

25 February 2021

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 2020 for Pacific National Holdings Pty Ltd (formerly Asciano Limited), the parent entity of Pacific National Finance Pty Ltd.

Yours faithfully,



Kate Bowman
Group 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 2020

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 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 2020.

1. Directors

The Directors of Pacific National Holdings Pty Ltd at any time during or since the end of the half year and up to the date of this report were as follows:

Russell Smith

Dean Dalla Valle

Paul Bernath

Jerry Divoky

Scott Hatton

John Hextall

Colin Mugglestone

Deborah O'Toole

Robert Stewart

Nicholas Buddicom (alternate director)

Jeffrey Coates (alternate director)

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 deliver value for our customers through business and industry transformation. There are three key pillars to this strategy:

- Operational excellence – radically improve the way we do business;
- Commercial excellence to 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 \$91.6 million (31 December 2019: \$122.3 million). The reported NPAT for the current reporting period included a material items loss after tax of \$0.6 million for costs borne with respect to transactions with Aurizon and costs in connection with the restructuring of the Pacific National business (31 December 2019: \$0.5 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 2021 \$M	Half year 2020 \$M
Statutory NPAT attributable to the owners of Pacific National Holdings Pty Ltd	91.6	122.3
Legal and other costs related to transactions with Aurizon (net of any tax benefit)	0.1	0.4
Pacific National restructure (net of tax benefit)	0.5	0.1
Total material items after tax	0.6	0.5
Underlying NPAT attributable to the owners of Pacific National Holdings Pty Ltd	92.2	122.8

Pacific National reported a 25.0 % decrease in profit before tax to \$131.3 million (31 December 2019: \$175.0 million). The result was mainly due to the effect of the external factors including the unprecedented COVID-19 pandemic since February 2020, sluggish demand and customer interruptions in coal, as well as price pressures and insurance, offset by improvements in containerised freight volumes with successful conversion of freight from road to rail and grain volumes due to a strong harvest following an extended period of drought.

2. Operating and financial review (continued)

Impact of COVID-19 Pandemic

In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID-19 pandemic on the position of Pacific National at 31 December 2020 and its operations in future periods. Pacific National has already seen operations that have been adversely impacted, to an extent, by regional, national and global economic COVID-19 imposed shutdowns that have impacted its suppliers, customers and counterparties. During 2020, the various Australian State and Territory governments' COVID-19 related public health orders allowed rail freight to operate with additional health precautions and, as a result, Pacific National's rail services have continued to operate during the COVID-19 pandemic, albeit sometimes at reduced frequency. Considering the uncertainty and challenges created by the COVID-19 pandemic and current economic environment, the Group has adopted more conservative short term future growth assumptions for Pacific National.

Notwithstanding the impact of COVID-19, due to the forecast cash flows and available financing facilities of the Group being sufficient to meet the requirements of the Group, the Directors have concluded that the Group remains a going concern.

Significant transactions during the half year

Pacific National's \$205.0 million acquisition of the Acacia Ridge Terminal from Aurizon was challenged by the Australian Competition & Consumer Commission ("ACCC") in the Federal Court of Australia in July 2018. The court found in favour of Pacific National and allowed the acquisition to proceed. This decision was appealed by the ACCC and that appeal was dismissed by the Full Federal Court of Australia in May 2020. The ACCC then made an application to the High Court of Australia for special leave to appeal the decision of the Full Federal Court of Australia. On 8 December 2020, the High Court of Australia dismissed the ACCC's application for special leave. The final condition for the transaction was FIRB approval. FIRB approval was received on 2 February 2021 and the acquisition is due to complete on 26 March 2021. The Group is currently working through the accounting for the transaction and specifically whether this is a business combination or an asset acquisition.

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 2022 and September 2029.

Pacific National repaid the maturing \$643.2 million US dollar denominated 10 year bonds on their maturity date of 23 September 2020 with cash and cash equivalents on hand.

At 31 December 2020 Pacific National had total committed bank credit facilities of \$1,165.0 million (30 June 2020: \$1,165.0 million), which includes \$1,100.0 million of corporate purposes bank facilities and the \$65.0 million bank guarantee facility (30 June 2020: \$1,100.0 million and \$65.0 million respectively). Of the total committed credit facilities, \$380.0 million of the corporate purpose bank facilities were drawn and \$45.5 million relating to bank guarantees were utilised at 31 December 2020 (30 June 2020: \$600.0 million and \$49.1 million respectively), leaving undrawn credit facilities at 31 December 2020 of \$739.5 million (30 June 2020: \$515.9 million).

3. Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2020 (31 December 2019: no dividends). No return of capital was paid to shareholders during the current reporting period (2020: \$500.2 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

On 8 December 2020, the High Court of Australia dismissed the ACCC's application for special leave to appeal the decision of the Full Federal Court of Australia in relation to Pacific National's acquisition of the Acacia Ridge Terminal from Aurizon. The final condition for the transaction was FIRB approval. FIRB approval was received on 2 February 2021 and the acquisition is due to complete on 26 March 2021. The Group is currently working through the accounting for the transaction and specifically whether this is a business combination or an asset acquisition.

5. Events subsequent to the reporting date (continued)

Other than for the item noted above, there has not arisen in the period between 31 December 2020 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

25 February 2021



Dean Dalla Valle

Chief Executive Officer

25 February 2021

Consolidated Statement of Profit or Loss
For the half year ended 31 December 2020

	Note	First half 2021 \$M	First half 2020 \$M
Revenue from services rendered	2.2	1,131.8	1,279.7
Other income	2.2	7.7	20.5
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(297.3)	(301.0)
Rail access		(217.6)	(266.7)
Fuel, oil and power		(85.0)	(136.3)
Repairs and maintenance		(81.5)	(89.1)
Rental, rates, lease and hire		(4.3)	(4.8)
Insurance		(9.7)	(8.2)
Other		(61.3)	(60.0)
Profit before depreciation, amortisation, net finance costs and tax		382.8	434.1
Depreciation		(151.8)	(151.6)
Amortisation		(7.7)	(7.7)
Profit before net finance costs and tax		223.3	274.8
Interest income	2.10	2.1	0.8
Interest expense	2.10	(90.5)	(97.9)
Other financing expenses		(5.1)	(6.3)
Credit value adjustment and fair value movements of undesignated derivatives		1.5	3.6
Finance expense	2.10	(94.1)	(100.6)
Net finance expense		(92.0)	(99.8)
Profit before tax		131.3	175.0
Tax expense	2.3	(39.7)	(52.7)
Profit after tax		91.6	122.3
Attributable to:			
Owners of Pacific National Holdings Pty Ltd		91.6	122.3
		91.6	122.3

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 2020

	Note	First half 2021 \$M	First half 2020 \$M
Profit after tax		91.6	122.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net movement in cash flow hedge reserve	2.10	(28.5)	16.6
Income tax benefit/(expense) on items that may be reclassified subsequently to profit or loss	2.10	8.5	(5.0)
Total items that may be reclassified subsequently to profit or loss net of tax		(20.0)	11.6
Other comprehensive (loss)/income net of tax		(20.0)	11.6
Total comprehensive income attributable to owners of Pacific National Holdings Pty Ltd		71.6	133.9

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 2020

	Note	December 2020 \$M	June 2020 \$M
Current assets			
Cash and cash equivalents	2.7	70.2	871.3
Trade and other receivables	2.7	275.1	248.8
Prepayments and other assets		15.8	11.1
Inventories		23.0	20.2
Derivative financial assets	2.7	19.1	233.3
Total current assets		403.2	1,384.7
Non-current assets			
Property, plant and equipment		2,863.7	2,891.4
Lease assets		231.4	227.6
Intangible assets		955.0	956.2
Trade and other receivables		34.2	10.1
Derivative financial assets	2.7	108.5	253.2
Net deferred tax assets		75.1	88.3
Total non-current assets		4,267.9	4,426.8
Total assets		4,671.1	5,811.5
Current liabilities			
Trade payables	2.8	65.1	85.1
Other payables and accrued expenses	2.8	222.7	237.5
Provisions		32.4	37.0
Employee benefits		93.9	93.2
Lease liabilities		20.9	18.7
Loans and borrowings	2.8	—	869.2
Derivative financial liabilities	2.8	35.0	33.7
Total current liabilities		470.0	1,374.4
Non-current liabilities			
Other payables and accrued expenses	2.8	166.4	149.0
Provisions		35.9	36.0
Employee benefits		75.4	78.2
Lease liabilities		226.4	223.3
Loans and borrowings	2.8	2,915.1	3,243.2
Derivative financial liabilities	2.8	25.4	22.5
Total non-current liabilities		3,444.6	3,752.2
Total liabilities		3,914.6	5,126.6
Net assets		756.5	684.9
Equity			
Contributed equity	2.12	4,570.8	4,570.8
Reserves		(4,974.5)	(4,954.5)
Retained earnings		1,160.2	1,068.6
Total equity		756.5	684.9

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 2020

First half 2020 \$M	Contributed equity	Reserves	Retained earnings	Total
Balance at 1 July 2019	5,112.6	(4,999.4)	921.1	1,034.3
Profit after tax	–	–	122.3	122.3
Other comprehensive income (“OCI”):				
Net movement in cash flow hedge reserve	–	16.6	–	16.6
Income tax benefit on OCI	–	(5.0)	–	(5.0)
Total comprehensive income	–	11.6	122.3	133.9
Transactions with owners in their capacity as owners:				
Return of capital	(500.2)	–	–	(500.2)
	(500.2)	–	–	(500.2)
Balance at 31 December 2019	4,612.4	(4,987.8)	1,043.4	668.0
First half 2021 \$M	Contributed equity	Reserves	Retained earnings	Total
Balance at 1 July 2020	4,570.8	(4,954.5)	1,068.6	684.9
Profit after tax	–	–	91.6	91.6
Other comprehensive income (“OCI”):				
Net movement in cash flow hedge reserve	–	(28.5)	–	(28.5)
Income tax expense on OCL	–	8.5	–	8.5
Total comprehensive (loss)/income	–	(20.0)	91.6	71.6
Balance at 31 December 2020	4,570.8	(4,974.5)	1,160.2	756.5

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 2020

	Note	First half 2021 \$M	First half 2020 \$M
Operating cash flows			
Receipts from customers		1,276.1	1,463.0
Payments to suppliers and employees		(981.2)	(1,098.4)
Interest and other costs of finance paid		(109.1)	(96.2)
Interest received		2.8	1.0
Net operating cash inflows		188.6	269.4
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(111.3)	(120.6)
Proceeds from sale of property, plant and equipment and intangible assets		—	7.6
Loans to related parties		(0.2)	—
Net investing cash outflows		(111.5)	(113.0)
Financing cash flows			
Return of capital		—	(500.0)
Drawdown of borrowings		—	245.0
Repayments of borrowings		(863.3)	(300.0)
Proceeds from new bond issue, net of transaction costs		—	446.1
Payment of finance lease liabilities		(14.9)	(13.4)
Net financing cash outflows		(878.2)	(122.3)
Net (decrease)/increase in cash and cash equivalents		(801.1)	34.1
Cash and cash equivalents at the beginning of the half year		871.3	67.7
Cash and cash equivalents at the end of the half year		70.2	101.8

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”). This consolidated interim financial report was authorised for issue by the Board of Directors on 25 February 2021.

Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2020 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 2020.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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 2020 and have not been early adopted by the Group.

Going concern

Notwithstanding the existence of a net current asset deficit of \$66.8 million at 31 December 2020 (30 June 2020: net current asset surplus of \$10.3 million), the Company has \$720.0 million of undrawn bank financing facilities that can be drawn down to pay debts as they fall due. In further determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID-19 pandemic on the position of the Group at 31 December 2020 and its operations in future periods. The Group has already seen operations that have been adversely impacted, to an extent, by regional, national and global economic COVID-19 imposed shutdowns that have impacted its suppliers, customers and counterparties. During 2020, the various Australian State and Territory governments’ COVID-19 related public health orders allowed rail freight to operate with additional health precautions and, as a result, Pacific National’s rail services have continued to operate during the COVID-19 pandemic, albeit sometimes at reduced frequency. Considering the uncertainty created by the COVID-19 pandemic, the Group has adopted more conservative short term future growth assumptions and despite the challenges imposed by the pandemic and economic environment, the financial statements have been prepared on a going concern basis on the basis of forecast cash flows and available financing facilities.

Coronavirus (COVID-19) impact

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

The outbreak and the response of Governments in dealing with the pandemic is impacting the general activity levels within the community, the economy and to an extent the operations of the Group. Strict health and travel changes have been in place to reduce the spread of COVID-19 at all Company sites. The changes in place have resulted in the deferral of some non-critical activities.

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 2020.

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 2021 \$M	First half 2020 \$M
Revenue		
External revenue	1,131.8	1,279.7
Other income	7.7	20.5
Revenue and other income	1,139.5	1,300.2
Operating expenses	(755.9)	(865.6)
Profit before depreciation, amortisation, net finance costs, material items and tax	383.6	434.6
Depreciation	(151.8)	(151.6)
Amortisation	(7.7)	(7.7)
Profit before net finance costs, material items and tax	224.1	275.3
Net finance expense	(92.0)	(99.8)
Profit before material items and tax	132.1	175.5
Material items		
Legal and other costs related to transactions with Aurizon	(0.1)	(0.4)
Pacific National restructure	(0.7)	(0.1)
Profit before tax	131.3	175.0
Tax expense	(39.7)	(52.7)
Profit after tax	91.6	122.3

The segment contribution to Group assets and liabilities corresponds to the Consolidated 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 2021 \$M	First half 2020 \$M
Revenue		
Rail haulage	1,101.4	1,247.4
Other	30.4	32.3
Total revenue	1,131.8	1,279.7
Other income		
Net (loss)/gain on sale of property, plant and equipment	(0.2)	0.4
Lease rental income	7.9	7.9
Insurance proceeds	–	11.9
Other	–	0.3
Total other revenue	7.7	20.5

2.3 Taxes

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

	First half 2021 \$M	First half 2020 \$M
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	131.3	175.0
Income tax at 30% (2020: 30%)	39.4	52.5
Adjustments of deferred tax for prior periods	–	0.3
Other non-deductible items	0.3	–
Income tax expense recognised in the profit or loss	39.7	52.8
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	(8.5)	5.0
	(8.5)	5.0

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.

Pacific National's \$205.0 million acquisition of the Acacia Ridge Terminal from Aurizon was challenged by the Australian Competition & Consumer Commission ("ACCC") in the Federal Court of Australia in July 2018. The court found in favour of Pacific National and allowed the acquisition to proceed. This decision was appealed by the ACCC and that appeal was dismissed by the Full Federal Court of Australia in May 2020. The ACCC made an application to the High Court of Australia for special leave to appeal the decision of the Full Federal Court of Australia. On 8 December 2020, the High Court of Australia dismissed the ACCC's application for special leave. The final condition for the transaction was FIRB approval. FIRB approval was received on 2 February 2021 and the acquisition is due to complete on 26 March 2021. The Group is currently working through the accounting for the transaction and specifically whether this is a business combination or an asset acquisition. These transactions with Aurizon are further described in note 2.5 and note 2.13.

2.5 Capital and other commitments

	December 2020 \$M	June 2020 \$M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	96.7	23.0
One year or later and no later than five years	2.2	2.2
	98.9	25.2
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	4.4	3.2
One year or later and no later than five years	3.0	2.8
	7.4	6.0

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, which is payable on 26 March 2021.

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 2020.

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 2020 \$M	June 2020 \$M
Current		
Cash and cash equivalents	70.2	871.3
Trade receivables (net of impairment)	174.3	162.1
Other receivables ¹	100.8	86.7
Derivative financial assets	19.1	233.3
	364.4	1,353.4
Non-current		
Other receivables ¹	34.2	10.1
Derivative financial assets	108.5	253.2
	142.7	263.3
Total financial assets	507.1	1,616.7

1. Includes contract assets.

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 2020 \$M	June 2020 \$M
Current		
Trade payables	65.1	85.1
Other payables and accrued expenses	222.7	237.5
Derivative financial liabilities	35.0	33.7
Loans and borrowings:		
US dollar bonds (net of discount)	—	869.2
	322.8	1,225.5
Non-current		
Other payables and accrued expenses	166.4	149.0
Derivative financial liabilities	25.4	22.5
Loans and borrowings:		
Syndicated bank loans	380.0	600.0
US dollar bonds (net of discount)	841.1	937.7
GBP bonds (net of discount)	532.6	538.3
AUD bonds (net of discount)	1,146.4	1,146.1
Unrealised fair value loss on US dollar bonds	26.6	34.1
Capitalised transaction costs	(11.6)	(13.0)
	3,106.9	3,414.7
Total financial liabilities	3,429.7	4,640.2

2.8.1 Bank facilities

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

\$M	Maturity	December 2020		June 2020	
		Facility	Utilised	Facility	Utilised
Syndicated revolving facility	September 2022	500.0	380.0	500.0	500.0
Syndicated revolving facility	September 2023	200.0	—	200.0	100.0
Syndicated revolving facility	July 2025	400.0	—	400.0	—
		1,100.0	380.0	1,100.0	600.0
Less: cash and cash equivalents		—	(70.2)	—	(871.3)
Net bank debt		1,100.0	309.8	1,100.0	(271.3)
Bank guarantee facility	July 2023	65.0	45.5	65.0	49.1
		1,165.0	355.3	1,165.0	(222.2)

As at 31 December 2020, 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 2020 \$220.0 million of drawn syndicated revolving credit facilities were repaid. As at 31 December 2020 the syndicated revolving credit facilities were drawn to \$380.0 million (30 June 2020: \$600.0 million).

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 2020		June 2020	
		US\$	A\$ ¹	US\$	A\$
US dollar 10 year bonds	September 2020	—	—	600.0	869.2
US dollar 12 year bonds ²	April 2023	250.0	324.9	250.0	362.2
US dollar 10 year bonds ³	March 2028	400.0	519.8	400.0	579.4
US bonds		650.0	844.7	1,250.0	1,810.8
Discount on US dollar bonds		(2.9)	(3.6)	(4.4)	(3.9)
US bonds (net of discount)		647.1	841.1	1,245.6	1,806.9

1. Australian dollar equivalent calculated at the spot rate on 31 December 2020.
2. As at 31 December 2020, Pacific National's currency exposure on the US dollar 12 year bonds was hedged to 100% (30 June 2020: 100%) and Pacific National's interest rate exposure for all the bonds was hedged to 62% (30 June 2020: 62%) through a combination of fixed-for-floating cross-currency interest rate swaps and interest rate swaps.
3. As at 31 December 2020, Pacific National's currency and interest rate exposure on the US dollar 10 year bonds was hedged to 100% (30 June 2020: 100%) through fixed-for-fixed cross-currency interest rate swaps.

2.8.3 Sterling bonds

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

\$M	Maturity	December 2020		June 2020	
		GB£	A\$ ⁴	GB£	A\$
GBP 10 year bonds ⁵	September 2023	300.0	533.1	300.0	538.9
Discount on GBP bonds		(0.3)	(0.5)	(0.4)	(0.6)
GBP bonds (net of discount)		299.7	532.6	299.6	538.3

4. Australian dollar equivalent calculated at the spot rate on 31 December 2020.
5. As at 31 December 2020, Pacific National's currency and interest rate exposure on the GBP bonds was hedged to 100% (30 June 2020: 100%) through 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 2020	June 2020
		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	450.0
AUD bonds		1,150.0	1,150.0
Discount on AUD bonds		(3.6)	(3.9)
AUD bonds (net of discount)		1,146.4	1,146.1

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 2020		June 2020	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
US dollar bonds, gross of discount and unrealised fair value loss	844.7	910.1	1,810.8	1,877.6
GBP bonds, gross of discount	533.1	581.6	538.9	590.3
AUD bonds, gross of discount	1,150.0	1,386.0	1,150.0	1,381.7

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 2021 \$M	First half 2020 \$M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	2.1	0.8
Finance income	2.1	0.8
Interest expense ¹	(90.5)	(97.9)
Amortisation of capitalised transaction costs	(1.4)	(1.6)
Guarantee and commitment fees	(2.5)	(3.6)
Unwind of discount on long-term provisions	(1.2)	(1.1)
Credit value adjustment recognised in the profit or loss	(0.6)	2.1
Net change in fair value of derivatives not designated in a hedge relationship	2.1	1.5
Finance expense	(94.1)	(100.6)
Recognised directly in the Consolidated Statement of Comprehensive Income		
Net movement in cash flow hedge reserve	(28.5)	16.6
Income tax benefit/(expense) on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	8.5	(5.0)
Finance income recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	(20.0)	11.6

1. Interest expense includes \$6.4 million of interest on lease liabilities (31 December 2019: \$6.7 million).

2.11 Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2020 (31 December 2019: Nil). No return of capital was paid to shareholders during the current reporting period (2020: \$500.2 million).

No franking account is held by the Company as at 31 December 2020 (30 June 2020: no account).

2.12 Contributed equity

	Date	Price per share \$	Number of fully paid ordinary shares	\$M
Parent				
Balance at	1 July 2019		975,385,664	5,112.6
Return of capital	—		—	(541.8)
Balance at	30 June 2020		975,385,664	4,570.8
Parent				
Balance at	1 July 2020		975,385,664	4,570.8
Return of capital ¹	—		—	—
Balance	31 December 2020		975,385,664	4,570.8

1. No return of capital was paid to shareholders during the current reporting period (2020: \$500.2 million).

2.13 Events subsequent to the reporting date

On 8 December 2020, the High Court of Australia dismissed the ACCC's application for special leave to appeal the decision of the Full Federal Court of Australia in relation to Pacific National's acquisition of the Acacia Ridge Terminal from Aurizon. The final condition for the transaction was FIRB approval. FIRB approval was received on 2 February 2021 and the acquisition is due to complete on 26 March 2021. The Group is currently working through the accounting for the transaction and specifically whether this is a business combination or an asset acquisition. These transactions with Aurizon are further described in note 2.4 and note 2.5.

Other than for the item noted above, there has not arisen in the period between 31 December 2020 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 2020

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 2020 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

25 February 2021



Dean Dalla Valle

Chief Executive Officer

25 February 2021



Independent Auditor's Review Report

To the shareholders of Pacific National Holdings Pty Ltd

Report on the Interim 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 2020, 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 Interim Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the Interim 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 Interim 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 Interim 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 Interim 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 an Interim 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 Interim 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 2020, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Australian Accounting Standards.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

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

Paul Thomas

Partner

Sydney

25 February 2021