

1 March 2024

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 FINUS\$400M4.75%N280322

Attached is the Financial Report for the year ended 31 December 2023 for Pacific National Holdings Pty Ltd (formerly Asciano Limited), the parent entity of Pacific National Finance Pty Ltd.

Yours faithfully



Andrew Beck
Chief Legal Officer and Company Secretary
Pacific National

PACIFIC NATIONAL HOLDINGS PTY LTD

ABN 26 123 652 862

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2023

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

Contents	Page
Directors' Report	2
Consolidated Statement of Profit or Loss	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Section 1: How we have prepared this report	10
Section 2: Key Financial Information	11
2.1 Revenue and other income	11
2.2 Taxes	11
2.3 Contingent liabilities	11
2.4 Capital and other commitments	12
2.5 Financial risk management	12
2.6 Financial assets	12
2.7 Financial liabilities	13
2.8 Fair value of financial assets and liabilities	14
2.9 Finance income and expense	15
2.10 Dividends	16
2.11 Contributed equity	16
2.12 Events subsequent to the reporting date	16
Directors' Declaration	17
Independent Auditor's Review Report to the Members of Pacific National Holdings Pty Ltd	18

PACIFIC NATIONAL HOLDINGS PTY LTD
2 DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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 2023.

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:

Catherine Livingstone AC

Paul Scurrah

Paul Bernath

Scott Hatton

Colin Mugglestone

Deborah O’Toole

Russell Smith

Robert Stewart

Gordon Trafton II

Jerry Divoky

Nicholas Buddicom (alternate director)

Hugh Willis (alternate director)

2. Operating and financial review

Overview

Pacific National’s vision is to be Australia’s most trusted and respected logistics partner.

Pacific National’s priorities are:

- Safety, above all else,
- People and Leadership,
- Customers,
- Community, and
- Financial success.

Pacific National’s strategy has six key pillars:

- Primary focus on intermodal,
- Optimising our coal operations,
- Targeted investment in bulk, regional and IMEX markets,
- Delivering safe, efficient and disciplined operations,
- Fast tracking our ESG focus, and
- Developing technology solutions which innovate for our customers and deliver for our business.

Review and results of operations

Pacific National reported increased earnings before interest, taxes, depreciation, and amortisation (“EBITDA”) of \$322.4 million (31 December 2022: \$300.0 million). The reported EBITDA for the current reporting period included a material items loss of \$1.7 million for costs in connection with the restructuring of the Pacific National business (31 December 2022: material items loss of \$0.8 million).

A reconciliation of the reported EBITDA to underlying EBITDA for the various components of material items is provided in the table below:

2. Operating and financial review (continued)

	Half year 2024 \$M	Half year 2023 \$M
Statutory EBITDA attributable to the owners of Pacific National Holdings Pty Ltd	322.4	300.0
Pacific National restructure	1.7	0.8
Total material items before tax	1.7	0.8
Underlying EBITDA attributable to the owners of Pacific National Holdings Pty Ltd	324.1	300.8

The reported EBITDA increased 7.5% on the comparative period largely due to recovery from significant weather disruptions in the prior year. Coal volumes were up strongly together with positive price mix across the Intermodal and Bulk businesses, partially offset by softer market conditions driving lower Containerised Freight demand as well as reduced Grain volumes on a lower harvest.

Notwithstanding the existence of a net current asset deficit of \$25.2 million at 31 December 2023 (30 June 2023: \$604.1 million), the financial statements have been prepared on a going concern basis as the Company has significant undrawn financing facilities that can be drawn down to pay debts as they fall due.

Financing

Pacific National's funding consists of a mix of revolving bank debt facilities, term loan facilities, Australian dollar denominated bonds, US dollar denominated 10-year (swapped to Australian dollars) and a bank guarantee facility. Pacific National's loans and borrowings mature in the period between May 2025 and September 2031.

On 13 July 2023, Pacific National had fully drawn down A\$500.0 million across two A\$250.0 million tranches of term loan facilities with maturity dates of 10 July 2028 and 10 July 2030 respectively. The proceeds were used to fully repay \$410.0 million of revolving bank debt outstanding at the time.

On 19 July 2023, Pacific National voluntarily early-terminated the A\$300.0 million tranche of syndicated revolving bank debt facilities that had a maturity date of 11 October 2024.

On 19 September, Pacific National repaid a maturing GBP300.0 million bond (\$514.0 million) using available cash and undrawn revolving bank debt facilities.

At 31 December 2023 Pacific National had total committed bank credit facilities of \$1,665.0 million (30 June 2023: \$1,965.0 million), which includes \$1,100.0 million of revolving bank debt facilities, \$500.0 million of term loan facilities and a \$65.0 million bank guarantee facility (30 June 2023: \$1,400.0 million, \$500.0 million and \$65.0 million respectively). Of the total committed credit facilities, \$960.0 million of bank debt facilities were drawn and \$40.5 million relating to bank guarantees were utilised at 31 December 2023 (30 June 2023: \$410.0 million and \$39.3 million respectively), leaving undrawn credit facilities at 31 December 2023 of \$664.5 million (30 June 2023: \$1,515.7 million).

3. Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2023 (31 December 2022: no dividends). No return of capital was paid to shareholders during the current reporting period (2022: Nil).

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

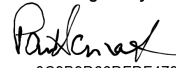
There has not arisen in the period between 31 December 2023 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

PACIFIC NATIONAL HOLDINGS PTY LTD
4 DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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.

DocuSigned by:

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Paul Scurrah

Chief Executive Officer

29 February 2024

Consolidated Statement of Profit or Loss
For the half year ended 31 December 2023

	Note	First half 2024 \$M	First half 2023 \$M
Revenue from services rendered	2.1	1,182.2	1,196.4
Other income	2.1	17.5	8.1
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(341.5)	(325.9)
Rail access		(200.3)	(196.6)
Fuel, oil and power		(183.7)	(229.4)
Repairs and maintenance		(76.9)	(70.5)
Rental, rates, lease and hire		(4.0)	(3.3)
Insurance		(13.1)	(13.4)
Other		(57.8)	(65.4)
Profit before depreciation, amortisation, net finance costs and tax		322.4	300.0
Depreciation		(200.3)	(166.6)
Amortisation		(7.8)	(7.8)
Profit before net finance costs and tax		114.3	125.6
Interest income	2.9	2.4	0.6
Interest expense	2.9	(86.2)	(84.9)
Other financing expenses		(6.6)	(5.7)
Credit value adjustment and fair value movements of undesignated derivatives		—	0.7
Finance expense	2.9	(92.8)	(89.9)
Net finance expense		(90.4)	(89.3)
Profit before tax		23.9	36.3
Tax expense	2.2	(6.5)	(10.9)
Profit after tax		17.4	25.4
Attributable to:			
Owners of Pacific National Holdings Pty Ltd		17.4	25.4
		17.4	25.4

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 2023

	Note	First half 2024 \$M	First half 2023 \$M
Profit after tax		17.4	25.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	2.9	(9.7)	(23.3)
Income tax benefit on items that may be reclassified subsequently to profit or loss	2.9	2.9	7.0
Total items that may be reclassified subsequently to profit or loss net of tax		(6.8)	(16.3)
Other comprehensive profit/(loss) net of tax		10.6	(16.3)
Total comprehensive income attributable to owners of Pacific National Holdings Pty Ltd		10.6	9.1

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 2023

	Note	December 2023 \$M	June 2023 \$M
Current assets			
Cash and cash equivalents	2.6	83.0	60.2
Trade and other receivables	2.6	268.3	257.1
Contract asset		19.6	19.7
Prepayments and other assets		27.0	14.0
Inventories		24.7	23.8
Derivative financial assets	2.6	5.5	63.3
Intangible assets		5.0	—
Total current assets		433.1	438.1
Non-current assets			
Property, plant and equipment		3,035.7	3,046.1
Lease assets		193.2	199.1
Intangible assets		978.7	975.4
Contract asset		109.9	107.3
Prepayments and other assets		0.1	1.0
Employee benefits		2.0	2.0
Derivative financial assets	2.6	81.6	94.8
Total non-current assets		4,401.2	4,425.7
Total assets		4,834.3	4,863.8
Current liabilities			
Trade payables	2.7	57.2	80.5
Other payables and accrued expenses	2.7	237.0	233.8
Provisions		30.9	26.6
Employee benefits		103.7	102.3
Lease liabilities		23.9	22.5
Loans and borrowings	2.7	—	571.7
Derivative financial liabilities	2.7	5.6	4.8
Total current liabilities		458.3	1,042.2
Non-current liabilities			
Other payables and accrued expenses	2.7	191.7	192.0
Provisions		19.7	20.5
Employee benefits		12.7	13.3
Lease liabilities		192.9	199.1
Loans and borrowings	2.7	3,080.3	2,540.5
Net deferred tax liabilities		67.0	63.5
Derivative financial liabilities	2.7	8.4	—
Total non-current liabilities		3,572.7	3,028.9
Total liabilities		4,031.0	4,071.1
Net assets		803.3	792.7
Equity			
Contributed equity	2.11	4,264.7	4,264.7
Reserves		(4,937.4)	(4,930.6)
Retained earnings		1,476.0	1,458.6
Total equity		803.3	792.7

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 2023

First half 2023 \$M	Contributed equity	Reserves	Retained earnings	Total
Balance at 1 July 2022	4,264.7	(4,918.3)	1,399.9	746.3
Profit after tax	–	–	25.4	25.4
Other comprehensive income (“OCI”):				
Net movement in cash flow hedge reserve	–	(23.3)	–	(23.3)
Income tax expense on OCI	–	7.0	–	7.0
Total comprehensive income	–	(16.3)	25.4	9.1
Transactions with owners in their capacity as owners:	–	–	–	–
Balance at 31 December 2022	4,264.7	(4,934.6)	1,425.3	755.4

First half 2024 \$M	Contributed equity	Reserves	Retained earnings	Total
Balance at 1 July 2023	4,264.7	(4,930.6)	1,458.6	792.7
Profit after tax	–	–	17.4	17.4
Other comprehensive income:				
Net movement in cash flow hedge reserve	–	(9.7)	–	(9.7)
Income tax benefit on OCI	–	2.9	–	2.9
Total comprehensive income	–	(6.8)	17.4	10.6
Transactions with owners in their capacity as owners	–	–	–	–
Balance at 31 December 2023	4,264.7	(4,937.4)	1,476.0	803.3

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 2023

	Note	First half 2024 \$M	First half 2023 \$M
Operating cash flows			
Receipts from customers		1,352.0	1,353.4
Payments to suppliers and employees		(1,076.5)	(1,109.5)
Interest and other costs of finance paid		(97.3)	(90.0)
Interest received		2.4	0.6
Net operating cash inflows		180.6	154.5
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(182.9)	(176.7)
Proceeds from sale of property, plant and equipment and intangible assets		6.8	1.4
Loans to related parties		(1.1)	(1.4)
Net investing cash outflows		(177.2)	(176.7)
Financing cash flows			
Drawdown of borrowings		980.0	320.0
Repayments of borrowings		(944.0)	(300.0)
Payment of finance lease liabilities		(16.6)	(16.5)
Net financing cash inflow		19.4	3.5
Net increase/(decrease) in cash and cash equivalents		22.8	(18.7)
Cash and cash equivalents at the beginning of the half year		60.2	76.9
Cash and cash equivalents at the end of the half year		83.0	58.2

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 29 February 2024.

Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2023 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 2023.

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 significant impact on the Group's financial position and performance for the current or prior reporting period.

Other accounting standards and interpretations

Other new and amended standards and interpretations issued and effective as the reporting date do not impact the Group's financial statements.

New accounting standards and interpretations not yet adopted

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- AASB 2023-1 Amendments to Australian Accounting Standards – *Supplier Finance Arrangements*
- AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current*
- AASB 2020-6 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- AASB 2022-6 Amendments to Australian Accounting Standards – *Non-current Liabilities with Covenants*
- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2023-3 Amendments to Australian Accounting Standards – *Disclosure of Non-current Liabilities with Covenants: Tier 2*
- AASB 2022-5 Amendments to Australian Accounting Standards – *Lease Liability in a Sale and Leaseback*
- AASB 2014-10 Amendments to Australian Accounting Standards – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2015-10 Amendments to Australian Accounting Standards – *Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2017-5 and AASB 2021-7 Amendments to Australian Accounting Standards – *Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

Going concern

Notwithstanding the existence of a net current asset deficit of \$25.2 million at 31 December 2023 (30 June 2023: \$604.1 million), the financial statements have been prepared on a going concern basis as the Company has significant undrawn financing facilities that 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 2023.

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 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 2024 \$M	First half 2023 \$M
Revenue		
Rail haulage	1,154.1	1,170.2
Other	28.1	26.2
Total revenue	1,182.2	1,196.4
Other income		
Net gain/(loss) on sale of property, plant and equipment	7.0	(0.2)
Lease rental income	9.3	8.3
Insurance proceeds	1.0	—
Other	0.2	—
Total other revenue	17.5	8.1

2.2 Taxes

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

	First half 2024 \$M	First half 2023 \$M
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	23.9	36.3
Income tax at 30% (2022: 30%)	7.2	10.9
Derecognition of temporary difference	(0.6)	—
Other deductible expenses	(0.1)	—
Income tax expense recognised in the profit or loss	6.5	10.9
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	2.9	(7.0)
	2.9	(7.0)

2.3 Contingent liabilities

Litigation

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 the current reporting period end.

Environmental liabilities

The Company provides for all known environmental liabilities. While the Board believes that its provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites, or identification of new remedial obligations at other sites.

2.4 Capital and other commitments

	December 2023 \$M	June 2023 \$M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	114.7	96.3
One year or later and no later than five years	193.3	196.9
Later than five years	—	—
	308.0	293.2
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	26.3	19.6
One year or later and no later than five years	17.7	21.8
	44.0	41.4

2.5 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 2023.

2.6 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 2023 \$M	June 2023 \$M
Current		
Cash and cash equivalents	83.0	60.2
Trade receivables (net of impairment)	170.5	171.5
Other receivables	97.8	85.6
Contract assets	19.6	19.7
Derivative financial assets	5.5	63.3
	376.4	400.3
Non-current		
Contract assets	109.9	107.3
Derivative financial assets	81.6	94.8
	191.5	202.1
Total financial assets	567.9	602.4

2.7 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 2023 \$M	June 2023 \$M
Current		
Trade payables	57.2	80.5
Other payables and accrued expenses	237.0	233.8
Derivative financial liabilities	5.6	4.8
Loans and borrowings:	—	571.7
GBP bonds (net of discount)	—	571.7
	299.8	890.8
Non-current		
Other payables and accrued expenses	191.7	192.0
Derivative financial liabilities	8.4	—
Loans and borrowings:	3,080.3	2,540.5
Syndicated bank loans	460.0	410.0
Term loans	500.0	—
US dollar bonds (net of discount)	585.2	597.7
AUD bonds (net of discount)	1,547.0	1,546.6
Capitalised transaction costs	(11.9)	(13.8)
	3,280.4	2,732.5
Total financial liabilities	3,580.2	3,623.3

2.7.1 Bank facilities

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

\$M	Maturity	December 2023		June 2023	
		Facility	Utilised	Facility	Utilised
Syndicated revolving facility	October 2024	—	—	300.0	300.0
Syndicated revolving facility	October 2025	200.0	200.0	200.0	110.0
Syndicated revolving facility	July 2026	400.0	—	400.0	—
Syndicated revolving facility	December 2025	500.0	260.0	500.0	—
Term loan	July 2028	250.0	250.0	250.0	—
Term loan	July 2030	250.0	250.0	250.0	—
		1,600.0	960.0	1,900.0	410.0
Less: cash and cash equivalents		—	(83.0)	—	(60.2)
Net bank debt		1,600.0	877.0	1,900.0	349.8
Bank guarantee facility	July 2023	65.0	40.5	65.0	39.3
		1,665.0	917.5	1,965.0	389.1

On 13 July 2023, Pacific National drew down \$500.0 million across two \$250.0 million tranches of term loan facilities with maturity dates of 10 July 2028 and 10 July 2030 respectively. The proceeds were used to fully repay \$410.0 million of revolving bank debt outstanding at the time.

On 19 July 2023, Pacific National voluntarily early-terminated the \$300.0 million tranche of revolving bank debt facilities that had a maturity date of 11 October 2024.

As at 31 December 2023, all syndicated revolving credit facilities, term loans, working capital facilities, US dollar 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 2023 \$430.0 million of drawn syndicated revolving credit facilities were repaid. As at 31 December 2023 the balance of drawn bank debt facilities was \$960.0 million (30 June 2023: \$410.0 million).

2.7 Financial liabilities (continued)

2.7.2 US dollar bonds

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

\$M	Maturity	December 2023		June 2023	
		US\$	A\$ ¹	US\$	A\$
US dollar 10 year bonds ²	March 2028	400.0	587.2	400.0	600.0
US bonds		400.0	587.2	400.0	600.0
Discount on US dollar bonds		(1.5)	(2.0)	(1.7)	(2.3)
US bonds (net of discount)		398.5	585.2	398.3	597.7

1. Australian dollar equivalent calculated at the spot rate on 31 December 2023.
2. As at 31 December 2023, Pacific National's currency and interest rate exposure on the US dollar 10-year bonds was hedged to 100%(30 June 2023: 100%) through fixed-for-fixed cross-currency interest rate swaps.

2.7.3 Sterling bonds

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

\$M	Maturity	December 2023		June 2023	
		GB£	A\$	GB£	A\$
GBP 10 year bonds	September 2023	—	—	300.0	571.7
Discount on GBP bonds		—	—	—	—
GBP bonds (net of discount)		—	—	300.0	571.7

On 19 September, Pacific National repaid a maturing GBP300.0 million bond (\$514.0 million) using available cash and undrawn revolving bank debt facilities.

2.7.4 Australian dollar bonds

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

\$M	Maturity	December 2023	June 2023
		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 10 year bonds	September 2031	400.0	400.0
AUD bonds		1,550.0	1,550.0
Discount on AUD bonds		(3.0)	(3.4)
AUD bonds (net of discount)		1,547.0	1,546.6

2.8 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.

2.8 Fair value of financial assets and liabilities (continued)

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

	December 2023		June 2023	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
US dollar bonds, gross of discount and unrealised fair value loss	587.3	549.5	600.0	546.6
GBP bonds, gross of discount	—	—	571.7	568.6
AUD bonds, gross of discount	1,550.0	1,390.3	1,550.0	1,327.5

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.

2.9 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 2024 \$M	First half 2023 \$M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	2.4	0.6
Finance income	2.4	0.6
Interest expense ¹	(86.2)	(84.9)
Amortisation of capitalised transaction costs	(1.8)	(1.6)
Guarantee and commitment fees	(3.0)	(2.4)
Unwind of discount on long-term provisions	(1.8)	(1.7)
Credit value adjustment recognised in the profit or loss	—	—
Net change in fair value of derivatives not designated in a hedge relationship	—	0.7
Finance expense	(92.8)	(89.9)
Recognised directly in the Consolidated Statement of Comprehensive Income		
Net movement in cash flow hedge reserve	(9.7)	(23.3)
Income tax benefit on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	2.9	7.0
Finance expense recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	(6.8)	(16.3)

1. Interest expense includes \$6.1 million of interest on lease liabilities (31 December 2022: \$5.1 million).

2.10 Dividends

No dividends were declared or paid by the Company for the current reporting period ended 31 December 2023 (31 December 2022: Nil). No return of capital was paid to shareholders during the current reporting period (31 December 2022: Nil).

No franking account is held by the Company as at 31 December 2023 (30 June 2023: \$nil).

2.11 Contributed equity

	Date	Price per share \$	Number of fully paid ordinary shares	\$M
Parent				
Balance at	1 July 2022		975,385,664	4,264.7
Return of capital ¹	—		—	—
Balance at	30 June 2023		975,385,664	4,264.7
Parent				
Balance at	1 July 2023		975,385,664	4,264.7
Return of capital ¹	—		—	—
Balance	31 December 2023		975,385,664	4,264.7

1. No return of capital was paid to shareholders during the current reporting period (for the six months ended 31 December 2022: Nil and for the year ended 30 June 2023 Nil).

2.12 Events subsequent to the reporting date

There has not arisen in the period between 31 December 2023 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.

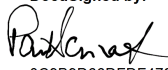
Directors' Declaration

For the half year ended 31 December 2023

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 16:
 - (i) present fairly, in all material respects the Group's financial position as at 31 December 2023 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.

DocuSigned by:

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Paul Scurrah

Chief Executive Officer

29 February 2024



Independent Auditor's Review Report

To the shareholders of Pacific National Holdings Pty Ltd

Conclusion

We have reviewed the accompanying **Interim Financial Report for the half year ended 31 December 2023** of Pacific National Holdings Pty Ltd.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Report for the half year ended 31 December 2023 of Pacific National Holdings Pty Ltd does not present fairly, in all material respects, the financial position of the **Group** as at 31 December 2023 and its financial performance and its cash flows for the Half-year ended on the date, in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting*.

The **Interim Financial Report** comprises:

- Consolidated Statement of Financial Position as at 31 December 2023;
- 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 2.12 comprising material accounting policies and other explanatory information;
- The Directors' Declaration.

The **Group** comprises Pacific National Holdings Pty Ltd (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report for the half year ended 31 December 2023

The Directors of the Company are responsible for:

- the preparation and fair presentation of the Interim Financial Report for the half year ended 31 December 2023 in accordance with *Australian Accounting Standards*; and
- such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the Interim Financial Report for the half year ended 31 December 2023 that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report for the half year ended 31 December 2023

Our responsibility is to express a conclusion on the Interim Financial Report for the half year ended 31 December 2023 based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Interim Financial Report for the half year ended 31 December 2023 does not present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and its cash flows for the Half-year ended on that date, in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting*.

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.


KPMG


Paul Thomas

Partner

Sydney

29 February 2024