%	100%
BB&M Holdings Pty Ltd	Australia	43%	43%
Centralbridge Pty Ltd as trustee for Centralbridge Unit Trust	Australia	100%	100%
Centralbridge Two Pty Ltd	Australia	100%	100%
Cinqplast Plastop Australia Pty Ltd ⁽¹⁾	Australia	-	51%
Closed Loop Environmental Solutions Pty Ltd	Australia	26%	26%
Geminder Holdings Pty Ltd	Australia	100%	100%
P'Auer Pty Ltd	Australia	100%	100%
Pro-Pac Packaging Ltd	Australia	51%	51%
Steri-Plas Pty Ltd ⁽¹⁾	Australia	-	51%
Centralbridge (NZ) Ltd	New Zealand	100%	100%
Plastop Asia Inc ⁽¹⁾	Philippines	-	50%
Weener Plastop Asia Inc ⁽¹⁾	Philippines	50%	25%
Asia Peak Pte Ltd ⁽¹⁾	Singapore	-	100%
Dynapack Asia Pte Ltd	Singapore	50%	50%

⁽¹⁾ Subsidiaries became controlled entities on 17 December 2013 (refer note 21)

	2014	2013
	\$'000's	\$'000's
Compensation of Key Management Personnel of the Group		
Short-term employee benefits	4,653	1,916
Post-employment benefits	124	123
Long-term benefits	34	37
Total compensation	4,811	2,076

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 25. CONTROLLED ENTITIES

(a) The following entities are controlled entities that are party to the Deed of Cross Guarantee (note 27):

Entity	Country of Incorporation	Equity Interest	
		2014	2013
Alto Manufacturing Pty Ltd ⁽²⁾	Australia	100	100
Alto Packaging Australia Pty Ltd ⁽²⁾	Australia	100	100
Astron Plastics Pty Ltd ⁽²⁾	Australia	100	100
Baroda Manufacturing Pty Ltd ⁽²⁾	Australia	100	100
Brickwood (NSW) Pty Ltd (formerly Full View Plastics Pty Ltd) as trustee for the Full View Plastics Unit Trust ⁽²⁾	Australia	100	100
Brickwood (QLD) Pty Ltd (formerly Logan Moulders Pty Ltd) ⁽²⁾	Australia	100	100
Brickwood (VIC) Pty Ltd (formerly Brickwood Holdings Pty Ltd) ⁽²⁾	Australia	100	100
Cinqplast Plastop Australia Pty Ltd ⁽¹⁾	Australia	100	-
Inpact Innovation Pty Ltd ⁽²⁾	Australia	100	100
MTWO Pty Ltd ⁽²⁾	Australia	100	100
Pact Group Holdings (Australia) Pty Ltd (formerly Pact Group Pty Ltd) ⁽²⁾	Australia	100	100
Pact Group Industries (ANZ) Pty Ltd ⁽²⁾ (formerly Pact Group Industries Pty Ltd)	Australia	100	100
Pact Group Industries (Asia) Pty Ltd	Australia	100	100
Plaspak Pty Ltd ⁽²⁾	Australia	100	100
Plaspak Closures Pty Ltd ⁽²⁾	Australia	100	100
Plaspak Peteron Pty Ltd ⁽²⁾	Australia	100	100
Ruffgar Holdings Pty Ltd ⁽¹⁾	Australia	100	-
Salient Asia Pacific Pty Ltd ⁽²⁾	Australia	100	100
Skyson Pty Ltd ⁽²⁾	Australia	100	100
Snopak Manufacturing Pty Ltd ⁽²⁾	Australia	100	100
Steri-Plas Pty Ltd ⁽¹⁾	Australia	100	-
Summit Manufacturing Pty Ltd ⁽²⁾	Australia	100	100
Sunrise Plastics Pty Ltd ⁽²⁾	Australia	100	100
VIP Drum Reconditioners Pty Ltd ⁽²⁾	Australia	100	100
VIP Plastic Packaging Pty Ltd ⁽²⁾	Australia	100	100
VIP Steel Packaging Pty Ltd ⁽²⁾	Australia	100	100
Viscount Logistics Services Pty Ltd ⁽²⁾	Australia	100	100
Viscount Plastics Pty Ltd ⁽²⁾	Australia	100	100
Viscount Plastics (Australia) Pty Ltd ⁽²⁾	Australia	100	100
Viscount Rotational Mouldings Pty Ltd ⁽²⁾	Australia	100	100
Viscount Plastics (China) Pty Ltd ⁽¹⁾	Australia	100	-

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 25. CONTROLLED ENTITIES (CONTINUED)

(b) The following entities are controlled entities of the Group, however they are not party to the Deed of Cross Guarantee:

Entity	Country of Incorporation	Equity Interest	
		2014	2013
Pact Group Transaction Services Pty Ltd ⁽²⁾	Australia	100	100
Plaspak Contaplas Pty Ltd ⁽²⁾	Australia	100	100
Plaspak Management Pty Ltd ⁽²⁾	Australia	100	100
Plaspak Minto Pty Ltd ⁽²⁾	Australia	100	100
Plaspak (PET) Pty Ltd ⁽²⁾	Australia	100	100
Sustainapac Pty Ltd ⁽²⁾	Australia	100	100
Vmax Returnable Packaging Systems Pty Ltd	Australia	51	51
Alto Packaging Ltd ⁽²⁾	New Zealand	100	100
Astron Plastics Ltd ⁽²⁾	New Zealand	100	100
Auckland Drum Sustainability Services Ltd ⁽²⁾	New Zealand	100	100
Pacific BBA Plastics (NZ) Ltd ⁽²⁾	New Zealand	100	100
Pact Group (NZ) Ltd ⁽²⁾	New Zealand	100	100
Pact Group Holdings (NZ) Ltd ⁽²⁾	New Zealand	100	100
Tecpak Industries Ltd ⁽²⁾	New Zealand	100	100
VIP Plastic Packaging (NZ) Ltd ⁽²⁾	New Zealand	100	100
VIP Steel Packaging (NZ) Ltd ⁽²⁾	New Zealand	100	100
Viscount Plastics (NZ) Ltd ⁽²⁾	New Zealand	100	100
Pact Group (USA) Inc.	United States of America	100	100
Gempack Asia Ltd	Thailand	100	100
Asia Peak Pte Ltd ⁽¹⁾	Singapore	100	-
Plastop Asia Inc ⁽¹⁾	Phillipines	100	-
Guangzhou Viscount Plastics Co Ltd ⁽¹⁾	China	100	-
Langfang Viscount Plastics Co Ltd ⁽¹⁾	China	100	-
Changzhou Viscount Plastics Co Ltd ⁽¹⁾	China	100	-

⁽¹⁾ Subsidiaries became controlled entities on 17 December 2013 (refer note 21)

⁽²⁾ Subsidiaries that comprise A\$750m Syndicated Revolving Loan Facility along with Pact Group Holdings Ltd as executed on 17 December 2013 (refer note 14)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 26. PARENT ENTITY FINANCIAL STATEMENTS

	2014	2013
	\$'000's	\$'000's
Current assets	354,137	127,600
Total assets	1,362,707	1,069,600
Current liabilities	-	-
Total liabilities	-	1,069,432
Net assets	1,362,707	168
Issued capital	1,327,643	-
Retained earnings	64	168
Profits reserve	35,000	-
Total equity	1,362,707	168
Profit of the Parent entity	34,895	476,651
Total comprehensive income of the Parent entity	34,895	476,651

NOTE 27. DEED OF CROSS GUARANTEE

On 28 May 2014, a Deed of Cross Guarantee (Deed) was executed between Pact Group Holdings Ltd and some of its wholly owned entities (refer to note 25(a)). Under this Deed, each company guarantees the debts of the other subsidiaries that form part of the Deed. Pursuant to Class Order 98/1418, for those entities that enter into the Deed relief has been granted from the Corporations Act 2001 requirements to prepare and lodge audited financial statements.

The entities that are parties to the Deed represent a "Closed Group" for the purposes of the Class Order.

The consolidated income statement and balance sheet of the entities that are members of the Closed Group are as follows:

Closed group consolidated income statement

	2014
	\$'000's
Profit before income tax	45,168
Income tax expense	16,612
Net profit for the period	61,780
Retained losses at beginning of the period	(75,943)
Net profit for the period	61,780
Dividends provided for or paid	-
Retained losses at end of the period	(14,163)

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 27. DEED OF CROSS GUARANTEE (CONTINUED)

Closed group consolidated balance sheet

	2014
	\$'000's
CURRENT ASSETS	
Trade and other receivables	106,514
Inventories	81,905
Loans to related parties	25,699
Prepayments	8,935
TOTAL CURRENT ASSETS	223,053
NON-CURRENT ASSETS	
Other receivables	13
Property, plant and equipment	399,139
Investments in subsidiaries and associates	371,233
Intangible assets and goodwill	149,795
Deferred tax assets	25,154
TOTAL NON-CURRENT ASSETS	945,334
TOTAL ASSETS	1,168,387
CURRENT LIABILITIES	
Trade and other payables	129,902
Interest bearing loans and borrowings	1,220
Loans from related parties	18,487
Current tax liabilities	1,830
Provisions	27,588
Other current financial liabilities	938
TOTAL CURRENT LIABILITIES	179,965
NON-CURRENT LIABILITIES	
Provisions	35,622
Interest bearing loans and borrowings	425,975
Deferred tax liabilities	23,256
TOTAL NON-CURRENT LIABILITIES	484,853
TOTAL LIABILITIES	664,818
NET ASSETS	503,569
EQUITY	
Contributed equity	1,489,597
Reserves	(971,865)
Retained earnings	(14,163)
TOTAL EQUITY	503,569

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 28. AUDITORS REMUNERATION

The auditor of Pact Group Holdings Ltd is Ernst & Young. Amounts received or due and receivable by Ernst & Young are as follows:

	2014	2013
	\$'000's	\$'000's
Audit or review of the Consolidated Financial Report of the Group and audit or review of other entities in the consolidated Group	1,490	895
Tax services	178	105
Other assurance related services	78	679
Other services relating to the IPO	2,932	-
	4,678	1,679

NOTE 29. EARNINGS PER SHARE

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

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

	2014	2013
	\$'000's	\$'000's
Net profit attributable to ordinary equity holders of Pact from continuing operations	57,689	45,125
Net profit attributable to ordinary equity holders of Pact for basic earnings	57,689	45,125
Net profit attributable to ordinary equity holders of Pact adjusted for the effect of dilution⁽¹⁾	57,689	45,125
Weighted average number of ordinary shares for basic earnings per share	164,471,919	12
	\$	\$
Earnings per share	0.35	3,760,417

⁽¹⁾ There is no dilutive impact as the Group does not have options over shares as at 30 June 2014.

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

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

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 30. SEGMENT INFORMATION

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

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

Description of segments

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

Geographic segments

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

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

(a) Segment Results

	2014			2013		
	\$'000's			\$'000's		
	Pact Australia	Pact International	Total	Pact Australia	Pact International	Total
Sales revenue	822,671	320,548	1,143,219	813,118	290,589	1,103,707
EBIT before significant items	82,249	64,776	147,027	93,223	47,106	140,329

(b) Reconciliation from EBIT before significant items to net profit after tax

	2014	2013
	\$'000's	\$'000's
EBIT before significant items	147,027	140,329
Significant items		
Reversal of unrealised revaluation gain on hedges	(3,791)	3,791
Swap break costs	(6,407)	-
IPO transaction costs	(5,245)	-
Write-off of capitalised borrowing costs	(21,576)	-
Gain on business acquisition	10,834	21,103
Gain on disposal of shares in associate	-	1,853
Gain on disposal of business	-	3,072
Business reorganisation program	-	(25,035)
Total significant items	(26,185)	4,784
EBIT after significant items	120,842	145,113
Finance costs	(66,725)	(91,879)
Net profit before tax	54,117	53,234
Income tax (expense) / benefit	3,680	(7,964)
Net profit after tax	57,797	45,270

Notes to the Full Year Consolidated Financial Report (continued)

For the year ended 30 June 2014

NOTE 30. SEGMENT INFORMATION

(c) Geographical information

	2014	2013
	\$'000's	\$'000's
Sales revenue from external customers		
Australia	824,448	825,953
New Zealand	276,919	232,848
Asia	38,032	39,500
USA	3,820	5,406
Total sales revenue per Statement of Comprehensive Income	1,143,219	1,103,707

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

(d) Non-current assets

	2014	2013
	\$'000's	\$'000's
Non-current assets		
Australia	549,217	501,951
New Zealand	255,907	233,337
Asia	67,607	8,524
Total non-current assets	872,731	743,812

Non-current assets for this purpose consists of property, plant & equipment, goodwill and intangibles assets.

NOTE 31. SUBSEQUENT EVENTS

The Company made an ASX announcement on 1 August 2014 that it had signed an agreement to acquire 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 (including potential earnout) of up to \$34.8 million which will be funded through the Group's existing debt facilities. The acquisition was completed on 8 August, 2014.

Sulo is the leading manufacturer of plastic waste and recycling bins in Australia and New Zealand, with a unaudited turnover of approximately \$48 million in the year ended 30 June 2014.

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 2014 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 2(b); and
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.
3. As at the date of this Declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee dated 28 May 2014.

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 2014.

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



Raphael Geminder
Chairman



Brian Cridland
Managing Director and Chief Executive Officer

Dated 27 August 2014

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 2014, 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 2, 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 judgment, 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:

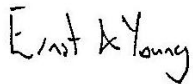
- a. the financial report of Pact Group Holdings Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Tim Wallace
Partner

Melbourne
27 August 2014