APPENDIX 4D

Interim Financial Report for the half-year ended 31 December 2019

Pro-Pac Packaging Limited

ABN 36 112 971 874

Half-year ended ('Reporting Period')	Half-year ended ('Previous Corresponding Period')
31 December 2019	**31 December 2018**

Results for announcement to the market		%		$'000
Revenue from ordinary activities	Down	2%	to	251,012
Net profit from ordinary activities after tax	Up	104%	to	6,371
Net profit for the period attributable to shareholders	Up	104%	to	6,371

Dividends / Distributions	Amount per security	Franked amount per security	Total dividend amount $'000
Current half-year to 31 December 2019			
Interim dividend (per ordinary share)	0.0 ¢	0.0 ¢	-
Final dividend for year ended 30 June 2019	0.0 ¢	0.0 ¢	-
Prior half-year to 31 December 2018			
Interim dividend (per ordinary share)	0.0 ¢	0.0 ¢	-

Net tangible assets	Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security [1]	$0.02	$0.09

Footnotes

[1] Net tangible assets excludes goodwill, other intangible assets and right-of-use assets and therefore, has been prepared after accounting for AASB 16 *Leases* for the reporting period ($0.09 pre-AASB 16). Comparatives for the previous corresponding period have not been restated to account for AASB 16.

For profit commentary and any other significant information needed by an investor to make an informed assessment of the financial results of Pro-Pac Packaging Limited, please refer to the accompanying Half-Year Financial Report.

Kathleen Forbes
Company Secretary

Dated: 27 February 2020

Pro-Pac Packaging Ltd
ABN 36 113 971 874

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONTENTS

DIRECTORS' REPORT

The Directors present their report on Pro-Pac Packaging Limited (the 'Company') and the entities it controlled (the 'Group') during the half-year ended 31 December 2019.

DIRECTORS

The Directors in office during the half-year and up to the date of this report, unless otherwise stated, are:

Jonathan Ling (Non-Executive Chair)
Rupert Harrington (Non-Executive Director)
Darren Brown (Non-Executive Director)
Marina Go (Non-Executive Director)
Leonie Valentine (Non-Executive Director)
Tim Welsh (Managing Director & Chief Executive Officer)

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and distribution of industrial, flexible and rigid packaging products.

There have been no significant changes in the nature of these activities during the half-year ended 31 December 2019.

OPERATING AND FINANCIAL REVIEW

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures.

Non-IFRS measures

This report includes the following non-IFRS measures:

- EBIT[1] represents profit/(loss) before finance costs, interest income, income taxes and one-off, non-recurring items.
- EBITDA[1] represents EBIT before depreciation and amortisation.
- One-off, non-recurring items are identified as favourable or unfavourable transactions which are outside of normal operating activities and are excluded from the segment results presented to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.
- Net debt[1] is calculated as interest-bearing liabilities, less cash and cash equivalents.
- Gearing[1] is calculated as net debt divided by the last 12-months EBITDA (adjusted for material acquisitions).

Although the Board of Directors believe that these measures provide useful information about the financial position and performance of the Group, they should be considered to be supplementary to the interim consolidated statement of comprehensive income and interim consolidated statement of financial position presented in accordance with Accounting Standards. As these non-IFRS measures are not defined in the Accounting Standards, the way the Group may calculate these measures may differ from similarly titled measures used by other companies.

The analysis below of the financial performance, balance sheet and cash flows of the Group compares financial information for the half-year ended 31 December 2019 before adjusting for AASB 16 *Leases* ('AASB 16') to the previous corresponding period (pcp) because the comparative financial information has not been restated to account for AASB 16.

[1] EBIT, EBITDA, net debt and gearing are measured before accounting for AASB 16 for internal purposes.

Financial performance

	31 December 2019				
	Post-AASB 16 $'000	AASB 16 Adjustments $'000	Pre-AASB 16 $'000	31 December 2018 $'000	Change
Revenue	251,012	-	251,012	257,296	(2.4)%
Expenses	(226,023)	6,866	(232,889)	(239,993)	(3.0)%
EBITDA	**24,989**	**6,866**	**18,123**	**17,303**	**4.7%**
EBITDA margin	*10.0%*	*2.8%*	*7.2%*	*6.7%*	*49 bps*
Depreciation and amortisation	(10,096)	(5,579)	(4,517)	(4,029)	(12.1)%
EBIT	**14,893**	**1,287**	**13,606**	**13,274**	**2.5%**
EBIT Margin	*5.9%*	*0.5%*	*5.4%*	*5.2%*	*26 bps*
One-off, non-recurring items	-	-	-	(151,675)	100.0%
Net finance costs	(6,132)	(3,098)	(3,034)	(3,976)	(23.7)%
Profit/(loss) before income tax	**8,761**	**(1,811)**	**10,572**	**(142,377)**	**107.4%**
Income tax (expense)/benefit	(2,390)	543	(2,933)	(1,952)	50.3%
Profit/(loss) after income tax	**6,371**	**(1,268)**	**7,639**	**(144,329)**	**105.3%**

Revenue

Revenue of $251.0 million decreased by 2.4% ($6.3 million) compared to the pcp, following a focus on shifting business mix towards more profitable revenue streams and growth segments.

EBITDA and EBIT

EBITDA of $18.1 million was 4.7% ($0.8 million) ahead of the pcp driven by improved operational effectiveness and cost control across the business.

EBITDA margin of 7.2% was 49 bps better than the pcp driven by operational efficiencies, centralised procurement and embedded cost disciplines.

EBIT of $13.6 million for the half-year was 2.5% ($0.3 million) higher than the pcp notwithstanding additional depreciation and amortisation of $0.5 million.

Net finance costs

Net finance costs of $3.0 million were $0.9 million lower than the pcp primarily related to the reduction in net debt driven by earnings growth and an improvement in operating cash flow conversion.

Profit/(loss) before income tax

Profit before income tax during the half-year included a number of one-off, non-recurring items which net to nil, including acquisition and integration costs ($1.1 million), business interruption costs ($1.7 million), offset by the reversal of provisions ($2.8 million) due to the settlement of uncertain matters in favour of the Group during the period.

The net loss before income tax in the pcp was impacted by goodwill impairment ($149.0 million) and integration costs ($2.7 million).

Balance sheet

	31 December 2019 Post-AASB 16 $'000	31 December 2019 AASB 16 Adjustments $'000	31 December 2019 Pre-AASB 16 $'000	30 June 2019 $'000	Change
Current assets	193,552	-	193,552	202,445	(4.4)%
Non-current assets	192,519	61,964	130,555	135,586	(3.7)%
Total assets	**386,071**	**61,964**	**324,107**	**338,031**	**(4.1)%**
Current liabilities	110,939	8,851	102,088	103,791	(1.6)%
Non-current liabilities	134,190	54,381	79,809	99,147	(19.5)%
Total liabilities	**245,129**	**63,232**	**181,897**	**202,938**	**(10.4)%**
Net assets	**140,942**	**(1,268)**	**142,210**	**135,093**	**5.3%**
Net debt	138,549	61,925	76,624	82,937	(7.6)%
Gearing	3.2x	0.5x	2.7x	2.8x	(0.1)x

The Group has a senior debt facility with total commitments of $97.9 million. The maturity date for $15.7 million of the facility is 2 November 2020 with the remaining unamortised amount of $77.7 million due to mature on 31 March 2021.

Net debt at the end of the period was $76.6 million, a reduction of $6.3 million compared to the pcp. The reduction in net debt was primarily achieved through earnings growth and an improvement in operating cash flow conversion.

Cash flows

	31 December 2019 Post-AASB 16 $'000	31 December 2019 AASB 16 Adjustments $'000	31 December 2019 Pre-AASB 16 $'000	31 December 2018 $'000	Change
Net cash flows from operating activities	11,140	4,059	7,081	(1,580)	548.2%
Payments for property, plant and equipment, net of proceeds	(718)	-	(718)	(3,479)	79.4%
Payments for businesses and controlled entities, net of cash acquired	(889)	-	(889)	(47,891)	98.1%
Payments of dividends	-	-	-	(2,350)	100.0%
Proceeds from/(repayments of) interest-bearing liabilities	(11,160)	(4,059)	(7,101)	8,898	179.8%
Proceeds from share issue, net of transaction costs	-	-	-	58,740	(100.0)%

Net cash flows from operating activities of $7.1 million was $8.7 million higher than the pcp. Higher underlying operating cash flows were primarily achieved through earnings growth and an improvement in operating cash flow conversion. In addition, the Group has received $3.0 million as advance payment from the insurer in relation to the Kewdale fire claim.

Payments for property, plant and equipment were $1.0 million, less proceeds from the sale of property, plant and equipment of $0.3 million during the half-year compared to $3.5 million in the pcp. The decrease of $2.8 million reflects lower capital expenditure throughout the Group following recent acquisitions, and tighter controls over non-core capital expenditure.

Payments for the acquisition of businesses and controlled entities related to the final deferred payment of $0.9 million for the acquisition of Polypak in August 2019, which became payable based on business performance post-acquisition.

Other key cash flows during the half-year were the net repayment of $7.1 million of bank loans and trade finance facilities.

REVIEW OF OPERATING SEGMENTS

Flexibles Packaging

	31 December 2019 $'000	31 December 2018 $'000	Change
Revenue	152,832	146,096	4.6%
EBITDA*	14,182	11,036	28.5%
*EBITDA margin**	*9.3%*	*7.6%*	*173 bps*

** Based on EBITDA before accounting for AASB 16*

Flexibles revenue increased by $6.7 million, primarily due to incremental revenue of $8.4 million (EBITDA $1.2 million) for a full 6-months (4-months in pcp) contribution from the 2018 acquisition of Perfection Packaging.

Additional EBITDA growth of $1.9 million has been achieved through margin expansion driven by procurement initiatives and operational efficiencies.

Industrial Packaging

	31 December 2019 $'000	31 December 2018 $'000	Change
Revenue	67,332	77,588	(13.2)%
EBITDA*	1,148	2,798	(59.0)%
*EBITDA margin**	*1.7%*	*3.6%*	*(190) bps*

** Based on EBITDA before accounting for AASB 16*

Industrial revenue decreased by $10.3 million, primarily due to a weaker volumes in manufacturing and industrial market segments. Further, there has been a continued focus on SKU reduction of unprofitable products, together with supply and service delivery issues, which are being resolved.

Rigid Packaging

	31 December 2019 $'000	31 December 2018 $'000	Change
Revenue	30,848	33,612	(8.2)%
EBITDA*	3,291	3,982	(17.4)%
*EBITDA margin**	*10.7%*	*11.8%*	*(118) bps*

** Based on EBITDA before accounting for AASB 16*

Rigid revenue decreased by $2.8 million, primarily due to softer revenues in the health market segment as a result of regulatory changes in China impacting imported products.

DIVIDENDS

The Board of Directors have determined that no interim dividend will be declared.

OUTLOOK

The Group expects a continuation of improved business performance to achieve a full year 2020 EBITDA (before AASB 16 and one-off, non-recurring items) above the prior year, subject to macroeconomic conditions and potential Coronavirus supply chain disruptions.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the half-year ended 31 December 2019.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

There were no matters or circumstances that have occurred subsequent to balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent years.

ROUNDING

The amounts contained in the Interim Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2019 has been received and can be found on page 8 of the Interim Financial Report.

This Directors' Report is signed in accordance with a resolution of the Board of Directors pursuant to Section 306(3)(a) of the *Corporations Act 2001*.

Signed in Melbourne on 27 February 2020.

Jonathan Ling	**Tim Welsh**
Chairman	Managing Director & CEO

Ernst & Young
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Auditor's Independence Declaration to the Directors of Pro-Pac Packaging Limited

As lead auditor for the review of the interim consolidated financial statements of Pro-Pac Packaging Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pro-Pac Packaging Limited and the entities it controlled during the financial period.

Ernst & Young

Kester Brown
Partner
27 February 2020

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended	Notes	31 December 2019 $'000	31 December 2018 $'000
Revenue from contracts with customers	4	251,012	257,296
Raw materials and consumables used		(152,367)	(161,276)
Employee benefits expense		(43,458)	(43,802)
Occupancy, distribution, administration and selling expenses	11	(30,849)	(38,189)
Impairment losses		-	(149,000)
Depreciation and amortisation expense	11	(10,096)	(4,029)
Other income		651	599
Interest income		-	188
Finance costs	11	(6,132)	(4,164)
Profit/(loss) before income tax		**8,761**	**(142,377)**
Income tax (expense)/benefit	5	(2,390)	(1,952)
Profit/(loss) after income tax		**6,371**	**(144,329)**
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss in subsequent years (net of income tax):			
Change in fair value of cash flow hedges		(785)	(494)
Exchange differences arising on translation of foreign operations		174	530
Other comprehensive income/(loss), net of income tax		**(611)**	**36**
Total comprehensive income/(loss)		**5,760**	**(144,293)**
Earnings/(losses) per share			
EPS (cents) – Basic		0.79	(19.51)
EPS (cents) – Diluted		0.78	(19.51)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31 December 2019 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents		21,272	23,559
Trade and other receivables	6	96,556	90,278
Inventories		68,622	78,108
Current tax assets		2,143	6,303
Derivative financial assets	6	-	111
Other assets	6	4,959	4,086
Total current assets		**193,552**	**202,445**
Non-current assets			
Property, plant and equipment		54,262	60,882
Right-of-use assets	11	61,420	-
Intangible assets		66,479	66,548
Deferred tax assets		10,358	8,156
Total non-current assets		**192,519**	**135,586**
Total assets		**386,071**	**338,031**
Current liabilities			
Trade and other payables	6	68,040	74,104
Borrowings	6	21,088	11,623
Lease liabilities	6	8,851	-
Other liabilities	6	-	889
Employee entitlements		10,106	10,869
Derivative financial liability	6	675	-
Other provisions		2,179	6,306
Total current liabilities		**110,939**	**103,791**
Non-current liabilities			
Borrowings	6	75,500	94,873
Lease liabilities	6	54,381	-
Employee entitlements		1,725	1,692
Other provisions		2,584	2,582
Total non-current liabilities		**134,190**	**99,147**
Total liabilities		**245,129**	**202,938**
Net assets		**140,942**	**135,093**
Equity			
Issued capital	8	291,678	291,618
Reserves		639	1,221
Retained earnings		(151,375)	(157,746)
Total equity		**140,942**	**135,093**

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended	Notes	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Balances as at 1 July 2019		**291,618**	**(157,746)**	**1,221**	**135,093**
Profit/(loss) after income tax		-	6,371	-	6,371
Other comprehensive income/(loss), net of income tax		-	-	(611)	(611)
Total comprehensive income/(loss)		**-**	**6,371**	**(611)**	**5,760**
Share-based payments expense		60	-	29	89
Dividends paid	10	-	-	-	-
Balances as at 31 December 2019		**291,678**	**(151,375)**	**639**	**140,942**
Balances as at 1 July 2018		**217,695**	**1,161**	**1,250**	**220,106**
Profit/(loss) after income tax		-	(144,329)	-	(144,329)
Other comprehensive income/(loss), net of income tax		-	-	36	36
Total comprehensive income/(loss)		**-**	**(144,329)**	**36**	**(144,293)**
Issue of shares for dividend reinvestment plan	8	5,223	-	-	5,223
Shares issued to vendors of businesses acquired	8	9,960	-	-	9,960
Transaction cost of raising shares	8	(1,060)	-	-	(1,060)
Shares issued under share placement	8	59,800	-	-	59,800
Dividends paid	10	-	(7,573)	-	(7,573)
Balances as at 31 December 2018		**291,618**	**(150,741)**	**1,286**	**142,163**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended	Notes	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers		242,762	271,755
Payments to suppliers and employees		(225,588)	(267,702)
Income tax paid		(532)	(1,680)
Interest received		-	188
Interest paid		(5,502)	(4,141)
Net cash flows from/(used in) operating activities		**11,140**	**(1,580)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,031)	(3,479)
Proceeds from sale of property, plant and equipment		313	-
Payments for businesses acquired, net of cash acquired	6	(889)	(47,891)
Net cash flows used in investing activities		**(1,607)**	**(51,370)**
Cash flows from financing activities			
Repayment of hire purchase and finance lease liabilities		-	(640)
Proceeds from hire purchase and finance lease liabilities		-	403
Repayment of bank loans and trade finance		(10,124)	(2,517)
Proceeds from bank loans and trade finance		3,500	11,652
Repayment of lease liability principal	11	(4,536)	-
Proceeds from shares issued	8	-	59,800
Payment of transaction costs from shares issued	8	-	(1,060)
Dividends paid		-	(2,350)
Net cash flows from/(used in) financing activities		**(11,160)**	**65,288**
Net increase/(decrease) in cash and cash equivalents		(1,627)	12,338
Cash and cash equivalents at the beginning of the half-year		23,559	3,206
Effect of foreign exchange on cash and cash equivalents		(660)	-
Cash and cash equivalents at the end of the half-year		**21,272**	**15,544**

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The interim consolidated financial statements of Pro-Pac Packaging Limited (the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 27 February 2020.

The Company is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group is principally engaged in the manufacture and distribution of flexible, industrial and rigid packaging products. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report.

NOTE 2. BASIS OF PREPARATION

The interim consolidated financial statements for the half-year ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and therefore, the interim consolidated financial statements should be read in conjunction with the Group annual report for the year ended 30 June 2019.

Going concern

At 31 December 2019, the Group has a senior debt facility of $97.9 million (June 2019: $100.4 million), of which $96.6 million was utilised (June 2019: $100.1 million) and cash and cash equivalents of $21.3 million (June 2019: $23.6 million).

The Directors believe the Group is a going concern based on the following factors:

- The Directors assessment of current trading performance; and
- The Directors consideration of forecast trading results and cash flows.

Consequently, the interim consolidated financial statements for the half-year ended 31 December 2019:

- Have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business; and
- Do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 *Leases* ('AASB 16') supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under AASB 117, and it became effective for the Group on 1 July 2019.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to adopt the modified retrospective alternative which allows the right-of-use asset to equal to the calculated lease liability on transition as at 1 July 2019.

Consequently, a right-of-use asset (and a corresponding lease liability) has been recognised in the interim consolidated financial statements from 1 July 2019. Further details on the accounting policies relating to leases and an explanation of the impact of adopting AASB 16 is set out in Note 11 below.

All other new Accounting Standards, interpretations and amendments do not have a material impact on the Group.

NOTE 3. SEGMENT & GROUP RESULTS

The Group has identified its operating segments based on the internal reports that are regularly reviewed and used by the chief operating decision-maker in assessing financial performance and determining the allocation of resources.

Segments

The Group is organised into the following operating segments:

Flexibles	Industrial	Rigid	Unallocated
The Flexibles packaging segment primarily manufactures flexible packaging materials incorporating products such as stretch and shrink wrap, agricultural silage packaging, fresh produce bags, barrier and lidding films and industrial protective films. The Flexibles packaging segment also installs, supports and maintains packaging machines.	The Industrial packaging segment sources and distributes industrial packaging materials and related consumer products.	The Rigid packaging segment manufactures, sources and distributes containers, closures and related products and services.	Unallocated contains the elimination of intersegment transactions within the Group and certain Group level charges that are not allocated to respective segments for the purpose of evaluating financial performance as they are not considered part of the core operations of any operating segment.

Segment revenues

For the half-year ended 31 December 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
External revenues	152,832	67,332	30,848	-	251,012
Inter-segment revenues	7,851	584	5,165	(13,600)	-
Segment revenues	**160,683**	**67,916**	**36,013**	**(13,600)**	**251,012**

For the half-year ended 31 December 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
External revenues	146,096	77,588	33,612	-	257,296
Inter-segment revenues	8,554	2,100	5,817	(16,471)	-
Segment revenues	**154,650**	**79,688**	**39,429**	**(16,471)**	**257,296**

NOTE 3. SEGMENT & GROUP RESULTS (CONT'D)

Segment results

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are considered to be non-IFRS measures.

This report includes the following non-IFRS measures:

- EBIT[1] represents profit/(loss) before finance costs, interest income, income taxes and one-off, non-recurring items.
- EBITDA[1] represents EBIT before depreciation and amortisation.
- One-off, non-recurring items are identified as favourable or unfavourable transactions which are outside of normal operating activities and are excluded from the segment results presented to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

Although the Board of Directors believe that these measures provide useful information about the financial position and performance of the Group, they should be considered to be supplementary to the statement of comprehensive income and statement of financial position presented in accordance with Accounting Standards. As these non-IFRS measures are not defined in the Accounting Standards, the way the Group may calculate these measures may differ from similarly titled measures used by other companies.

For the half-year ended 31 December 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
EBITDA	14,182	1,148	3,291	(498)	18,123
Depreciation and amortisation	(2,959)	(521)	(691)	(346)	(4,517)
Segment results (EBIT)	**11,223**	**627**	**2,600**	**(844)**	**13,606**

For the half-year ended 31 December 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
EBITDA	**11,036**	**2,798**	**3,982**	**(513)**	**17,303**
Depreciation and amortisation	(2,438)	(604)	(760)	(227)	(4,029)
Segment results (EBIT)	**8,598**	**2,194**	**3,222**	**(740)**	**13,274**

Group results	Notes	31 December 2019 $'000	31 December 2018 $'000
Segment results (EBIT)		**13,606**	**13,274**
One-off, non-recurring items		-	(151,675)
Interest income		-	188
Finance costs		(3,034)	(4,164)
Impact of AASB 16	11	(1,811)	-
Profit/(loss) before income tax		**8,761**	**(142,377)**
Income tax (expense)/benefit	5	(2,390)	(1,952)
Profit/(loss) after income tax		**6,371**	**(144,329)**

[1] EBIT and EBITDA is measured before accounting for AASB 16 for internal purposes and the segment results have been disclosed in Note 3 on this basis.

NOTE 3. SEGMENT & GROUP RESULTS (CONT'D)

One-off, non-recurring items

	Notes	31 December 2019 $'000	31 December 2018 $'000
Impairment losses	(a)	-	149,000
Onerous lease and exit costs	(b)	-	823
Acquisition and integration costs	(c)	1,078	1,852
Business interruption costs	(d)	1,706	-
Reversal of provisions	(e)	(2,784)	-
One-off, non-recurring items		**-**	**151,675**

(a) Impairment losses relate to the impairment testing completed at 31 December 2018.

(b) Onerous leases and exit costs relate to the remaining lease term on leases sites that have been relocated and consolidated into existing sites following the November 2019 acquisition of Integrated Packaging Group Pty Ltd.

(c) Acquisition and integration costs relate to business restructuring, transaction costs and business optimisation across the Group.

(d) Business interruption costs include asset write-offs and provisions in relation to business disruptive events during the half-year (e.g. June 2019 Kewdale, WA fire). The Group has insurance that covers it for losses incurred with respect to the fire in Kewdale, WA and is in the process of finalising its claim with the insurance provider.

(e) Reversal of provisions which were recognised as one-off, non-recurring items at 30 June 2019.

The income tax impact of one-off, non-recurring items is nil (2018: $0.7 million income tax benefit), while payments in respect of one-off, non-recurring items were $3.2 million (2018: $2.4 million).

NOTE 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the half-year ended 31 December 2019	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Type of goods of services					
Sale of manufactured goods	158,455	-	10,931	(5,749)	163,637
Sale of distribution goods	-	67,916	25,082	(7,851)	85,147
Installation and maintenance services	2,228	-	-	-	2,228
Revenue from contracts with customers	**160,683**	**67,916**	**36,013**	**(13,600)**	**251,012**
Geographic markets					
Australia	127,884	67,916	36,013	(13,600)	218,213
New Zealand	30,099	-	-	-	30,099
Canada	2,700	-	-	-	2,700
Revenue from contracts with customers	**160,683**	**67,916**	**36,013**	**(13,600)**	**251,012**
Timing of revenue recognition					
Goods transferred at a point in time	123,755	67,916	36,013	(13,600)	214,084
Services transferred over time	36,928	-	-	-	36,928
Revenue from contracts with customers	**160,683**	**67,916**	**36,013**	**(13,600)**	**251,012**

NOTE 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

For the half-year ended 31 December 2018	Flexibles $'000	Industrial $'000	Rigid $'000	Un-allocated $'000	Total $'000
Type of goods of services					
Sale of manufactured goods	151,298	-	11,675	(5,540)	157,433
Sale of distribution goods	-	79,688	27,754	(10,931)	96,511
Installation and maintenance services	3,352	-	-	-	3,352
Revenue from contracts with customers	**154,650**	**79,688**	**39,429**	**(16,471)**	**257,296**
Geographic markets					
Australia	123,769	79,688	39,429	(16,471)	226,415
New Zealand	28,861	-	-	-	28,861
Canada	2,020	-	-	-	2,020
Revenue from contracts with customers	**154,650**	**79,688**	**39,429**	**(16,471)**	**257,296**
Timing of revenue recognition					
Goods transferred at a point in time	129,439	79,688	39,429	(16,471)	232,085
Services transferred over time	25,211	-	-	-	25,211
Revenue from contracts with customers	**154,650**	**79,688**	**39,429**	**(16,471)**	**257,296**

NOTE 5. TAXATION

Reconciliation of income tax to accounting profit at the statutory income tax rate:

	31 December 2019 $'000	31 December 2018 $'000
Profit/(loss) before income tax	**8,761**	**(142,377)**
At the statutory income tax rate of 30% (2018: 30%)	(2,628)	42,713
Differential income tax rates	74	(58)
Adjustments in respect of previous years	53	-
Non-deductible impairment losses	-	(44,700)
Other items	111	93
Income tax (expense)/benefit	**(2,390)**	**(1,952)**

NOTE 6. FINANCIAL ASSETS & LIABILITIES

An overview of financial assets and liabilities, other than cash and cash equivalents, held by the Group as at balance date were as follows:

	Notes	31 December 2019 $'000	30 June 2019 $'000
Financial assets at amortised cost:			
Trade and other receivables		96,556	90,278
Other assets		4,959	4,086
Derivative designated as a hedge instrument:			
Cash flow hedge		-	111
Total financial assets		**101,515**	**94,475**
Current financial assets		101,515	94,475
Non-current financial assets		-	-
Financial liabilities at amortised cost:			
Trade and other payables		68,040	74,104
Leases liabilities*	(c)	63,232	-
Finance leases and hire purchases*	(c)	-	1,784
Trade finance*		-	4,659
Bank loans*	(a)	96,588	100,053
Financial liabilities at fair value:			
Contingent consideration liabilities	(b)	-	889
Derivatives designated as a hedging instrument:			
Cash flow hedge		675	-
Total financial liabilities		**228,535**	**181,489**
Current financial liabilities		97,979	86,616
Non-current financial liabilities		130,556	94,873

* Balance is an interest-bearing liability, with variable interest rates applicable to the bank loans only.

(a) During the half-year ended 31 December 2019, the Group entered into an agreement to extend $82.2 million of its senior debt facility to mature on 31 March 2021. The amendment had no material impact on the carrying value of this balance.

(b) In accordance with the Polypak asset purchase agreement, $1.6 million of the purchase consideration was determined to be contingent based on the performance of the business after acquisition date. This was paid in two equal instalments of $0.9 million in December 2018 and August 2019.

(c) Upon implementation of AASB 16 on 1 July 2019, finance leases and hire purchase liabilities were reclassified as lease liabilities (refer to Note 11). Comparatives have not been restated as a result of the adoption of AASB 16.

NOTE 7. NON-CURRENT ASSETS

Impairment testing

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Plant, equipment and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and its value-in-use ('VIU'). The VIU is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset. Assets that do not have independent cash flows are grouped together to form a cash-generating unit ('CGU').

The Group performs its annual impairment test in June; however, an indication of impairment existed at 31 December 2019 as the Company's market capitalisation was below the carrying amount of the Group's net assets. Following a detailed assessment under VIU, it was identified that no impairment loss should be recognised during the half-year ended 31 December 2019.

Methodology and Testing of Recoverable Amount

Value-in-Use

The recoverable amount of each group of CGUs is based on VIU, which has been determined using a discounted cash flow model based on a five-year forecast estimated by management, together with a terminal value.

The cash flow forecasts are comprised of EBITDA as a proxy for operating cash flows, less expected working capital movements and sustainable levels of maintenance capital expenditure.

Key assumptions

The following key assumptions have been used to determine the recoverable amounts of each group of CGUs and the assumptions adopted are set out below.

- *Discount rates*

  Discount rates applied in determining the recoverable amounts are based on the pre-tax weighted average cost of capital of the respective industries in which the group of CGU's operates, which is considered reflective of the current market assessment of the risks specified to each group of CGU's taking into consideration the time value of money.

  The pre-tax discount rates adopted were 10.99% (June 2019: 11.26%) for Rigid packaging, 11.28% (June 2019: 11.55%) for Industrial packaging and 10.97% (June 2019: 11.41%) for Flexibles packaging.

- *Growth rates*

  The earnings forecast in the first year of the forecast period is consistent with internal plans prepared by management and presented to the Directors.

  The EBITDA assumptions adopted to determine the forecast cash flows for the second year and each year subsequent within the forecast period ('EBITDA compound annual growth rates') are based on independent published expectations of growth in these industries, which have been adjusted for the financial implications of known initiatives over a four-year forecast period.

  The EBITDA compound annual growth rates adopted were 1.90% (June 2019: 1.90%) for Rigid packaging, 2.94% (June 2019: 8.42%) for Industrial packaging and 1.32% (June 2019: 0.79%) for Flexibles packaging.

- *Long-term growth rate*

  A long-term growth rate adopted to extrapolate cash flows beyond the five-year forecast period is considered to be in line with, or below, external market expectations of long-term growth in these industries.

  The long-term growth rates adopted were 2.00% (June 2019: 2.00%) for Rigid packaging, 2.00% (June 2019: 2.00%) for Industrial packaging and 2.00% (June 2019: 2.00%) for Flexibles packaging.

NOTE 7. NON-CURRENT ASSETS (CONT'D)

Sensitivity analysis

The table below includes details of the amount by which the recoverable amount exceeded its carrying amount ('Headroom') for each of the group of CGU's at 31 December 2019, together with value assigned to each key assumption used in determining the recoverable amount ('Adopted assumption') and the value of each key assumption at which the recoverable amount is equal to its carrying amount when moved in isolation ('Breakeven assumption').

	Flexibles	Industrial	Rigid
Headroom ($'000)	46,196	643	6,389
Discount rates			
Adopted assumption (%)	10.97	11.28	10.99
Breakeven assumption (%)	13.75	11.53	12.60
EBITDA compound annual growth rates			
Adopted assumption (%)	1.32	2.94	1.90
Breakeven assumption (%)	(4.49)	(0.81)	(1.23)
Long-term growth rates			
Adopted assumption (%)	2.00	2.00	2.00
Breakeven assumption (%)	(0.73)	1.78	0.48

The Directors consider that a reasonably possible unfavourable movement in key assumptions used to determine the recoverable amount may result in impairment loss.

The table below discloses the sensitivity of the recoverable amount of each group of CGU's to reasonable possible changes in each key assumption when moved in isolation:

	Flexibles	Industrial	Rigid
Discount rates			
Revised assumption (%)	11.97	12.28	11.99
Impact on recoverable amount ($'000)	(19,581)	(2,478)	(4,120)
EBITDA compound annual growth rates			
Revised assumption (%)	0.32	1.94	0.90
Impact on recoverable amount ($'000)	(8,618)	(718)	(1,941)
Long-term growth rates			
Revised assumption (%)	1.00	1.00	1.00
Impact on recoverable amount ($'000)	(13,357)	(1,632)	(2,813)

NOTE 8. ISSUED CAPITAL

Movements in the issued, authorised and fully-paid ordinary shares during the half-year ended:

	31 December 2019		31 December 2018	
	Number	$'000	Number	$'000
Ordinary shares as at beginning of the half-year	**807,830,188**	**291,618**	**583,665,341**	**217,695**
Issue of shares for dividend reinvestment plan	-	-	24,964,031	5,223
Shares issued to vendors of businesses acquired	-	-	25,538,462	9,960
Shares issued under share placement	-	-	175,882,354	59,800
Shares issued as special bonus to employee	387,097	60	-	-
Shares issued under Executive LTI plan	2,890,000	-	-	-
Cancellation of shares issued under Executive LTI plan	-	-	(2,220,000)	-
Transaction costs from shares issued	-	-	-	(1,060)
Ordinary shares as at end of the half-year	**811,107,285**	**291,678**	**807,830,188**	**291,618**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid, on the shares held. The fully-paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 9. RELATED PARTY TRANSACTIONS

Parent entity

Pro-Pac Packaging Limited is the ultimate parent entity for the Group.

Transactions with related parties

The Group entered into the following transactions with entities considered to be related parties of the Group:

For the half-year ended 31 December 2019	Notes	Sales $'000	Purchases $'000
Entity with significant influence over the Group			
Kin Group Pty Ltd	(a)	1,810	-
Pact Group Limited	(a)	3,008	(2,517)

For the half-year ended 31 December 2018	Notes	Sales $'000	Purchases $'000
Entity with significant influence over the Group			
Kin Group Pty Ltd	(a)	-	-
Pact Group Limited	(a)	5,310	(3,712)

(a) Sales to, and purchases from, related parties are made on terms equivalent to those that prevail in arm's length transactions. Amounts outstanding at balance date are unsecured, interest free and settlement occurs in cash.

Kin Group Pty Ltd

Mr Raphael Geminder owns 49.7% (June 2019: 49.7%) of the Company through Bennamon Pty Ltd. Kin Group Pty Ltd owns 100% of the shares in Bennamon Pty Ltd and the Group supplies flexible film packaging and other food packaging products to Kin Group Pty Ltd and its controlled entities.

Pact Group Limited

The Group is an exclusive supplier of certain raw materials such as flexible film packaging, plastic bags and tapes to Pact Group Limited under an agreement through to 31 December 2021. The Group also purchases goods from Pact Group Limited.

Mr Jonathan Ling is an Independent Non-Executive Director of Pact Group Limited.

NOTE 10. DIVIDENDS

Distributions paid or declared to equity holders of the parent during the half-year ended:

	31 December 2019		31 December 2018	
	Cents/ share	$'000	Cents/ share	$'000
Final dividend for the previous year	0.0	-	1.0	7,573
Dividends declared and paid during the half-year	**0.0**	**-**	**1.0**	**7,573**
Proposed but not recognised interim dividend	**0.0**	**-**	**0.0**	**-**

NOTE 11. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Nature of changes to accounting for leases

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of AASB 16 on 1 July 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased premises or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased asset was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at 1 July 2019 for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 was applied to these leases from 1 July 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients on transition to AASB 16 on 1 July 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on the Group's assessment of whether leases are onerous at 30 June 2019 as an alternative to performing an impairment review;
- Applied the short-term leases exemptions to leases with a remaining lease term of less than 12-months; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at 1 July 2019.

NOTE 11. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of adopting AASB 16

The impact on the consolidated statement of financial position at 1 July 2019 was:

As at	Notes	1 July 2019 $'000
Property, plant and equipment	(a)	(3,108)
Right-of-use assets		67,428
Trade and other payables	(b)	1,624
Borrowings	(c)	1,743
Lease liabilities		(67,687)
Net assets		**-**

(a) Finance leases reclassified as right-of-use assets.

(b) Straight-line rent liability reclassified against right-of-use assets.

(c) Finance lease and hire purchase liabilities reclassified as lease liabilities.

Reconciliation of the operating lease commitments to the lease liabilities adopted on implementation of AASB 16:

As at	1 July 2019 $'000
Operating lease commitments	52,900
Discounted operating lease commitments*	46,245
Finance lease commitments	1,743
Payments in renewal options not previously recognised*	19,699
Lease liabilities	**67,687**

* Discounted to present value using a weighted average incremental borrowing rate of 6.50% on 1 July 2019.

Amounts recognised in the statement of profit or loss

The increase/(decrease) on the interim consolidated statement of profit or loss for the half-year ended:

As at	31 December 2019 $'000
Operating lease expense	6,866
Depreciation of right-of-use assets	(5,579)
Interest expense on lease liabilities	(3,098)
Profit/(loss) before income tax	**(1,811)**
Income tax (expense)/benefit	543
Profit/(loss) after income tax	**(1,268)**

There was no impact on other comprehensive income for the half-year ended.

NOTE 11. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amounts recognised in the statement of financial position

The movement in the carrying amount of the Group's right-of-use assets and lease liabilities during the half-year are shown below:

	Right-of-use assets					
	Premises $'000	Plant and Equipment $'000	Motor Vehicles $'000	Other Equipment $'000	Total $'000	Lease Liabilities $'000
As at 1 July 2019	**63,001**	**3,124**	**1,059**	**244**	**67,428**	**67,687**
Additions	-	-	-	-	-	-
Disposals	(390)	-	-	-	(390)	(396)
Depreciation expense	(5,186)	(283)	(89)	(60)	(5,618)	-
Interest expense	-	-	-	-	-	3,098
Payments	-	-	-	-	-	(7,157)
As at 31 December 2019	**57,425**	**2,841**	**970**	**184**	**61,420**	**63,232**

The Group recognised rent expense from short-term leases of $78,177, leases of low-value assets of nil and variable lease payments of $1,134,037 for the half-year ended 31 December 2019.

Amounts recognised in the statement of cash flows

The increase/(decrease) on the interim consolidated statement of cash flows for the half-year ended:

As at	31 December 2019 $'000
Payments to suppliers and employees	7,157
Interest paid	(3,098)
Net cash flows from operating activities	**4,059**
Repayment of hire purchase and finance lease liabilities	477
Repayment of lease liability principal	(4,536)
Net cash flows from financing activities	**(4,059)**
Net increase/(decrease) in cash and cash equivalents	**-**

Accounting policy for leases from 1 July 2019

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets include an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, these payments are initially measured using the index or rate as at the commencement date. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTE 11. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Low value leases

The Group applied practical expedient whereby low value assets less than $1,000 have not recognised. Lease payments on low value assets are recognised as expense on a straight-line basis over the lease term.

Lease and non-lease components

The Group applied practical expedient whereby it does not separate the lease and non-lease components.

Significant judgements and estimates

Renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. In assessing the likelihood of a lease option being exercised, the Group considers the costs of termination, the extent of any leasehold improvements, the strategic importance of the lease location and the current market rent for the site.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Incremental borrowing rates

The Group cannot readily determine the interest rate implicit in the lease contracts and therefore, the incremental borrowing rate applied is based on the interest that the Group would be required to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset.

NOTE 12. SUBSEQUENT EVENTS

There were no matters or circumstances that have occurred subsequent to balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Board of Directors of Pro-Pac Packaging Limited and its controlled entities (the 'Group'), we state that:

In the opinion of the Directors:

(a) The interim consolidated financial statements and notes of the Group:

  (i) Give a true and fair view of its financial position as at 31 December 2019 and of its performance for the half-year then ended; and

  (ii) Comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and:

(b) There are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Board of Directors on 27 February 2020.

Jonathan Ling
Chairman

Tim Welsh
Managing Director and CEO

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Independent Auditor's Review Report to the Members of Pro-Pac Packaging Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying interim consolidated financial statements of Pro-Pac Packaging Limited (the Company) and its subsidiaries (collectively, the 'Group'), which comprises the interim consolidated statement of financial position as at 31 December 2019, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration (hereafter, the 'half- year financial report').

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Kester Brown
Partner

Melbourne
27 February 2020