

## PRO-PAC PACKAGING LIMITED

### PRO-PAC FY2018 RESULT

- **Underlying FY18 Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) of \$16.1 million<sup>1</sup> in line with the guidance provided**
- **Statutory Loss After Tax of \$5.13m, which includes \$11.7 million of one off acquisition, rationalisation, relocation and restructuring costs.**
- **Merger with Integrated Packaging Group completed to establish a market-leading Distribution and Flexible Packaging business with synergies ahead of schedule**
- **Final dividend of 1.0 cent per share fully franked declared**

Pro-Pac Packaging Limited (ASX:PPG) today announced revenues of \$371 million for the year ended 30 Jun 2018 ('FY18') and a statutory loss after tax of \$5.1m. This result includes eight months of trading for Integrated Packaging ('IPG') following its acquisition on 6 November, 2017 and one off abnormals and write offs of \$11.7m stemming predominantly from the acquisition.

Revenue for PPG on a standalone basis was \$242 million, up \$13 million on the previous corresponding period, FY18 has seen volumes increase in key industrial, food processing and beverage markets for the Group, but rising raw material costs and the drought have adversely impacted sales and margins.

Integration synergies following the acquisition of the Integrated Packaging Group in November 2017 continue to exceed forecast with major site consolidations and rationalisation well underway.

Underlying EBITDA of \$16.1m was in line with the guidance provided while Profit Before Tax (PBT) for the Group was \$5.3 million, after adjusting for \$11.7 million of one-off items attributed to the IPG acquisition and resulting rationalization, relocation and restructuring costs.

Board renewal program completed with the appointments of Mr Darren Brown on 2 July 2018, Ms Leonie Valentine and Ms Marina Go on 1 August 2018. Mr Ahmed Fahour resumes his role of Non-Executive Chairman and management renewal is well underway.

### OUTLOOK

The recently announced acquisitions of Perfection Packaging and Polypak will enhance the Group's capabilities to access the higher growth flexible packaging markets and provides further scope for rationalization of facilities and infrastructure and the resultant extraction of synergies in the short to medium term.

Pro-Pac CEO Grant Harrod said: *"The merger with IPG and the acquisition of Polypak and Perfection Packaging provides the company with an exciting platform into the higher growth flexible packaging sector, where Pro-Pac has a unique opportunity as both manufacturer and distributor, to grow these markets. Whilst FY2018 was a year of substantial change and cost, we are transforming PPG into a resilient diversified business, servicing higher growth markets that will help drive a more sustainable earnings profile."*

*"We are now positioned to increase sales into new markets including fresh & dry food packaging that have a more attractive growth profile as they require local processing, underpinned by increasing consumer demand for product freshness and unitization."*

*"These acquisitions will also allow the company to improve its operational effectiveness by consolidating manufacturing and distribution sites, where we expect further synergy savings as these are completed"* Mr Harrod added.

Following the changes undertaken in FY2018, the PPG Group is now on track to achieve higher revenue and earnings in FY2019. The Group expects:

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<sup>1</sup> Results include eight months of trading for Integrated Packaging following completion of the acquisition on 6 November, 2017.

- It will benefit from the strong outlook in the fresh & dry foods, industrial & logistics, cotton and beverage markets,
- achieve additional synergies with further site consolidations and improved operational effectiveness,
- the ongoing drought to impact grain bag and silage wrap volumes,
- the continued rise in resin pricing, plus falling AUD\$, will result in a short-term margin impact before customer rise & fall clauses take effect.
- the Perfection Packaging acquisition to complete on 1 September, 2018, and Polypak, (completed 1 July'18), is trading ahead of expectation, both will extend the company's sales into higher growth FMCG and food processing markets reducing current exposure to agriculture.

Given the ongoing uncertainty of the drought, energy prices and foreign exchange, the company has updated its FY2019 underlying EBITDA to a range of \$37 to \$42 million, including acquisitions, with upper end dependent upon a more favourable macro environment.

## **DIVIDEND**

Reflecting its confidence in the prospects for the business, the Board today declared a fully franked final dividend of 1.0 cent per share. The record date for determining entitlement to the dividend will be 11 September 2018 and the dividend will be paid on 6 November 2018. The PPG Board confirmed it will continue its Dividend Reinvestment Plan for this dividend.

## **Enquiries**

For further information please contact Mr. Grant Harrod, CEO, or Mr. Mark Saus, CFO, Pro-Pac Packaging Limited on Tel (02) 8781 0500.

## **About PPG**

PPG Group including Pro-Pac Packaging Limited, Integrated Packaging Group Pty Limited and Plastic Bottles Pty Limited, is a diversified manufacturing and distribution company providing innovative industrial & flexible and rigid packaging solutions for a broad group of blue-chip clients and small-to-medium enterprises. PPG is headquartered in Sydney, with an international footprint including Australia, New Zealand and Canada. 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 2018
Previous period:	For the year ended 30 June 2017

### Results for announcement to the market

				\$000's
Revenue from ordinary activities	up	62%	to	371,455
EBITDA before relocation, restructuring and business combination costs from ordinary activities	up	32%	to	16,141
Profit / (Loss) from ordinary operations after tax attributable to the owners of Pro-Pac Packaging Limited	down	202%	to	(5,125)
Profit / (Loss) from ordinary activities after tax attributable to members	down	202%	to	(5,125)

<i>Dividends</i>	Amount per security cents	Franked amount per security cents
Final dividend for the year ended 30 Jun 2017 paid on 19 October 2017	1.0	1.0
Interim dividend for the year ended 30 Jun 2018 paid on 23 May 2018	1.0	1.0

On 28 August 2018, the directors declared a fully franked final dividend of 1.0 cent per ordinary share with a record date of 11 September 2018 to be paid on 6 November 2018.

The Company's Dividend Reinvestment Plan will apply to this final dividend.

During the year, 8,380,864 shares were issued under the Dividend Reinvestment Plan.

### Net tangible assets

	Consolidated Year Ended 30 June 18 Cents	Consolidated Year Ended 30 June 17 Cents
Net tangible assets per ordinary security	3.04	16.82

**Control gained over entities**

PPG completed the merger of leading flexible packaging manufacturer Integrated Packaging Group Pty Ltd on 6 November 2017. Other than this, no control was gained or lost over entities that would have had a material impact on the financial report for the period ended 30 June 2018.

**Loss of control over entities**

Not applicable.

**Details of associates and joint venture entities**

Not applicable.

**Foreign entities**

PPG Services SDN BHD operates in Malaysia, Pro -Pac Finance (NZ) Limited and Integrated Packaging Ltd operate in New Zealand, IP Americas Inc. operates in the United States and IP Canada Packaging Group Ltd operates in Canada.

The financial statements for these companies are prepared under 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 2018 are attached.

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**Signed**



Ahmed Fahour AO  
Director  
Melbourne

Date: 28 August 2018

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR TO 30 JUNE 2018**

	Notes	Consolidated 2018 \$000's	Consolidated 2017 \$000's
<b>Revenue</b>			
Sales of goods		371,455	229,244
Interest income		222	149
<b>Total Revenue</b>		<u>371,677</u>	<u>229,393</u>
<b>Expenses</b>			
Raw materials and consumables used		236,499	153,498
Employee benefits expense		63,174	33,134
Other expenses from ordinary activities		25,048	12,670
Distribution costs		16,409	10,053
Occupancy costs		14,184	7,690
Depreciation and amortisation expense		5,738	3,225
Finance costs		5,291	1,307
<b>Total Expenses</b>		<u>366,343</u>	<u>221,577</u>
<b>Profit before income tax expense and acquisition, rationalisation, relocation and restructuring expenses</b>		<u>5,334</u>	<u>7,816</u>
Acquisition, rationalisation and relocation expenses		11,671	914
<b>(Loss) / Profit before income tax expense for the year</b>		<u>(6,337)</u>	<u>6,902</u>
Income tax benefit / (expense)	4	<u>1,212</u>	<u>(1,886)</u>
<b>(Loss) / Profit after income tax expense for the year</b>		<u>(5,125)</u>	<u>5,016</u>
Other comprehensive income			
Items that will be reclassified to profit & loss			
Movements in reserves		(415)	1,390
<b>Total comprehensive (loss) / income for the year</b>		<u>(5,540)</u>	<u>6,406</u>
<b>Earnings per share (cents per share)</b>			
- Basic earnings per share	1	(1.15)	2.11
- Diluted earnings per share	1	(1.12)	2.06

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	Consolidated 2018 \$000's	Consolidated 2017 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15	3,206	12,259
Trade and other receivables	5	83,346	37,732
Derivative financial asset		470	885
Inventories	6	95,463	35,093
Current tax assets		-	181
Other assets		9,126	5,126
<b>Total Current Assets</b>		<b>191,611</b>	<b>91,276</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	36,490	15,158
Intangible assets	8	184,689	71,281
Deferred tax assets		14,530	2,224
<b>Total Non-Current Assets</b>		<b>235,709</b>	<b>88,663</b>
<b>TOTAL ASSETS</b>		<b>427,320</b>	<b>179,939</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	93,265	31,435
Interest bearing trade finance		-	800
Borrowings		6,004	1,098
Current tax liability		292	-
Provisions	10	8,210	4,171
<b>Total Current Liabilities</b>		<b>107,771</b>	<b>37,504</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	8,219	1,636
Borrowings		91,224	27,116
<b>Total Non-Current Liabilities</b>		<b>99,443</b>	<b>28,752</b>
<b>TOTAL LIABILITIES</b>		<b>207,214</b>	<b>66,256</b>
<b>NET ASSETS</b>		<b>220,106</b>	<b>113,683</b>
<b>EQUITY</b>			
Issued capital	11	217,695	98,194
Reserves	16	1,250	1,062
Retained earnings	12	1,161	14,427
<b>TOTAL EQUITY</b>		<b>220,106</b>	<b>113,683</b>

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR TO 30 JUNE 2018**

	Notes	Consolidated 2018 \$000's	Consolidated 2017 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers		376,156	229,189
Payments to suppliers and employees		(355,427)	(217,819)
Interest received		222	149
Interest paid		(7,329)	(1,307)
Income tax paid		(518)	(2,140)
<b>Net cash flows provided by operating activities</b>	15	<b>13,104</b>	<b>8,072</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(13,549)	(2,770)
Proceeds from sale of property, plant and equipment		757	278
Payment for controlled entity net of cash acquired		(119,940)	-
Payment for unincorporated businesses		(2,761)	(1,407)
Relocation, restructuring and business combination costs		(5,479)	(914)
<b>Net cash flows used in investing activities</b>		<b>(140,972)</b>	<b>(4,813)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(1,255)	(1,480)
Hire purchase and finance leases raised		510	1,435
Proceeds from borrowings / (Repayments)		70,777	(2,200)
Funds raised from share issue		53,320	-
Dividends paid		(4,537)	(4,100)
<b>Net cash flows used in financing activities</b>		<b>118,815</b>	<b>(6,345)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(9,053)</b>	<b>(3,086)</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>12,259</b>	<b>15,345</b>
<b>Cash and cash equivalents at end of financial year</b>	15	<b>3,206</b>	<b>12,259</b>
<b>Non cash financing transactions</b>			
Issue of shares for dividend re-investment plan		3,604	1,890

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR TO 30 JUNE 2018

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

	Issued capital \$000's	Retained earnings \$000's	Reserves \$000's	Total equity \$000's
<b>Consolidated</b>				
<b>Balance as at 1 July 2017</b>	<b>98,194</b>	<b>14,427</b>	<b>1,062</b>	<b>113,683</b>
(Loss) after income tax expense for the year	-	(5,125)	-	(5,125)
Other comprehensive income for the year, net of tax	-	-	(415)	(415)
Total comprehensive loss for the year	-	(5,125)	(415)	(5,540)
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	3,604	-	-	3,604
Shares issued to vendors of businesses acquired	62,577	-	-	62,577
Cost of raising shares	(1,482)	-	-	(1,482)
Shares issued under share placement	54,802	-	-	54,802
Recognition of share based payment	-	-	102	102
Recognition of other reserves	-	-	501	501
Dividends paid	-	(8,141)	-	(8,141)
<b>At 30 June 2018</b>	<b>217,695</b>	<b>1,161</b>	<b>1,250</b>	<b>220,106</b>



## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 1: EARNINGS PER SHARE

	Consolidated Year Ended 30 June 18 Cents	Consolidated Year Ended 30 June 17 Cents
Basic earnings per share *	(1.15)	2.11
Diluted earnings per share *	(1.12)	2.06
Reconciliation of earnings used in calculation of earnings per share:		
	\$000's	\$000's
Profit after income tax	(5,125)	5,016
	=====	=====
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	446,961,654	237,980,248
Weighted average number of ordinary shares used in the calculation of basic diluted earnings per share	458,914,567	243,088,297
	=====	=====
Number of ordinary shares on issue at year end (including ESPP shares)	583,665,341	241,771,819
	=====	=====

\* 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 2018. When combined with the interim dividend of 1.0 c per share paid on 23 May 2018, this represents fully franked dividends of 2.0 c per share for the 2017/18 financial year.

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

	Consolidated Year Ended 30 June 18 Cents	Consolidated Year Ended 30 June 17 Cents
Net tangible assets per security – basic	3.68	16.82
	=====	=====
Net assets per security – basic	38.83	47.59
	=====	=====

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2018 \$000's	Consolidated Year Ended 30 June 2017 \$000's
<b>NOTE 4: TAXATION</b>		
<i>a) Income Tax (Credit) / Expense:</i>	(1,212)	1,886
<b>Income tax (credit) / expense:</b>		
Prima facie income tax (credit) / expense calculated at 30% on the profit from ordinary activities	(1,901)	2,071
<b>Increase / (decrease) in income tax expense due to:</b>		
Difference in income tax rate of overseas entity and Australia	(14)	(6)
Other income not subject to tax net of expenditure not allowable for tax purposes	703	113
Adjustment for the difference in leasehold improvements & make good provision	-	(209)
Adjustment in respect of prior years	-	(83)
<b>Income tax (credit) / expense attributable to profit from ordinary activities</b>	<b>(1,212)</b>	<b>1,886</b>
<i>b) Current Tax Liabilities:</i>		
Income tax payable	292	-
<i>c) Current Tax Assets:</i>		
Current tax asset	-	181
<i>d) Non-Current Tax Assets:</i>		
Deferred tax asset	14,530	2,224
<b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	81,335	37,164
Provision for impairment of receivables	(957)	(407)
	80,378	36,757
Other debtors	2,968	975
<b>Total Current Receivables</b>	<b>83,346</b>	<b>37,732</b>
<b>NOTE 6: INVENTORIES</b>		
<b>Current</b>		
Raw materials and work in progress (lower of cost and net realisable value)	23,267	1,770
Finished goods (lower of cost and net realisable value)	77,294	33,812
Provision for stock obsolescence	(5,098)	(489)
<b>Total Inventories</b>	<b>95,463</b>	<b>35,093</b>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2018 \$000's	Consolidated Year Ended 30 June 2017 \$000's
<b>Note 7: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and Equipment</b>		
At cost	59,997	34,881
Accumulated depreciation	(23,507)	(19,723)
Total plant and equipment	<u>36,490</u>	<u>15,158</u>
<b>Note 8: INTANGIBLE ASSETS</b>		
Goodwill	<u>184,689</u>	<u>71,281</u>
<b>Reconciliation</b>		
Carrying amount at beginning of the year	71,281	70,721
Acquisition of businesses	113,408	560
Total goodwill	<u>184,689</u>	<u>71,281</u>
Goodwill has been calculated on a provisional basis pending an external valuation of plant & equipment acquired with the Integrated Packaging acquisition. The goodwill will be finalised by 31 October 2018.		
<b>NOTE 9: PAYABLES</b>		
<b>Current</b>		
<b>Unsecured</b>		
Trade payables	66,697	21,917
GST payable	64	579
Other tax payable	1,175	386
Sundry creditors and accruals	25,284	8,508
Contingent deferred payments to vendors for acquisitions	45	45
	<u>93,265</u>	<u>31,435</u>
<b>NOTE 10: PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	7,406	4,171
Provision – onerous contract	606	-
Provision – restructuring	198	-
	<u>8,210</u>	<u>4,171</u>
<b>Non-Current</b>		
Make good provision	1,074	947
Provision – onerous contract	623	-
Employee entitlements	6,522	689
	<u>8,219</u>	<u>1,636</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 11: ISSUED CAPITAL

	Consolidated	Consolidated
	Number	\$000's
<b>2018</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	583,665,341	217,695
<i>Movements during the year:</i>		
Balance at beginning of year	241,771,819	98,194
Shares issued to vendors of businesses acquired	158,421,024	62,577
Share rights issue	161,181,634	54,802
Issue of shares for Executive Long Term Incentive Plan	14,910,000	-
Cancellation of shares for Executive Long Term Incentive Plan	(1,000,000)	-
Cost of share issue	-	(1,482)
Issue of shares for dividend re-investment plan	8,380,864	3,604
	583,665,341	217,695
<b>2017</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	241,771,819	98,194
<i>Movements during the year:</i>		
Balance at beginning of year	240,428,193	96,304
Issue of shares for Executive Long Term Incentive Plan		
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
	241,771,819	98,194
	Consolidated Year Ended 30 June 2018 \$000's	Consolidated Year Ended 30 June 2017 \$000's
<b>NOTE 12: RETAINED PROFITS</b>		
Retained profits at the beginning of the year	14,427	15,403
Net profit / (loss) attributable to members of the company	(5,125)	5,016
Dividends paid	(8,141)	(5,992)
<b>Retained profits at the end of the year</b>	1,161	14,427

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 13: ACQUISITION, RATIONALISATION, RELOCATION AND RESTRUCTURING COSTS

During the year ended 30 June 2018, the Group acquired Integrated Packaging and undertook a re-organisation and restructure of the Group. These changes were undertaken to remove costs from the organisation, to improve efficiency and enable the ongoing business to better service its customer base and increase profitability.

	\$000's
Discontinued and Redundant Stock Lines	3,440
Onerous leases and exit costs	2,600
Redundancy costs	112
Fixed asset disposals and write offs	1,075
Third party consultants, temporary staff and relocations	765
Other costs and legal fees	3,679
<b>Total acquisition, rationalisation, relocation and restructuring costs</b>	<b>11,671</b>

#### Discontinued and Redundant Stock Lines

As part of the first stage of relocation and integration exercise, the PPG board along with management identified discontinued and redundant stock lines across all of its warehouse facilities in Australia in order to free up space to accommodate the proposed restructure of these warehousing facilities. The objective is to eliminate external third-party storage costs and achieve greater efficiencies within the restructured existing warehouses within the group. The amount was provided for as at 31 December 2017 based on inventory held by business units which were reviewed and selected as appropriate for removal and dumping based on a number of criteria including, the bulkiness of the product, current demand, alternative products, customer locations etc. The actual removal and dumping of the selected stock was completed by 30 June 2018.

#### Onerous leases and exit costs

As part of the integration process, the Group has decided to close down three facilities by integrating them to the existing facilities within the same states. Therefore, as at 30 June 2018, provision for onerous leases and exit costs were provided in relation to the remaining lease terms for such facilities.

#### Other costs and legal fees

These costs include \$1.4m of transaction costs for Integrated Packaging (IPG) acquisition and various other restructure costs.

#### NOTE 14: BUSINESS COMBINATION

##### Significant acquisition made in the twelve months to 30 June 2018:

On 6 November 2017, the Group acquired the Integrated Packaging (IPG) business, a leading Australasian flexible packaging manufacturer. The business has four flexible packaging production sites in Australia, one in New Zealand, and various distributions sites across Australia, New Zealand, Canada and United States.

The acquisition price of \$182.5 million was paid in cash and equity. As a result of this transaction, the Group recognised \$71.8 million of preliminary acquired net identifiable assets resulting in a preliminary goodwill of \$110.7 million. A detailed purchase price allocation will be completed before 31 October 2018.

**NOTE 14: BUSINESS COMBINATION (continued)**

<b>Integrated Packaging Group</b>	<b>\$000's</b>
Trade and other receivables	57,513
Inventories	49,113
Property, plant and equipment	13,351
Deferred tax assets	10,709
Trade and other payables	(49,109)
Current tax liabilities	(616)
Current provisions	(5,297)
Non-current provisions	(3,872)
<b>Fair value of net identifiable assets acquired</b>	<b><u>71,792</u></b>
Add goodwill	<u>110,723</u>
<b>Fair value of net assets acquired</b>	<b><u>182,515</u></b>
<b>Purchase consideration</b>	
Cash paid	119,940
Equity Issued	<u>62,575</u>
<b>Total purchase consideration</b>	<b><u>182,515</u></b>
<b>Cash flows on acquisition</b>	
Cash consideration - paid	<u>119,940</u>
<b>Net cash used</b>	<b><u>119,940</u></b>
<b>Acquisition costs expensed to profit or loss</b>	<b><u>1,406</u></b>
<b>Acquisition costs capitalised to equity</b>	<b><u>1,482</u></b>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

Consolidated Year Ended 30 June 2018 \$000's	Consolidated Year Ended 30 June 2017 \$000's
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#### NOTE 15: 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:

Cash Assets	3,206	12,259
<b>b) Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities:</b>		
Net profit after income tax	(5,125)	5,016
Relocation, restructuring and business combination costs	11,671	914
<b>Add/(Less) non-cash items:</b>		
Depreciation and amortisation of plant and equipment	5,676	3,225
(Profit) / loss on disposal of assets	885	(40)
Movement in income tax provision	15	(104)
Movement in deferred tax assets & liabilities	(1,776)	(156)
Movement in provision for bad debts	(10)	49
Other non-cash movements	(611)	(910)
<b>Changes in Assets and Liabilities:</b>		
Receivables	10,474	(837)
Inventories	(14,697)	(1,089)
Payables	9,406	1,763
Provisions	(228)	174
Prepayments	(2,576)	(792)
<b>Net cash flows from operating activities</b>	<b>13,104</b>	<b>7,213</b>

#### NOTE 16: 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	Other reserve \$'000	Total \$'000
<b>Consolidated - 2018</b>				
Balance as at 1 July 2017	886	176	-	1,062
Movement during the year	(415)	102	501	188
Balance as at 30 June 2018	471	278	501	1,250

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 17: 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, Pro -Pac Finance (NZ) limited and Integrated Packaging Ltd which operates in New Zealand, IP Americas Inc. which operates in the United States and IP Canada Packaging Group which operates in Canada.

	<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%
Pro -Pac Finance Pty Ltd	100%
Pro -Pac Finance (NZ) limited	100%
Integrated Packaging Group Pty Ltd	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%
<b>Controlled Entities owned 100% by Integrated Packaging Group Pty Ltd</b>	
Goodstone International Pty Ltd	100%
Integrated Packaging WA Pty Ltd	100%
Integrated Recycling Pty Ltd	100%
IP Canada Packaging Group Ltd	100%
<b>Controlled Entities owned 100% by Goodstone International Pty Ltd</b>	
Integrated Packaging Ltd (NZ)	100%
Integrated Packaging Australia Pty Ltd	100%
IP Americas Inc.	100%
<b>Controlled Entities owned 100% by Integrated Packaging Australia Pty Ltd</b>	
Integrated Machinery Pty Ltd	100%



## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 18: 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 & flexibles packaging**

The Industrial & flexibles packaging division manufactures, sources and distributes industrial & flexible packaging materials and related products and services, incorporating products such as stretch & shrink wrap, agricultural silage packaging, fresh produce bags, barrier & lidding films and industrial protective films. 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 & flexibles packaging segment also installs, supports and maintains packaging machines.

##### **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 operating decision makers 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 reset 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. Inter-segment loans are eliminated on consolidation.

##### *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.

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 18: OPERATING SEGMENTS (continued)

##### Unallocated items

The following items of revenue, expenses, assets 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 and intangible assets.

	Rigid packaging \$000's 2018	Industrial & flexibles packaging \$000's 2018	Intersegment eliminations / unallocated \$000's 2018	Total \$000's 2018		Rigid packaging \$000's 2017	Industrial & flexibles packaging \$000's 2017	Intersegment eliminations / unallocated \$000's 2017	Total \$000's 2017
<b>(i) Segment performance</b>									
<b>12 month ended 30 June</b>									
<b>Revenue</b>									
External sales	61,093	310,362		371,455		59,802	169,442	-	229,244
Inter-segment sales	9,660	12,116	(21,776)	-		8,162	7,030	(15,192)	-
<b>Total segment revenue</b>	<b>70,753</b>	<b>322,478</b>	<b>(21,776)</b>	<b>371,455</b>		<b>67,964</b>	<b>176,472</b>	<b>(15,192)</b>	<b>229,244</b>
<b>UNDERLYING EBITDA</b>	<b>6,739</b>	<b>14,738</b>	<b>(5,336)</b>	<b>16,141</b>		<b>7,011</b>	<b>9,219</b>	<b>(4,031)</b>	<b>12,199</b>
Acquisition, rationalisation, relocation & restructuring expenses	738	7,494	3,439	11,671		-	13	901	914
<b>EBITDA</b>	<b>6,001</b>	<b>7,244</b>	<b>(8,775)</b>	<b>4,470</b>		<b>7,011</b>	<b>9,206</b>	<b>(4,932)</b>	<b>11,285</b>
Depreciation and amortisation				(5,738)		(1,512)	(1,580)	(133)	(3,225)
Interest revenue				222					149
Finance costs				(5,291)					(1,307)
<b>Profit before income tax</b>				<b>(6,337)</b>					<b>6,902</b>
Income tax expense				1,212					(1,886)
<b>Profit after income tax</b>				<b>(5,125)</b>					<b>5,016</b>
<b>(ii) Segment assets</b>									
<b>As at 30 June</b>									
<b>Segment assets</b>	<b>45,934</b>	<b>365,133</b>	<b>-</b>	<b>411,067</b>		<b>46,375</b>	<b>120,865</b>	<b>-</b>	<b>167,240</b>
<i>Reconciliation of segment assets to group assets</i>									
Inter -segment eliminations				(2,707)					(2,020)
Unallocated assets				18,960					14,719
* Deferred tax assets				14,530					2,224
* Other				4,430					12,495
<b>Total group assets from continuing operations</b>				<b>427,320</b>					<b>179,939</b>
<b>(iii) Segment liabilities</b>									
<b>As at 30 June</b>									
<b>Segment liabilities</b>	<b>12,383</b>	<b>99,307</b>	<b>-</b>	<b>111,690</b>		<b>13,208</b>	<b>29,409</b>	<b>-</b>	<b>42,617</b>
<i>Reconciliation of segment liabilities to group liabilities</i>									
Inter -segment eliminations				(1,387)					(2,116)
Unallocated liabilities				96,911					25,755
* Deferred tax liabilities				-					-
* Other liabilities				96,911					25,755
<b>Total group liabilities from continuing operations</b>				<b>207,214</b>					<b>66,256</b>

(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. IPG have operations in Australia, Canada, New Zealand and United States. The financial statements for these companies are prepared under their respective country's standards, which are compliant with International Financial Reporting Standards.

## **PRO-PAC PACKAGING LIMITED**

### **NOTES TO THE PRELIMINARY FINAL REPORT**

#### **NOTE 19: AUDIT STATUS**

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

#### **NOTE 20: 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.

#### **NOTE 21: CONTINGENT LIABILITIES**

As at balance sheet date, the company issued security deposit guarantees and letters of credits to the value of \$13,378,029.

#### **NOTE 22: CAPITAL EXPENDITURE COMMITMENTS**

As at reporting date the company had commitments for future capital expenditure of \$1,873,197.

#### **NOTE 23: EVENTS SUBSEQUENT TO YEAR END**

In July 2018, PPG has acquired New Zealand based soft flexible packaging manufacturer and distributor PolyPak. PPG has entered into agreement to also acquire Victorian based hard flexible manufacturer Perfection Packaging, to be completed in September 2018.

The Acquisitions will be funded by a combination of: \$9.96 million shares (Consideration Shares) issued to the vendors of Perfection Packaging at an issue price of \$0.39 per share, a \$55.8 million fully underwritten placement of shares in two tranches at an issue price of \$0.34 per share (Placement) subject to approval by shareholders at the EGM to be held on 3 September 2018; and a \$4.0 million fully underwritten Share Purchase Plan (SPP) at an issue price of \$0.34 per share (Placement and SPP together, Capital Raising).