

## PRO-PAC PACKAGING LIMITED

### PRO-PAC FY2017 RESULT

- **Revenue stabilised in 2H17, reflecting management's efforts to grow share of food services market through innovation, new products and marketing**
- **Underlying Profit Before Tax (PBT) of \$7.8 million**
- **Directors declare final dividend of 1cps, bringing total dividends for FY17 to 2cps**

Pro-Pac Packaging Limited (Pro-Pac; ASX: PPG) today announced revenue for the year ended 30 June 2017 ("FY17") of \$229.2 million (FY16: \$240.8 million). Revenue in 2H17 was 1% below the previous corresponding period (pcp), which was an encouraging result given the soft trading conditions experienced in 1H17. Volume growth in flexible packaging for the food & beverage market was the driver behind the stronger result in 2H17 following a number of strategic initiatives aimed at marketing Pro-Pac's business and expanding its product offering into this key segment. As previously announced, trading conditions remained soft throughout the year, although there were improving signs towards the end of 2H17.

Underlying Profit Before Tax (PBT) was \$7.8m, impacted by significant one-off costs as updated.

Notwithstanding the challenging market conditions in FY17, Pro-Pac maintains a strong market position and a pipeline of growth opportunities. Directors have declared a fully franked final dividend of 1.0 cent per ordinary share with a record date of 5<sup>th</sup> September 2017 and a payment date of 19<sup>th</sup> October 2017. This brings the total dividend paid in respect of FY17 to 2.0 cents.

The Company's balance sheet remains solid with a low gearing ratio of 12.9% and cash of \$12.3m at the end of the financial year.

Basic earnings per share in FY17 were 2.11c (FY16:3.01c).

### OUTLOOK

Pro-Pac is implementing a number of strategic initiatives to support revenue growth, particularly in its key growth markets of flexible and industrial packaging. The Company is also undertaking a digital transformation strategy to support its future growth platform by:

- launching an online sales strategy targeting SMEs;
- rolling out a national merchandising strategy to improve procurement efficiencies and inventory management;
- increasing focus into lucrative primary packaging market, via product and salesforce expansion; and,
- increasing scalability to support organic and acquisitive growth.

Once implemented, these initiatives are expected to increase volumes, improve margins and working capital efficiency.

A healthy pipeline of new business opportunities is being secured and the Company continues to evaluate a number of potential accretive acquisitions in line with its growth strategy.

The Board wishes to highlight that the Company is currently evaluating a major transformative corporate transaction and will announce details promptly as appropriate in due course.

Pro-Pac CEO Grant Harrod said: *"FY17 saw a strong contribution from our key flexible and industrial packaging growth segments. We are focusing on new opportunities within those segments to provide future revenue and earnings growth for Pro-Pac."*

*"Our position as one of the leading distributors and manufacturers of innovative packaging products and systems is being enhanced by the development of several strategic initiatives. Investments made in our digital platform will benefit Pro-Pac's customers, suppliers and employees by improving operational efficiency and scalability. In particular, we see strong future demand in flexible packaging and we look forward to consolidating a leadership position in this market in FY18 and beyond."*

## **Enquiries**

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## **About PPG**

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing innovative, flexible and rigid packaging solutions for a broad group of blue chip clients. PPG is headquartered in Sydney with a national footprint including operations in all mainland states. PPG's securities are listed and quoted on the ASX. For further information on PPG visit [www.ppgaust.com.au](http://www.ppgaust.com.au).

## PRO-PAC PACKAGING LIMITED

# Appendix 4E

## Preliminary Final Report

### Company details

Name of entity:	Pro-Pac Packaging Limited
ABN:	36 112 971 874
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

### Results for announcement to the market

				\$000's
Revenue from ordinary activities	down	5%	to	229,244
Profit before income tax, relocation, restructuring and business combination costs from ordinary activities	down	26%	to	7,816
Profit from ordinary operations after tax attributable to the owners of Pro-Pac Packaging Limited	down	28%	to	5,016
Profit from ordinary activities after tax attributable to members	down	28%	to	5,016

<i>Dividends</i>	Amount per security cents	Franked amount per security cents
Final dividend for the year ended 30 Jun 2016 paid on 22 September 2016	1.5	1.5
Interim dividend for the year ended 30 Jun 2017 paid on 18 May 2017	1.0	1.0

On 29 August 2017, the directors declared a fully franked final dividend of 1.0 cent per ordinary share with a record date of 5 September 2017 to be paid on 19 October 2017.

The Company's Dividend Reinvestment Plan will not apply to this final dividend.

During the year, 3,773,626 shares were issued under the Dividend Reinvestment Plan.

### Net tangible assets

	Consolidated Year Ended 30 June 17 Cents	Consolidated Year Ended 30 June 16 Cents
Net tangible assets per ordinary security	16.82	16.41

**Control gained over entities**

During the year, there was a small acquisition by Pro-Pac Packaging (Aust) Pty Limited, a wholly owned subsidiary of Pro-Pac Packaging Limited.

**Loss of control over entities**

Not applicable.

**Details of associates and joint venture entities**

Not applicable.

**Foreign entities**

Pro-Pac Packaging Limited has a wholly owned subsidiary, PPG Services SDN BHD, which is a company incorporated in Malaysia. This company provides support services for all Group companies. The financial statements for this company are prepared under Malaysian Financial Reporting Standards, which are compliant with International Financial Reporting Standards.

**Audit qualification or review**

This report is based on financial statements which are in the process of being audited.

**Attachments**

The consolidated preliminary financial statements of Pro-Pac Packaging Limited for the year ended 30 June 2017 are attached.

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**Signed**



Date: 29 August 2017

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Ahmed Fahour  
Director  
Sydney

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR TO 30 JUNE 2017**

	Notes	Consolidated 2017 \$000's	Consolidated 2016 \$000's
<b>Revenue</b>			
Sales of goods		229,244	240,774
Interest income		149	166
<b>Total Revenue</b>		<u>229,393</u>	<u>240,940</u>
<b>Expenses</b>			
Raw materials and consumables used		153,498	162,512
Employee benefits expense		33,134	33,521
Other expenses from ordinary activities		12,670	12,150
Distribution costs		10,053	9,806
Occupancy costs		7,690	7,479
Depreciation expense		3,225	3,353
Finance costs		1,307	1,482
Acquisition, rationalisation and relocation expenses		914	489
Amortisation of prepaid royalty		-	28
<b>Total Expenses</b>		<u>222,491</u>	<u>230,820</u>
<b>Profit before income tax from continuing operations</b>		6,902	10,120
Income tax expense	4	(1,886)	(3,182)
<b>Profit after income tax expense for the year</b>		<u>5,016</u>	<u>6,938</u>
Other comprehensive income / (costs)			
Items that will be reclassified to profit & loss			
Movements in reserves		1,390	(1,214)
<b>Total comprehensive income for the year</b>		<u><u>6,406</u></u>	<u><u>5,724</u></u>
<b>Earnings per share (cents per share)</b>			
- Basic earnings per share	1	2.11	3.01
- Diluted earnings per share	1	2.06	2.95

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Notes	Consolidated 2017 \$000's	Consolidated 2016 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13	12,259	15,345
Trade and other receivables	5	37,732	36,772
Derivative financial asset		885	-
Inventories	6	35,093	33,112
Current tax assets		181	80
Other assets		5,126	4,332
<b>Total Current Assets</b>		<b>91,276</b>	<b>89,641</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	15,158	15,831
Intangible assets	8	71,281	70,721
Deferred tax assets		2,224	2,068
<b>Total Non-Current Assets</b>		<b>88,663</b>	<b>88,620</b>
<b>TOTAL ASSETS</b>		<b>179,939</b>	<b>178,261</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	31,435	29,509
Derivative financial liability		-	504
Interest bearing trade finance		800	3,000
Interest bearing borrowings		1,098	1,156
Provisions	10	4,171	3,941
<b>Total Current Liabilities</b>		<b>37,504</b>	<b>38,110</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	1,636	1,683
Interest bearing borrowings		27,116	27,104
<b>Total Non-Current Liabilities</b>		<b>28,752</b>	<b>28,787</b>
<b>TOTAL LIABILITIES</b>		<b>66,256</b>	<b>66,897</b>
<b>NET ASSETS</b>		<b>113,683</b>	<b>111,364</b>
<b>EQUITY</b>			
Issued capital	11	98,194	96,304
Other reserves	14	1,062	(343)
Retained earnings	12	14,427	15,403
<b>TOTAL EQUITY</b>		<b>113,683</b>	<b>111,364</b>

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR TO 30 JUNE 2017**

	Notes	Consolidated 2017 \$000's	Consolidated 2016 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		229,244	243,281
Payments to suppliers and employees (inclusive of GST)		(217,819)	(224,552)
Interest received		149	166
Finance costs		(1,307)	(1,482)
Income tax paid		(2,140)	(2,771)
Relocation, restructuring and business combination costs		(914)	(489)
<b>Net cash flows provided by operating activities</b>	13	7,213	14,153
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,770)	(1,980)
Proceeds from sale of property, plant and equipment		278	176
Payment for unincorporated business net of cash acquired		(1,407)	(502)
Working capital for business acquired		(55)	(75)
<b>Net cash flows used in investing activities</b>		(3,954)	(2,381)
<b>Cash flows from financing activities</b>			
Payment of hire purchase and finance lease liabilities		(1,480)	(1,533)
Finance leases raised		1,435	1,339
Proceeds from borrowings		(2,200)	449
Dividends paid		(4,100)	(2,802)
<b>Net cash flows used in financing activities</b>		(6,345)	(2,547)
<b>Net increase / (decrease) in cash and cash equivalents</b>		(3,086)	9,225
<b>Cash and cash equivalents at beginning of financial year</b>		15,345	6,120
<b>Cash and cash equivalents at end of financial year</b>	13	12,259	15,345
<b>Non cash financing transactions</b>			
Hire purchase and finance lease liabilities raised		1,435	1,339
Issue of shares for dividend re-investment plan		1,890	3,578

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR TO 30 JUNE 2017**

	<b>Issued capital \$000's</b>	<b>Retained earnings \$000's</b>	<b>Reserves \$000's</b>	<b>Total equity \$000's</b>
<b>Consolidated</b>				
<b>Balance as at 1 July 2015</b>	<b>92,726</b>	<b>14,845</b>	<b>830</b>	<b>108,401</b>
Profit after income tax expense for the year	-	<b>6,938</b>	-	<b>6,938</b>
Other comprehensive income for the year, net of tax	-	-	<b>(1,214)</b>	<b>(1,214)</b>
Total comprehensive income for the year	-	<b>6,938</b>	<b>(1,214)</b>	<b>5,724</b>
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	<b>3,578</b>	-	-	<b>3,578</b>
Recognition of share based payment	-	-	<b>41</b>	<b>41</b>
Dividends paid	-	<b>(6,380)</b>	-	<b>(6,380)</b>
<b>At 30 June 2016</b>	<b>96,304</b>	<b>15,403</b>	<b>(343)</b>	<b>111,364</b>

	<b>Issued capital \$000's</b>	<b>Retained earnings \$000's</b>	<b>Reserves \$000's</b>	<b>Total equity \$000's</b>
<b>Consolidated</b>				
<b>Balance as at 1 July 2016</b>	<b>96,304</b>	<b>15,403</b>	<b>(343)</b>	<b>111,364</b>
Profit after income tax expense for the year	-	<b>5,016</b>	-	<b>5,016</b>
Other comprehensive income for the year, net of tax	-	-	<b>1,390</b>	<b>1,390</b>
Total comprehensive income for the year	-	<b>5,016</b>	<b>1,390</b>	<b>6,406</b>
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	<b>1,890</b>	-	-	<b>1,890</b>
Recognition of share based payment	-	-	<b>15</b>	<b>15</b>
Dividends paid	-	<b>(5,992)</b>	-	<b>(5,992)</b>
<b>At 30 June 2017</b>	<b>98,194</b>	<b>14,427</b>	<b>1,062</b>	<b>113,683</b>



## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 1: EARNINGS PER SHARE

	Consolidated Year Ended 30 June 17 Cents	Consolidated Year Ended 30 June 16 Cents
Basic earnings per share *	2.11	3.01
Diluted earnings per share *	2.06	2.95
Reconciliation of earnings used in calculation of earnings per share:		
	\$000's	\$000's
Profit after income tax	5,016	6,938
	=====	=====
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	237,980,248	230,470,499
Weighted average number of ordinary shares used in the calculation of basic diluted earnings per share	243,088,297	236,346,047
	=====	=====
Number of ordinary shares on issue at year end (including ESPP shares)	241,771,819	240,428,193
	=====	=====

\* The difference between basic and diluted shares on issue represents the PPG Executive Long Term Incentive Plan (ESPP) shares on issue which are treated as an option grant as well as options issued.

#### NOTE 2: DIVIDENDS

The Directors of Pro-Pac Packaging Limited have declared a final fully franked dividend of 1.0 c per share in respect of the financial year ended 30 June 2017. When combined with the interim dividend of 1.0 c per share paid on 18 May 2017, this represents fully franked dividends of 2.0 c per share for the 2016/17 financial year.

#### NOTE 3: NET TANGIBLE ASSETS PER SECURITY

	Consolidated Year Ended 30 June 17 Cents	Consolidated Year Ended 30 June 16 Cents
Net tangible assets per security – basic	16.82	16.41
	=====	=====
Net assets per security – basic	47.59	47.37
	=====	=====

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2017 \$000's	Consolidated Year Ended 30 June 2016 \$000's
<b>NOTE 4: TAXATION</b>		
<i>a) Income Tax Expense:</i>	1,886	3,182
<b>Income tax expense:</b>		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	2,071	3,036
<b>Increase / (decrease) in income tax expense due to:</b>		
Difference in income tax rate of overseas entity and Australia	(6)	(2)
Other income not subject to tax net of expenditure not allowable for tax purposes	113	148
Adjustment for the difference in leasehold improvements & make good provision	(209)	-
Adjustment in respect of prior years	(83)	-
<b>Income tax expense attributable to profit from ordinary activities</b>	<u>1,886</u>	<u>3,182</u>
<i>b) Current Tax Liabilities:</i>		
Income tax payable	-	-
<i>c) Current Tax Assets:</i>		
Current tax asset	<u>181</u>	<u>80</u>
<i>d) Non-Current Tax Assets:</i>		
Deferred tax asset	<u>2,224</u>	<u>2,068</u>
<b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	37,164	35,767
Provision for impairment of receivables	(407)	(358)
	<u>36,757</u>	<u>35,409</u>
Other debtors	<u>975</u>	<u>1,363</u>
<b>Total Current Receivables</b>	<u>37,732</u>	<u>36,772</u>
<b>NOTE 6: INVENTORIES</b>		
<b>Current</b>		
Raw materials and work in progress (lower of cost and net realisable value)	1,770	1,071
Finished goods (lower of cost and net realisable value)	33,812	32,691
Provision for stock obsolescence	(489)	(650)
<b>Total Inventories</b>	<u>35,093</u>	<u>33,112</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2017 \$000's	Consolidated Year Ended 30 June 2016 \$000's
<b>Note 7: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and Equipment</b>		
At cost	34,881	33,119
Accumulated depreciation	(19,723)	(17,288)
Total plant and equipment	<u>15,158</u>	<u>15,831</u>
<b>Note 8: INTANGIBLE ASSETS</b>		
Goodwill	<u>71,281</u>	<u>70,721</u>
<b>Reconciliation</b>		
Carrying amount at beginning of the year	70,721	70,337
Acquisition of businesses	560	384
Total goodwill	<u>71,281</u>	<u>70,721</u>
<b>NOTE 9: PAYABLES</b>		
<b>Current</b>		
<b>Unsecured</b>		
Trade payables	21,917	21,391
GST payable	579	580
Other tax payable	386	358
Sundry creditors and accruals	8,508	7,065
Contingent deferred payments to vendors for acquisitions	45	115
	<u>31,435</u>	<u>29,509</u>
<b>NOTE 10: PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	<u>4,171</u>	<u>3,941</u>
<b>Non-Current</b>		
Make good provision	947	938
Employee entitlements	689	745
	<u>1,636</u>	<u>1,683</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 11: ISSUED CAPITAL

	Consolidated	Consolidated
	Number	\$000's
<b>2017</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	241,771,819	98,194
	<u>241,771,819</u>	<u>98,194</u>
<i>Movements during the year:</i>		
Balance at beginning of year	240,428,193	96,304
Cancellation of shares for Executive Long Term Incentive Plan	(2,430,000)	-
Issue of shares for dividend re-investment plan	3,773,626	1,890
	<u>241,771,819</u>	<u>98,194</u>
<b>2016</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	240,428,193	96,304
	<u>240,428,193</u>	<u>96,304</u>
<i>Movements during the year:</i>		
Balance at beginning of year	229,073,257	92,726
Issue of shares for Executive Long Term Incentive Plan	3,300,000	-
Cancellation of shares for Executive Long Term Incentive Plan	(575,000)	-
Issue of shares for dividend re-investment plan	8,629,936	3,578
	<u>240,428,193</u>	<u>96,304</u>
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>Year Ended</b>	<b>Year Ended</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$000's</b>	<b>\$000's</b>

#### NOTE 12: RETAINED PROFITS

Retained profits at the beginning of the year	15,403	14,845
Net profit attributable to members of the company	5,016	6,938
Dividends paid	(5,992)	(6,380)
	<u>14,427</u>	<u>15,403</u>
<b>Retained profits at the end of the year</b>	<u>14,427</u>	<u>15,403</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

Consolidated Year Ended 30 June 2017 \$000's	Consolidated Year Ended 30 June 2016 \$000's
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#### NOTE 13: NOTES TO THE STATEMENT OF CASH FLOWS

##### a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

<b>Cash Assets</b>	<b>12,259</b>	<b>15,345</b>
<b>b) Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities:</b>		
<b>Profit from ordinary activities after income tax</b>	<b>5,016</b>	<b>6,938</b>
<b>Add/(Less) non-cash items:</b>		
Depreciation and amortisation of plant and equipment	3,225	3,353
Amortisation of prepaid royalty	0	28
(Profit) / loss on disposal of assets	(40)	20
Movement in income tax provision	(104)	(65)
Movement in deferred tax assets & liabilities	(156)	452
Movement in provision for bad debts	49	(244)
Other non-cash movements	4	76
<b>Changes in Assets and Liabilities:</b>		
Receivables	(837)	2,206
Inventories	(1,089)	(583)
Payables	1,763	2,703
Provisions	174	(212)
Prepayments	(792)	(519)
<b>Net cash flows from operating activities</b>	<b>7,213</b>	<b>14,153</b>

#### NOTE 14: MOVEMENT IN RESERVES

The movement in the Cash flow hedge reserve reflects the difference between contracted values and market values of the foreign currency forward contracts that the Company holds as at balance sheet date.

	Cash flow hedge reserve \$'000	Option reserve \$'000	Total \$'000
<b>Consolidated - 2017</b>			
Balance as at 1 July 2016	(504)	161	(343)
Movement during the year	1,390	15	1,405
Balance as at 30 June 2017	886	176	1,062

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 15: CONTROLLED ENTITIES

##### *a) Particulars in Relation to Controlled Entities*

The consolidated entity includes the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia except for PPG Services SDN BHD which is incorporated in Malaysia.

	<b>Parent Company Interest Held</b>
<b>Direct Controlled Entities:</b>	
Pro-Pac Group Pty Ltd	100%
Plastic Bottles Pty Ltd	100%
PPG Services SDN BHD	100%
<b>Controlled Entities owned 100% by Pro-Pac Group Pty Ltd</b>	
Pro-Pac Packaging (Aust) Pty Ltd	100%
Pro-Pac (GLP) Pty Ltd	100%
<b>Controlled Entities owned 100% by Pro-Pac Packaging (Aust) Pty Ltd</b>	
Pro-Pac Packaging Manufacturing (Syd) Pty Ltd	100%
Pro-Pac Packaging Manufacturing (Melb) Pty Ltd	100%
Pro-Pac Packaging Manufacturing (Bris) Pty Ltd	100%
Creative Packaging Pty Ltd	100%
<b>Controlled Entities owned 100% by Plastic Bottles Pty Ltd</b>	
Speciality Products and Dispensers Pty Ltd	100%
Australian Bottle Manufacturers Pty Ltd	100%
Ctech Closures Pty Ltd	100%
Bev-Cap Pty Ltd	100%
<b>Controlled Entities owned 100% by Bev-Cap Pty Ltd</b>	
Great Lakes Moulding Pty Ltd	100%
Finpact Pty Ltd	100%

#### NOTE 16: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;

##### **Types of products and services by segment**

##### **Industrial packaging**

The Industrial packaging division manufactures, sources and distributes industrial packaging materials and related products and services. All products produced or distributed are aggregated as one reportable segment as the products are similar in nature and are distributed to similar types of customers. The industrial packaging segment also installs, supports and maintains packaging machines.

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 16: OPERATING SEGMENTS (CONTINUED)

##### **Rigid packaging**

The Rigid packaging division manufactures, sources and distributes containers and closures and related products and services. All products produced or distributed are aggregated as one reportable segment as the products are similar in nature and are manufactured and distributed to similar types of customers.

##### **Basis of accounting for purposes of reporting by operating segments**

###### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

###### *Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. This price is re-set regularly and is usually based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

###### *Segment Assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the assets role, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

###### *Segment Liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain borrowings.

###### *Unallocated items*

The following items of revenue, expenses, asset and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment: impairment of assets and other non-recurring revenue or expenses; income tax expense; deferred tax asset and liabilities; current tax liabilities; other financial liabilities; intangible assets.

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 16: OPERATING SEGMENTS (CONTINUED)

	Rigid packaging \$ 000 2017	Industrial packaging \$ 000 2017	Intersegment eliminations / unallocated \$ 000 2017	Total \$ 000 2017		Rigid packaging \$ 000 2016	Industrial packaging \$ 000 2016	Intersegment eliminations / unallocated \$ 000 2016	Total \$ 000 2016
<b>(i) Segment performance</b>									
<b>12 month ended 30 June</b>									
<b>Revenue</b>									
External sales	59,802	169,442	-	229,244		65,615	175,159	-	240,774
Inter-segment sales	8,162	7,030	(15,192)	-		8,754	7,827	(16,581)	-
<b>Total segment revenue</b>	<u>67,964</u>	<u>176,472</u>	<u>(15,192)</u>	<u>229,244</u>		<u>74,369</u>	<u>182,986</u>	<u>(16,581)</u>	<u>240,774</u>
<b>EBITDA</b>	7,011	9,206	(4,932)	11,285		8,825	10,415	(4,423)	14,817
Depreciation and amortisation	(1,512)	(1,580)	(133)	(3,225)		(1,496)	(1,697)	(188)	(3,381)
Interest revenue				149					166
Finance costs				(1,307)					(1,482)
<b>Profit before income tax</b>				<u>6,902</u>					<u>10,120</u>
Income tax expense				(1,886)					(3,182)
<b>Profit after income tax</b>				<u>5,016</u>					<u>6,938</u>
<b>(ii) Segment assets</b>									
<b>As at 30 June</b>									
<b>Segment assets</b>	46,375	120,865	-	167,240		46,844	115,788	-	162,632
<i>Reconciliation of segment assets to group assets</i>									
Inter -segment eliminations				(2,020)					(1,870)
Unallocated assets				14,719					17,499
* Deferred tax assets				2,224					2,068
* Other				12,495					15,431
<b>Total group assets from continuing operations</b>				<u>179,939</u>					<u>178,261</u>
<b>(iii) Segment liabilities</b>									
<b>As at 30 June</b>									
<b>Segment liabilities</b>	13,208	29,409	-	42,617		13,216	29,356	-	42,572
<i>Reconciliation of segment liabilities to group liabilities</i>									
Inter -segment eliminations				(2,116)					(1,866)
Unallocated liabilities				25,755					26,191
* Deferred tax liabilities				-					-
* Other liabilities				25,755					26,191
<b>Total group liabilities from continuing operations</b>				<u>66,256</u>					<u>66,897</u>

(iv) Pro-Pac Packaging Limited have an operation, PPG Services SDN BHD, which is a company incorporated in Malaysia. This company provides support services for all Group companies. The financial statements for this company are prepared under Malaysian Financial Reporting Standards, which are compliant with International Financial Reporting Standards

#### NOTE 17: AUDIT STATUS

This report is based on financial reports that are in the process of being audited.

#### NOTE 18: LONG TERM EXECUTIVE INCENTIVE PLAN

Under AIFRS, shares issued to executives under the Long Term Executive Incentive Plan are considered to be options granted. As such, the contributed equity (share capital) as well as the related receivable are not recognised on the statement of financial position and do not form part of the asset base in the calculation of the basic net assets and basic net tangible assets per security.



**PRO-PAC PACKAGING LIMITED**  
**NOTES TO THE PRELIMINARY FINAL REPORT**

**NOTE 19: CONTINGENT LIABILITIES**

As at balance sheet date, the company issued security deposit guarantees and letters of credits to the value of \$5,749,389 to the landlords of rented premises and overseas suppliers.

As of the date of this report, the Company is defending a legal claim part of which has been determined and part referred for expert determination. In relation to this matter, the Company believes it has adequate provision recorded in the financial statements as at reporting date.

**NOTE 20: CAPITAL EXPENDITURE COMMITMENTS**

As at reporting date the company had commitments for future capital expenditure of \$2,095,518.

**NOTE 21: EVENTS SUBSEQUENT TO YEAR END**

There were no events subsequent to year end.