

28 February 2020

Singapore Exchange Securities Trading Limited  
4 Shenton Way  
#02-01, SGX Centre 2  
Singapore 068807  
Republic of Singapore

Dear Sir/Madam,

**EMTN Programme**

**Issuer:** Pacific National Finance Pty Ltd (formerly Asciano Finance Limited)  
**Securities:** ASCIANO FINGBP300M5%N230919  
                  ASCIANO FINUS\$400M4.75%N280322

Attached is the financial report for the half year ended 31 December 2019 for Pacific National Holdings Pty Ltd (formerly Asciano Limited), the parent entity of Pacific National Finance Pty Ltd.

Yours faithfully,



Kate Bowman  
**General Counsel and Company Secretary**  
**Pacific National**

**Sydney**

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Pacific National Pty Ltd  
ACN 098 060 550

# PACIFIC NATIONAL HOLDINGS PTY LTD

ABN 26 123 652 862

## INTERIM FINANCIAL REPORT

For the half year ended 31 December 2019

**Pacific National comprises of Pacific National Holdings Pty Ltd and its controlled entities.**

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The Directors present their report, together with the consolidated interim financial report of Pacific National Holdings Pty Ltd ("the Company") and its controlled entities (collectively referred to as "Pacific National" or "the Group"), for the half year reporting period ended 31 December 2019.

## 1. Directors

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

|                   |                                                                           |
|-------------------|---------------------------------------------------------------------------|
| Russell Smith     |                                                                           |
| Dean Dalla Valle  |                                                                           |
| Andrew Alley      | (resigned 1 January 2020)                                                 |
| Paul Bernath      | (appointed as director and resigned as alternate director 1 January 2020) |
| Jerry Divoky      |                                                                           |
| Scott Hatton      | (appointed 1 January 2020)                                                |
| John Hextall      |                                                                           |
| Colin Mugglestone |                                                                           |
| Deborah O'Toole   |                                                                           |
| Gary Pritchard    | (resigned 1 January 2020)                                                 |
| Robert Stewart    |                                                                           |
| Nicholas Buddicom | (appointed as alternate director 1 January 2020)                          |
| Jeffrey Coates    | (alternate director)                                                      |
| William Thomson   | (resigned as alternative director 19 December 2019)                       |

## 2. Operating and financial review

### Overview

Pacific National's vision is to be Australia's recognised leader for safe, innovative and sustainable rail freight solutions. Pacific National's strategy is to transform our business and the rail freight industry. There are three key pillars to this strategy:

- Operational and commercial excellence – radically improve the way we do business;
- Strengthen our core markets – build lasting partnerships; and
- Grow our business and the industry – create new growth opportunities.

### Review and results of operations

Pacific National reported a net profit after tax ("NPAT") of \$122.3 million (31 December 2018: \$117.9 million). The reported NPAT for the current reporting period included a material items loss after tax of \$0.5 million for costs borne in connection with transactions with Aurizon and internal restructure (31 December 2018: \$1.8 million).

A reconciliation of the reported NPAT to the underlying NPAT and for the various components of the after tax material items is provided in the table below:

|                                                                                        | Half year<br>2020<br>\$M | Half year<br>2019<br>\$M |
|----------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Statutory NPAT attributable to the owners of Pacific National Holdings Pty Ltd</b>  | <b>122.3</b>             | <b>117.9</b>             |
| Legal and other costs related to transactions with Aurizon (net of tax benefit)        | 0.4                      | 1.8                      |
| Pacific National restructure (net of tax benefit)                                      | 0.1                      | –                        |
| <b>Underlying NPAT attributable to the owners of Pacific National Holdings Pty Ltd</b> | <b>122.8</b>             | <b>119.7</b>             |

Pacific National reported a 4.0% increase in profit before tax to \$175.1 million (31 December 2018: \$168.4 million). The result was mainly due to stronger metallurgical and thermal coal volumes, transformation initiatives driving efficiency gains in asset utilisation and offset by regional volumes decline primarily as a result of the effect of drought on grain harvest in Australia.

## 2. Operating and financial review (continued)

### Significant transactions during the half year

In July 2017 Pacific National entered into a binding agreement with Aurizon to purchase the Acacia Ridge Intermodal Terminal in Brisbane, Queensland. Separately, in August 2017 Pacific National also entered into a binding agreement to buy the Aurizon Queensland Intermodal Business as part of a consortium with Linfox. These transactions were subject to approval by the Australian Competition & Consumer Commission ("ACCC") and Foreign Investment Review Board. Total consideration for the two transactions was \$225.0 million, inclusive of \$5.0 million paid in February 2018 as the transactions had not yet completed within six months of signing. On 19 July 2018 the ACCC announced that it had formed the view that the proposed acquisitions of Aurizon's Acacia Ridge Intermodal Terminal and Queensland Intermodal Business by Pacific National should not proceed and commenced proceedings against Pacific National and Aurizon in relation to the proposed acquisitions in the Federal Court of Australia. The Federal Court Proceedings concluded in February 2019.

The Federal Court's decision was handed down in May 2019 and found in favour of Pacific National that the acquisition of Aurizon's Acacia Ridge Terminal with the access undertaking offered by Pacific National does not substantially lessen competition. In June 2019 the ACCC submitted a notice of appeal against the decision of the Federal Court. The appeal was heard before the Full Court of the Federal Court of Australia on 17 to 20 February 2020. No decision is expected for some months and no amount has been recognised in these financial statements in relation to this matter.

### Financing

Pacific National's funding consists of a mix of revolving bank credit facilities, US dollar denominated 10 and 12 year bonds (swapped to Australian dollars), GBP denominated 10 year bonds (swapped to Australian dollars), AUD denominated 10 year bonds and a bank guarantee facility. Pacific National's loans and borrowings mature in the period between September 2020 and September 2029. Pacific National issued \$450.0 million AUD denominated 10-year fixed rate bonds at a discount on 24 September 2019.

Pacific National had total committed bank credit facilities of \$1,265.0 million (30 June 2019: \$1,265.0 million), which includes \$1,200.0 million of corporate purposes bank facilities and the \$65.0 million bank guarantee facility (30 June 2019: \$1,200.0 million and \$65.0 million respectively). Of the total committed credit facilities, none of the corporate purpose bank facilities were drawn and \$51.6 million relating to bank guarantees were utilised at 31 December 2019 (30 June 2019: \$55.0 million and \$49.7 million respectively), leaving undrawn credit facilities at 31 December 2019 of \$1,213.4 million (30 June 2019: \$1,160.3 million).

## 3. Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2019 (31 December 2018: no dividends). Pacific National paid an aggregate \$500.2 million return of capital to shareholders during the current reporting period (2019: \$306.0 million).

## 4. Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years and refers to likely developments in Pacific National's operations and the expected results of those operations in future financial years. Information is provided to enable stakeholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Information that could give rise to likely material detriment to Pacific National, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

## 5. Events subsequent to the reporting date

The ACCC's appeal in relation to the proposed acquisitions of Aurizon's Acacia Ridge Intermodal Terminal by Pacific National was heard before the Full Court of the Federal Court of Australia on 17 to 20 February 2020. No decision is expected for some months and no amount has been recognised in these financial statements in relation to this matter.

Other than for the item noted above, there has not arisen in the period between 31 December 2019 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

## 6. Rounding of amounts

Pacific National Holdings Pty Ltd is an entity of a kind referred to in Australian Securities and Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, amounts in the Directors' Report and the financial statements have been rounded to the nearest one hundred thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors.



**Russell Smith**

Chairman

27 February 2020



**Dean Dalla Valle**

Chief Executive Officer

27 February 2020

## Consolidated Statement of Profit or Loss

For the half year ended 31 December 2019

|                                                                              | Note | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| Revenue from services rendered                                               | 2.2  | 1,279.7                   | 1,268.2                   |
| Other income                                                                 | 2.2  | 20.5                      | 8.7                       |
| Operating expenses excluding depreciation and amortisation:                  |      |                           |                           |
| Employee benefits                                                            |      | (301.0)                   | (289.0)                   |
| Rail access                                                                  |      | (266.7)                   | (261.8)                   |
| Fuel, oil and power                                                          |      | (136.3)                   | (145.5)                   |
| Repairs and maintenance                                                      |      | (89.1)                    | (80.7)                    |
| Rental, rates, lease and hire                                                |      | (4.8)                     | (7.1)                     |
| Insurance                                                                    |      | (8.2)                     | (4.4)                     |
| Other                                                                        |      | (60.0)                    | (65.9)                    |
| <b>Profit before depreciation, amortisation, net finance costs and tax</b>   |      | <b>434.1</b>              | <b>422.5</b>              |
| Depreciation                                                                 |      | (151.6)                   | (143.7)                   |
| Amortisation                                                                 |      | (7.7)                     | (4.5)                     |
| <b>Profit before net finance costs and tax</b>                               |      | <b>274.8</b>              | <b>274.3</b>              |
| Interest income                                                              | 2.10 | 0.8                       | 1.3                       |
| Interest expense                                                             | 2.10 | (97.9)                    | (94.4)                    |
| Other financing expenses                                                     |      | (6.3)                     | (11.3)                    |
| Credit value adjustment and fair value movements of undesignated derivatives |      | 3.6                       | (1.5)                     |
| Finance expense                                                              | 2.10 | (100.6)                   | (107.2)                   |
| <b>Net finance expense</b>                                                   |      | <b>(99.8)</b>             | <b>(105.9)</b>            |
| <b>Profit before tax</b>                                                     |      | <b>175.0</b>              | <b>168.4</b>              |
| Tax expense                                                                  | 2.3  | (52.7)                    | (50.5)                    |
| <b>Profit after tax</b>                                                      |      | <b>122.3</b>              | <b>117.9</b>              |
| <b>Attributable to:</b>                                                      |      |                           |                           |
| Owners of Pacific National Holdings Pty Ltd                                  |      | 122.3                     | 117.9                     |
|                                                                              |      | 122.3                     | 117.9                     |

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

## Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

|                                                                                     | Note | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|-------------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Profit after tax</b>                                                             |      | <b>122.3</b>              | <b>117.9</b>              |
| <b>Other comprehensive income</b>                                                   |      |                           |                           |
| <b>Items that may be reclassified subsequently to profit or loss:</b>               |      |                           |                           |
| Effective portion of changes in fair value of cash flow hedges                      | 2.10 | 16.6                      | 11.4                      |
| Income tax expense on items that may be reclassified subsequently to profit or loss | 2.10 | (5.0)                     | (3.4)                     |
| Total items that may be reclassified subsequently to profit or loss net of tax      |      | 11.6                      | 8.0                       |
| <b>Other comprehensive income net of tax</b>                                        |      | <b>11.6</b>               | <b>8.0</b>                |
| <b>Total comprehensive income</b>                                                   |      | <b>133.9</b>              | <b>125.9</b>              |

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

## Consolidated Statement of Financial Position

As at 31 December 2019

|                                      | Note | December<br>2019<br>\$M | June<br>2019<br>\$M |
|--------------------------------------|------|-------------------------|---------------------|
| <b>Current assets</b>                |      |                         |                     |
| Cash and cash equivalents            | 2.7  | 101.8                   | 67.7                |
| Trade and other receivables          | 2.7  | 295.8                   | 280.8               |
| Prepayments and other assets         |      | 20.3                    | 11.9                |
| Inventories                          |      | 29.1                    | 23.4                |
| Derivative financial assets          | 2.7  | 225.6                   | 8.4                 |
| <b>Total current assets</b>          |      | <b>672.6</b>            | <b>392.2</b>        |
| <b>Non-current assets</b>            |      |                         |                     |
| Property, plant and equipment        |      | 2,949.1                 | 2,955.4             |
| Lease assets                         |      | 242.4                   | 247.2               |
| Intangible assets                    |      | 939.5                   | 948.4               |
| Prepayments and other assets         |      | 0.4                     | –                   |
| Derivative financial assets          | 2.7  | 235.7                   | 436.3               |
| Net deferred tax assets              |      | 105.8                   | 148.9               |
| <b>Total non-current assets</b>      |      | <b>4,472.9</b>          | <b>4,736.2</b>      |
| <b>Total assets</b>                  |      | <b>5,145.5</b>          | <b>5,128.4</b>      |
| <b>Current liabilities</b>           |      |                         |                     |
| Trade payables                       | 2.8  | 41.8                    | 111.7               |
| Other payables and accrued expenses  | 2.8  | 230.4                   | 184.6               |
| Provisions                           |      | 21.4                    | 12.5                |
| Employee benefits                    |      | 91.3                    | 91.3                |
| Lease liabilities                    |      | 34.9                    | 34.9                |
| Loans and borrowings                 | 2.8  | 854.3                   | –                   |
| Derivative financial liabilities     | 2.8  | 35.7                    | 42.2                |
| <b>Total current liabilities</b>     |      | <b>1,309.8</b>          | <b>477.2</b>        |
| <b>Non-current liabilities</b>       |      |                         |                     |
| Other payables and accrued expenses  | 2.8  | 141.1                   | 126.8               |
| Provisions                           |      | 36.6                    | 37.0                |
| Employee benefits                    |      | 72.5                    | 75.4                |
| Lease liabilities                    |      | 220.1                   | 222.2               |
| Loans and borrowings                 | 2.8  | 2,643.8                 | 3,083.1             |
| Derivative financial liabilities     | 2.8  | 53.6                    | 72.3                |
| <b>Total non-current liabilities</b> |      | <b>3,167.7</b>          | <b>3,616.8</b>      |
| <b>Total liabilities</b>             |      | <b>4,477.5</b>          | <b>4,094.0</b>      |
| <b>Net assets</b>                    |      | <b>668.0</b>            | <b>1,034.4</b>      |
| <b>Equity</b>                        |      |                         |                     |
| Contributed equity                   | 2.12 | 4,612.4                 | 5,112.6             |
| Reserves                             |      | (4,987.8)               | (4,999.4)           |
| Retained earnings                    |      | 1,043.4                 | 921.2               |
| <b>Total equity</b>                  |      | <b>668.0</b>            | <b>1,034.4</b>      |

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

## Consolidated Statement of Changes in Equity

### For the half year ended 31 December 2019

| First half 2019<br>\$M                                         | Contributed<br>equity | Reserves  | Retained<br>earnings | Total   |
|----------------------------------------------------------------|-----------------------|-----------|----------------------|---------|
| Balance at 1 July 2018                                         | 5,618.8               | (4,999.5) | 696.3                | 1,315.6 |
| Profit after tax                                               | –                     | –         | 117.9                | 117.9   |
| Other comprehensive income (“OCI”):                            |                       |           |                      |         |
| Effective portion of changes in fair value of cash flow hedges | –                     | 11.4      | –                    | 11.4    |
| Income tax benefit on OCI                                      | –                     | (3.4)     | –                    | (3.4)   |
| Total comprehensive income                                     | –                     | 8.0       | 117.9                | 125.9   |
| Transactions with owners in their capacity as owners:          |                       |           |                      |         |
| Return of capital                                              | (306.0)               | –         | –                    | (306.0) |
|                                                                | (306.0)               | –         | –                    | (306.0) |
| Balance at 31 December 2018                                    | 5,312.8               | (4,991.5) | 814.2                | 1,135.5 |

  

| First half 2020<br>\$M                                         | Contributed<br>equity | Reserves         | Retained<br>earnings | Total          |
|----------------------------------------------------------------|-----------------------|------------------|----------------------|----------------|
| <b>Balance at 1 July 2019</b>                                  | <b>5,112.6</b>        | <b>(4,999.4)</b> | <b>921.1</b>         | <b>1,034.3</b> |
| Profit after tax                                               | –                     | –                | 122.3                | 122.3          |
| Other comprehensive income:                                    |                       |                  |                      |                |
| Effective portion of changes in fair value of cash flow hedges | –                     | 16.6             | –                    | 16.6           |
| Income tax benefit on OCI                                      | –                     | (5.0)            | –                    | (5.0)          |
| <b>Total comprehensive income</b>                              | <b>–</b>              | <b>11.6</b>      | <b>122.3</b>         | <b>133.9</b>   |
| Transactions with owners in their capacity as owners:          |                       |                  |                      |                |
| Return of capital                                              | (500.2)               | –                | –                    | (500.2)        |
|                                                                | (500.2)               | –                | –                    | (500.2)        |
| <b>Balance at 31 December 2019</b>                             | <b>4,612.4</b>        | <b>(4,987.8)</b> | <b>1,043.4</b>       | <b>668.0</b>   |

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

## Consolidated Statement of Cash Flows

### For the half year ended 31 December 2019

|                                                                           | Note | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|---------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Operating cash flows</b>                                               |      |                           |                           |
| Receipts from customers                                                   |      | 1,463.0                   | 1,476.6                   |
| Payments to suppliers and employees                                       |      | (1,098.4)                 | (1,093.8)                 |
| Interest and other costs of finance paid                                  |      | (96.2)                    | (101.1)                   |
| Interest received                                                         |      | 1.0                       | 1.5                       |
| <b>Net operating cash inflows</b>                                         |      | <b>269.4</b>              | <b>283.2</b>              |
| <b>Investing cash flows</b>                                               |      |                           |                           |
| Payments for property, plant and equipment and intangible assets          |      | (120.6)                   | (93.7)                    |
| Proceeds from sale of property, plant and equipment and intangible assets |      | 7.6                       | 0.5                       |
| Loans to related parties                                                  |      | –                         | (32.6)                    |
| Refund from acquisition of investments                                    |      | –                         | 10.0                      |
| <b>Net investing cash outflows</b>                                        |      | <b>(113.0)</b>            | <b>(115.8)</b>            |
| <b>Financing cash flows</b>                                               |      |                           |                           |
| Return of capital                                                         |      | (500.0)                   | (271.4)                   |
| Drawdown of borrowings                                                    |      | 245.0                     | –                         |
| Repayments of borrowings                                                  |      | (300.0)                   | –                         |
| Proceeds from new bond issue, net of transaction costs                    |      | 446.1                     | –                         |
| Payment of finance lease liabilities                                      |      | (13.4)                    | (14.0)                    |
| <b>Net financing cash outflows</b>                                        |      | <b>(122.3)</b>            | <b>(285.4)</b>            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               |      | <b>34.1</b>               | <b>(118.0)</b>            |
| Cash and cash equivalents at the beginning of the half year               |      | 67.7                      | 171.9                     |
| <b>Cash and cash equivalents at the end of the half year</b>              |      | <b>101.8</b>              | <b>53.9</b>               |

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

## 1. How we have prepared this report

This section describes the basis of preparation of the financial statements for the Group as a whole. This section also analyses the impact of any newly endorsed accounting standards which will be effective for Pacific National either in the current reporting period or in future years.

### Reporting entity

Pacific National Holdings Pty Ltd ("Parent" or "the Company") is a for profit entity domiciled in Australia. The Company is primarily involved in the management of rail assets and associated operations and services. This consolidated interim financial report ("report") comprises the consolidated financial statements of the Company and its controlled entities (collectively referred to as "Pacific National" or "the Group"). The report was approved by the Board of Directors on 27 February 2020.

### Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting*. The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Group early adopted AASB 16 *Leases* in the previous financial year.

### New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period. However, the new or amended standards did not have a significant impact on the Group's financial position and performance for the current or prior reporting period.

A number of new accounting standards and interpretations have been published that are not mandatory for reporting periods commencing on or after 1 July 2019 and have not been early adopted by the Group.

### Going concern

Notwithstanding the existence of a \$637.2 million net current asset deficiency (June 2019: \$85.0 million), the financial statements have been prepared on a going concern basis. The current net asset deficiency is primarily due to the USD 10-year bond maturing in September 2020. The Group is working towards a refinancing of that bond ahead of its maturity. In addition, the Company has significant undrawn financing facilities which can be drawn down to pay debts as they fall due.

### Critical accounting estimates and judgements

In the preparation of this report, the Group was required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, and where necessary, revisions are recognised in the period in which the estimate is revised.

Significant areas of estimation and critical judgements include impairment, depreciation, taxation, provisions for employee entitlements and other obligations. Further details of the nature of these assumptions and conditions are found in the relevant note and the Company's financial report for the year ended 30 June 2019.

## 2. Key financial information

This section describes key aspects of the operating results and financial performance of the Group. It also presents information about Pacific National's long term contractual commitments, leases and management of capital.

### 2.1 Segment reporting

The segment results for the half year reconciled to the Group profit after tax are set out in the following table:

|                                                                                            | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|--------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Revenue</b>                                                                             |                           |                           |
| External revenue                                                                           | 1,279.7                   | 1,268.2                   |
| Other income                                                                               | 20.5                      | 8.7                       |
| <b>Revenue and other income</b>                                                            | <b>1,300.2</b>            | <b>1,276.9</b>            |
| Operating expenses                                                                         | (865.6)                   | (851.8)                   |
| <b>Profit before depreciation, amortisation, net finance costs, material items and tax</b> | <b>434.6</b>              | <b>425.1</b>              |
| Depreciation                                                                               | (151.6)                   | (143.7)                   |
| Amortisation                                                                               | (7.7)                     | (4.5)                     |
| <b>Profit before net finance costs, material items and tax</b>                             | <b>275.3</b>              | <b>276.9</b>              |
| Net finance expense                                                                        | (99.8)                    | (105.9)                   |
| <b>Profit before material items and tax</b>                                                | <b>175.5</b>              | <b>171.0</b>              |
| <b>Material items</b>                                                                      |                           |                           |
| Legal and other costs related to transactions with Aurizon                                 | (0.4)                     | (2.6)                     |
| Pacific National restructure                                                               | (0.1)                     | –                         |
| <b>Profit before tax</b>                                                                   | <b>175.0</b>              | <b>168.4</b>              |
| Tax expense                                                                                | (52.7)                    | (50.5)                    |
| <b>Profit after tax</b>                                                                    | <b>122.3</b>              | <b>117.9</b>              |

The segment contribution to Group assets and liabilities corresponds to the Consolidate Statement of Financial Position.

## 2.2 Revenue and other income

Revenue recognised, disaggregated based on the type of service provided to its customers, during the half year is set out below:

|                            | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|----------------------------|---------------------------|---------------------------|
| <b>Revenue</b>             |                           |                           |
| Rail haulage               | 1,247.4                   | 1,240.1                   |
| Other                      | 32.3                      | 28.1                      |
| <b>Total revenue</b>       | <b>1,279.7</b>            | <b>1,268.2</b>            |
| <b>Other income</b>        |                           |                           |
| Lease rental income        | 7.9                       | 8.4                       |
| Other income               | 12.6                      | 0.3                       |
| <b>Total other revenue</b> | <b>20.5</b>               | <b>8.7</b>                |

## 2.3 Taxes

The total taxation charge in the statement of profit or loss is analysed as follows:

|                                                                         | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|-------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Reconciliation of income tax expense to prima facie tax payable:</b> |                           |                           |
| Profit before tax                                                       | 175.0                     | 168.4                     |
| Income tax at 30% (2019: 30%)                                           | 52.5                      | 50.5                      |
| Adjustments of deferred tax for prior periods                           | 0.3                       | –                         |
| <b>Income tax expense recognised in the profit or loss</b>              | <b>52.8</b>               | <b>50.5</b>               |
| <b>Tax recognised directly in other comprehensive income</b>            |                           |                           |
| Changes in fair value of cash flow hedge                                | 5.0                       | 3.4                       |
|                                                                         | 5.0                       | 3.4                       |

## 2.4 Contingent liabilities

From time to time, the Company is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters which are or may be subject to litigation at year end. On 19 July 2018 the Australian Competition & Consumer Commission (“ACCC”) announced that it had formed the view that the proposed acquisitions of Aurizon's Acacia Ridge Intermodal Terminal and Queensland Intermodal Business by Pacific National should not proceed and commenced proceedings against Pacific National and Aurizon in relation to the proposed acquisitions in the Federal Court of Australia (as set out in Note 2.13). The Federal Court Proceedings concluded in February 2019. The Federal Court's decision was handed down in May 2019 and found in favour of Pacific National that the acquisition of Aurizon's Acacia Ridge Terminal with the access undertaking offered by Pacific National does not substantially lessen competition. In June 2019 the ACCC submitted a notice of appeal against the decision of the Federal Court. The appeal was heard before the Full Court of the Federal Court of Australia on 17 to 20 February 2020. No decision is expected for some months and no amount has been recognised in these financial statements in relation to this matter. These transactions with Aurizon are further described in note 2.5 and note 2.13.

## 2.5 Capital and other commitments

|                                                                | December<br>2019<br>\$M | June<br>2019<br>\$M |
|----------------------------------------------------------------|-------------------------|---------------------|
| <b>Plant and equipment</b>                                     |                         |                     |
| Contracted capital expenditure committed but not yet payable:  |                         |                     |
| Within one year                                                | 20.1                    | 21.4                |
| One year or later and no later than five years                 | 0.3                     | 11.5                |
|                                                                | <b>20.4</b>             | <b>32.9</b>         |
| <b>Other commitments</b>                                       |                         |                     |
| Non-cancellable other contracts committed but not yet payable: |                         |                     |
| Within one year                                                | 2.5                     | 1.8                 |
| One year or later and no later than five years                 | 0.1                     | 3.0                 |
|                                                                | <b>2.6</b>              | <b>4.8</b>          |

### Other commitments

Further to the transactions with Aurizon described in note 2.4 and note 2.13, the remaining consideration payable by Pacific National for the \$205.0 million purchase of the Acacia Ridge Intermodal Terminal is \$170.0 million if this transaction completes, subject to the resolution of current legal proceedings and the approval of FIRB.

## 2.6 Financial risk management

### Risk management framework

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2019.

## 2.7 Financial assets

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the end of the period was:

|                                       | December<br>2019<br>\$M | June<br>2019<br>\$M |
|---------------------------------------|-------------------------|---------------------|
| <b>Current</b>                        |                         |                     |
| Cash and cash equivalents             | 101.8                   | 67.7                |
| Trade receivables (net of impairment) | 194.5                   | 199.4               |
| Other receivables                     | 101.3                   | 81.4                |
| Derivative financial assets           | 225.6                   | 8.4                 |
|                                       | <b>623.2</b>            | <b>356.9</b>        |
| <b>Non-current</b>                    |                         |                     |
| Derivative financial assets           | 235.7                   | 436.3               |
|                                       | <b>235.7</b>            | <b>436.3</b>        |
| <b>Total financial assets</b>         | <b>858.9</b>            | <b>793.2</b>        |

## 2.8 Financial liabilities

The carrying amount of financial liabilities represents the maximum liquidity risk exposure. The maximum exposure to liquidity risk at the end of the period was as follows:

|                                               | December<br>2019<br>\$M | June<br>2019<br>\$M |
|-----------------------------------------------|-------------------------|---------------------|
| <b>Current</b>                                |                         |                     |
| Lease liabilities                             | 34.9                    | 34.9                |
| Trade payables                                | 41.8                    | 111.7               |
| Other payables and accrued expenses           | 230.4                   | 184.6               |
| Derivative financial liabilities              | 35.7                    | 42.2                |
| US dollar bonds (net of discount)             | 854.3                   | –                   |
|                                               | 1,197.1                 | 373.4               |
| <b>Non-current</b>                            |                         |                     |
| Lease liabilities                             | 220.1                   | 222.2               |
| Other payables and accrued expenses           | 141.1                   | 126.8               |
| Derivative financial liabilities              | 53.6                    | 72.3                |
| Loans and borrowings:                         | 2,643.8                 | 3,083.1             |
| Syndicated bank loans                         | –                       | 55.0                |
| US dollar bonds (net of discount)             | 921.5                   | 1,775.8             |
| GBP bonds (net of discount)                   | 566.2                   | 541.7               |
| AUD bonds (net of discount)                   | 1,145.8                 | 697.2               |
| Unrealised fair value loss on US dollar bonds | 23.4                    | 25.9                |
| Capitalised transaction costs                 | (13.1)                  | (12.5)              |
|                                               | 3,058.6                 | 3,504.4             |
| <b>Total financial liabilities</b>            | <b>4,255.7</b>          | <b>3,877.8</b>      |

### 2.8.1 Bank facilities

The following table provides details of the components of the bank facilities and cash:

| \$M                             | Maturity       | December 2019  |                | June 2019      |               |
|---------------------------------|----------------|----------------|----------------|----------------|---------------|
|                                 |                | Facility       | Utilised       | Facility       | Utilised      |
| Syndicated revolving facility   | September 2021 | 500.0          | –              | 500.0          | 55.0          |
| Syndicated revolving facility   | September 2022 | 500.0          | –              | 500.0          | –             |
| Syndicated revolving facility   | September 2023 | 200.0          | –              | 200.0          | –             |
|                                 |                | 1,200.0        | –              | 1,200.0        | 55.0          |
| Less: cash and cash equivalents |                | –              | (101.8)        | –              | (67.7)        |
| <b>Net bank debt</b>            |                | <b>1,200.0</b> | <b>(101.8)</b> | <b>1,200.0</b> | <b>(12.7)</b> |
| Bank guarantee facility         | July 2020      | 65.0           | 51.6           | 65.0           | 49.7          |
|                                 |                | <b>1,265.0</b> | <b>(50.2)</b>  | <b>1,265.0</b> | <b>37.0</b>   |

Pacific National issued \$450.0 million AUD denominated 10-year fixed rate bonds at a discount on 24 September 2019.

As at 31 December 2019, all syndicated revolving credit facilities, working capital facilities, US dollar bonds, GBP bonds and AUD bonds were unsecured.

Pacific National pays interest on its bank facilities at a margin above the bank bill swap rate. For the current reporting period to 31 December 2019 the syndicated bank loans were periodically drawn and repaid, and they remained undrawn at period end.

## 2.8 Financial liabilities (continued)

### 2.8.2 US dollar bonds

The following table provides details of the components of the US dollar bonds:

| \$M                                  | Maturity       | December 2019  |                  | June 2019      |                |
|--------------------------------------|----------------|----------------|------------------|----------------|----------------|
|                                      |                | US\$           | A\$ <sup>1</sup> | US\$           | A\$            |
| US dollar 10 year bonds <sup>2</sup> | September 2020 | 600.0          | 854.5            | 600.0          | 854.6          |
| US dollar 10 year bonds <sup>2</sup> | March 2028     | 400.0          | 569.6            | 400.0          | 569.8          |
| US dollar 12 year bonds <sup>3</sup> | April 2023     | 250.0          | 356.0            | 250.0          | 356.1          |
| <b>US bonds</b>                      |                | <b>1,250.0</b> | <b>1,780.1</b>   | <b>1,250.0</b> | <b>1,780.5</b> |
| Discount on US dollar bonds          |                | (3.5)          | (4.3)            | (3.8)          | (4.7)          |
| <b>US bonds (net of discount)</b>    |                | <b>1,246.5</b> | <b>1,775.8</b>   | <b>1,246.2</b> | <b>1,775.8</b> |

1. Australian dollar equivalent calculated at the spot rate on 31 December 2019.
2. As at 31 December 2019, Pacific National's currency and interest rate exposure on the US dollar 10 year bonds were hedged to 100% (30 June 2019: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.
3. As at 31 December 2019, Pacific National's currency exposure on the US dollar 12 year bonds was hedged to 100% (30 June 2019: 100%) and Pacific National's interest rate exposure for all of the bonds was hedged to 62% (30 June 2019: 62%) using interest rate swaps.

### 2.8.3 Sterling bonds

The following table provides details of the components of the GBP bonds:

| \$M                                | Maturity       | December 2019 |                  | June 2019    |              |
|------------------------------------|----------------|---------------|------------------|--------------|--------------|
|                                    |                | GB£           | A\$ <sup>1</sup> | GB£          | A\$          |
| GBP 10 year bonds <sup>2</sup>     | September 2023 | 300.0         | 566.9            | 300.0        | 542.5        |
| Discount on GBP bonds              |                | (0.4)         | (0.7)            | (0.5)        | (0.8)        |
| <b>GBP bonds (net of discount)</b> |                | <b>299.6</b>  | <b>566.2</b>     | <b>299.5</b> | <b>541.7</b> |

1. Australian dollar equivalent calculated at the spot rate on 31 December 2019.
2. As at 31 December 2019, Pacific National's currency and interest rate exposure on the GBP bonds was hedged to 100% (30 June 2019: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

### 2.8.4 Australian dollar bonds

The following table provides details of the components of the AUD bonds:

| \$M                                | Maturity       | December 2019  | June 2019    |
|------------------------------------|----------------|----------------|--------------|
|                                    |                | A\$            | A\$          |
| AUD 10 year bonds                  | May 2025       | 350.0          | 350.0        |
| AUD 10 year bonds                  | May 2027       | 350.0          | 350.0        |
| AUD 10 year bonds                  | September 2029 | 450.0          | —            |
| <b>AUD bonds</b>                   |                | <b>1,150.0</b> | <b>700.0</b> |
| Discount on AUD bonds              |                | (4.2)          | (2.8)        |
| <b>AUD bonds (net of discount)</b> |                | <b>1,145.8</b> | <b>697.2</b> |

## 2.9 Fair value of financial assets and liabilities

### Accounting classification and fair value

All derivative financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

All of the Company's financial assets and liabilities fall into Level 2 of the fair value hierarchy. The carrying amount approximates the fair value of all financial assets and liabilities, with the exception of GBP, US dollar and Australian dollar bonds.

The fair values of the GBP, US dollar and Australian dollar bonds are shown below:

|                                                                   | December 2019          |                   | June 2019              |                   |
|-------------------------------------------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                                                   | Carrying amount<br>\$M | Fair value<br>\$M | Carrying amount<br>\$M | Fair value<br>\$M |
| US dollar bonds, gross of discount and unrealised fair value loss | 1,780.1                | 1,869.8           | 1,780.5                | 1,843.0           |
| GBP bonds, gross of discount                                      | 566.9                  | 633.1             | 542.5                  | 601.0             |
| AUD bonds, gross of discount                                      | 1,150.0                | 1,431.9           | 700.0                  | 776.9             |

### Valuation techniques of financial assets and liabilities measured at fair value

| Type                                         | Valuation technique                                                                                                                                                                         |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debt securities                              | Discounted cash flows using a contract cash flows and a market related discount rate.                                                                                                       |
| Interest rate swaps and cross-currency swaps | Discounted cash flows.                                                                                                                                                                      |
| Forward exchange contracts                   | Calculated using spot foreign exchange market rates and market forward curves for each currency pair at the reporting date.                                                                 |
| Other derivative financial instruments       | Calculated based on broker quotes which are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the reporting date. |
| Other financial liabilities                  | Discounted cash flows using the current market interest rate that is available to Pacific National for similar instruments at the reporting date.                                           |

## 2.10 Finance income and expense

Finance income and expense is reconciled to the Consolidated Statement of Profit or Loss and Consolidated Statement of Income as follows:

|                                                                                                             | First half<br>2020<br>\$M | First half<br>2019<br>\$M |
|-------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Recognised directly in the Consolidated Statement of Profit or Loss</b>                                  |                           |                           |
| Interest income                                                                                             | 0.8                       | 1.3                       |
| <b>Finance income</b>                                                                                       | <b>0.8</b>                | <b>1.3</b>                |
| Interest expense <sup>1</sup>                                                                               | (97.9)                    | (94.4)                    |
| Amortisation of capitalised transaction costs                                                               | (1.6)                     | (6.0)                     |
| Guarantee and commitment fees                                                                               | (3.6)                     | (2.6)                     |
| Unwind of discount on long-term provisions                                                                  | (1.1)                     | (2.7)                     |
| Credit value adjustment recognised in the profit or loss                                                    | 2.1                       | (0.7)                     |
| Net change in fair value of derivatives not designated in a hedge relationship                              | 1.5                       | (0.8)                     |
| <b>Finance expense</b>                                                                                      | <b>(100.6)</b>            | <b>(107.2)</b>            |
| <b>Recognised directly in the Consolidated Statement of Comprehensive Income</b>                            |                           |                           |
| Effective portions of changes in fair value of cash flow hedges                                             | 16.6                      | 11.4                      |
| Tax on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income    | (5.0)                     | (3.4)                     |
| <b>Finance income recognised directly in the Consolidated Statement of Comprehensive Income, net of tax</b> | <b>11.6</b>               | <b>8.0</b>                |

1. Interest expense includes \$6.7 million of interest on lease liabilities (31 December 2018: \$7.0 million).

## 2.11 Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2019 (31 December 2018: Nil). The Company paid an aggregate \$500.2 million return of capital to shareholders during the current reporting period (2019: \$306.0 million).

No franking account is held by the Company as at 31 December 2019 (30 June 2019: no account).

## 2.12 Contributed equity

|                                | Date                    | Price per<br>share<br>\$ | Number of fully<br>paid ordinary<br>shares | \$M            |
|--------------------------------|-------------------------|--------------------------|--------------------------------------------|----------------|
| Balance at                     | 1 July 2018             |                          | 975,385,664                                | 5,618.8        |
| Return of capital              |                         |                          | —                                          | (506.2)        |
| Balance at                     | 30 June 2019            |                          | 975,385,664                                | 5,112.6        |
| <b>Parent</b>                  |                         |                          |                                            |                |
| Balance at                     | 1 July 2019             |                          | 975,385,664                                | 5,112.6        |
| Return of capital <sup>1</sup> |                         |                          | —                                          | (500.2)        |
| <b>Balance</b>                 | <b>31 December 2019</b> |                          | <b>975,385,664</b>                         | <b>4,612.4</b> |

1. Pacific National paid an aggregate \$500.2 million return of capital to shareholders during the current reporting period (2019: \$306.0 million).

### **2.13 Events subsequent to the reporting date**

The ACCC's appeal in relation to the proposed acquisitions of Aurizon's Acacia Ridge Intermodal Terminal by Pacific National was heard before the Full Court of the Federal Court of Australia on 17 to 20 February 2020. No decision is expected for some months and no amount has been recognised in these financial statements in relation to this matter.

Other than for the item noted above, there has not arisen in the period between 31 December 2019 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

## Directors' Declaration

For the half year ended 31 December 2019

The Directors declare that in their opinion:

- a) the interim financial report comprising the consolidated financial statements and notes set out on pages 5 to 18:
  - (i) present fairly, in all material respects the Group's financial position as at 31 December 2019 and its financial performance for the six month period ended on that date; and
  - (ii) complies with the Australian Accounting Standard AASB 134 *Interim Financial Reporting*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Russell Smith**

Chairman

27 February 2020



**Dean Dalla Valle**

Chief Executive Officer

27 February 2020



# INDEPENDENT AUDITOR'S REVIEW REPORT

To shareholders of Pacific National Holdings Pty Ltd

## Report on the Half-year Financial Report

We have reviewed the accompanying interim financial report of Pacific National Holdings Pty Ltd, which comprises the consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 2.13 comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting. As the auditor of Pacific National Holdings Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.



## Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Pacific National Holdings Pty Ltd does not present fairly, in all material respects, the financial position of the Pacific National Holdings Pty Ltd as at 31 December 2019, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Australian Accounting Standards.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Paul Thomas'.

Paul Thomas  
*Partner*

Sydney  
27 February 2020