2018 PACT GROUP HOLDINGS LTD

Tax Transparency Report

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

Pact's vision is to enrich lives everyday through sustainable packaging solutions. With operations across eleven countries and more than 5,000 team members, Pact's extensive manufacturing and supply network and highly diversified product portfolio provide broad end-market reach. Pact delivers products and services to some of the world's biggest and most trusted brands.

This report outlines our approach to taxation and provides details about the taxes we paid in 2018 to enable our stakeholders to understand our tax paying position. We have also included information on other taxes (not just income tax) paid, to the Australian and State governments to give a comprehensive picture of our contribution to the Australian community. The information provided in this Report is released on a voluntary basis in accordance with recommendations and guidelines contained in the Board of Taxation's *Voluntary Tax Transparency Code*. It should be read in conjunction with Pact's 2018 Annual Report which can be found on our website at www.pactgroup.com.

Approach to Paying Tax

Pact Group's approach to tax is governed by the following three key principles:

- Pact pays tax where the underlying economic activity occurs.
- Pact does not hide assets or income through secrecy provisions.
- Pact does not shift profits to low or zero-tax jurisdictions.

Pact maintains transparent and collaborative relationships with all taxing authorities. These principles are enforced through a tax governance policy. The Board reviews and signs off on all significant tax decisions, and the tax risk management framework guides management in the day to day management of tax issues.

FY 2018 Income Tax Paid

The following information about Pact Group Holdings Ltd for the 2017–2018 year was released by the ATO:

	Pact Group Holdings Ltd
Total income	$1,347,130,253
Taxable income	$75,840,088
Tax payable	$20,174,448

The amount of tax payable disclosed is less than the corporate income tax rate of 30% due to tax offsets claimed in respect of research and development and foreign income tax paid.

Total income and taxable income as disclosed above will differ from the figures disclosed in the annual Group Statutory Accounts for the following main reason:

- The income tax return discloses information relating to the Australian Income Tax Consolidated Group whereas the annual Group Statutory Accounts discloses information for the accounting consolidated group. The Pact Australian Income Tax Consolidated Group is a subset of the Pact accounting consolidated group and excludes foreign entities and non-100% owned entities.

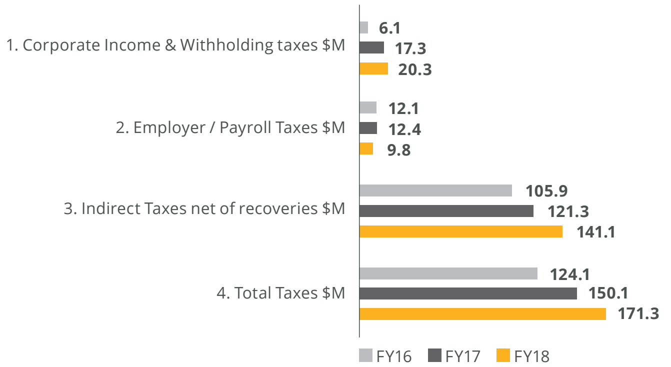
The ATO has undertaken a Streamlined Assurance Review of the income tax affairs of the Pact Group as part of the Top 1000 Program. The review covered the years ended 30 June 2014 - 30 June 2017. No matters requiring an adjustment to the Australian income tax paid throughout the period were identified from the review.

FY 2018 Taxes Paid

Pact Group makes a wide range of tax-related payments to tax authorities in the various jurisdictions where it operates. The taxable profits earned by Pact Group are taxed at the applicable tax rate. Imputation credits are generated from the payment of Australian income tax by Pact which may be passed on to shareholders on payment of dividends in the form of franking credits.

Pact is also subject to fringe benefits tax (FBT), goods and services tax (GST), payroll tax, land tax, stamp duty and other taxes. As well as being subject to these taxes, Pact also collects and pays withholding tax and 'pay as you go' (PAYG) taxes on behalf of its employees.

The graph below provides a summary of taxes paid by the Pact Group to the Australian governments (state and federal):



Key Notes

1. Comprises Corporate income tax paid and taxes withheld from payments to foreign residents and remitted to the Australian government.
2. Comprises payroll and employer taxes paid as a result of the Group's capacity as an employer. Figures shown represent payroll tax for the 12-month period to 30 June and Australian FBT for the year to 31 March.
3. Comprises GST remitted to the ATO and GST paid to suppliers which cannot be recovered.
4. Total taxes that the Pact Group is obliged to pay to a government on its own behalf.

International Related Party Dealings

Transactions between Pact Group Holdings and related parties occur on normal commercial terms and are no more favourable than would reasonably be expected of transactions negotiated on an arm's length basis.

Pact Group operates each of its businesses on an "in-country" basis, which means that the quantum of international transactions within the wholly-owned Pact group are generally not material. Each overseas operating business has its own management, manufacturing and distribution platforms supported by sales, commercial, and finance functions. There is appropriate corporate oversight and stewardship in respect of the business units.

As such, there are limited cross-border transactions between the subsidiaries of the Group. Nonetheless, economies of scale are achieved within the Group through transparent cost sharing arrangements, corporate support, external and internal IT support, and master data maintenance.

External costs attributable to each business unit will be recharged, and a mark-up added to internal costs where a service has been performed in accordance with OECD transfer pricing guidelines and ATO requirements.

Income Tax in the Financial Report

The company tax rate in Australia applicable to Pact is currently 30 per cent. As Pact Group has businesses which operate in jurisdictions with different company tax rates, our overall effective tax rate for the accounting consolidated group will vary from 30 per cent. A full explanation of variances is provided in the tax note in our annual financial accounts and summarised below:

	FY 2018 $M	FY 2017 $M	FY 2016 $M	
Profit before Income Tax	109	126	120	
Prima facie income tax at 30%	33	38	36	
Items which increase / (decrease) income tax expense				
Income tax under / (over) provided in previous years	0	(3)	(0)	Note 3
Other	2	1	1	Note 5
Non-deductible Withholding taxes	0	0	0	Note 4
Overseas rate differential	(1)	(1)	(1)	Note 2
Total income tax expense	34	35	35	Note 1

Note 1:

We note the following in relation to income tax expense:

- The Group Statutory Accounts include the total income tax expense in relation to the domestic and worldwide operations of the Group. The majority of our revenues relate to Australia, but we also have a significant presence in New Zealand and growing operations in Asia.
- The numbers disclosed by the ATO (see above) are drawn from the Pact Group Holdings Ltd.'s 2018 income tax return. Typically, there will be differences between the income tax expense or benefit recognised for accounting purposes for a reporting period and the amount of income tax paid to the ATO for that period.
- The income tax expense or benefit is recognised based on the application of the applicable accounting standards. It reflects income tax expense or benefit that may be accrued and adjustments for items under the accounting standards for the reporting period (for example, the recognition of a tax benefit arising from the election to form an income tax consolidated group) which do not necessarily result in an immediate cash tax impact for that period.

Note 2:

Company tax rates in overseas countries where Pact Group has operations which are less than the 30% in Australia are NZ 28%, Singapore 17%, Thailand 20%, Indonesia 25%, China 25% and Hong Kong 16.5%.

Note 3:

Prior year adjustments – tax laws are complex and subject to interpretation. There are instances which arise where past year results are adjusted for tax outcomes adopted in tax returns filed.

Note 4:

Non-deductible withholding taxes in relation to overseas dividends received

Note 5:

Other comprises of non-deductible expenses the majority of which relate to acquisition and transaction costs from M&A activity

Richard Betts
Chief Financial Officer