

**PRO-PAC PACKAGING LIMITED**  
**(ASX: PPG)**

**COMMENTARY ON RESULTS FOR THE 2014 FINANCIAL YEAR**

Momentum in top line growth continued with year on year revenue growing strongly by 26% (\$45 million) to \$218 million, of which organic growth accounted for approximately 50% of the total increase in sales. The Company is forecasting further revenue growth in both its Industrial and Rigid divisions in FY15.

Despite continued difficult general industry trading conditions, rising resin and raw material input prices and adverse margin impacts from the material downward movement in the A\$/US\$ exchange rate during the year, the strategies adopted together with the investment in infrastructure over the past couple of years enabled the Company to record a 22% increase in EBITDA, up from \$11.1m in FY13 to \$13.5m in FY14. Profit after tax was up 19% to \$6.1m.

The focus on cost out strategies has started to yield results with administration, distribution and selling expenses reducing from 25.7% in FY13 to 22.1% as a percentage of sales in FY14. Ongoing cost saving initiatives should result in a further improvement in the 2015 financial year.

While FY14 was a year of consolidation, the Company has a current pipeline of acquisition opportunities which it is continuing to assess.

A fully franked interim dividend of one cent per share was paid on 20 May 2014. The Company has today declared a fully franked final dividend of one cent per share. The record date for determining entitlement to the dividend is 11 September 2014 and the dividend will be paid on 4 November 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

**Enquiries**

For further information please contact Mr. Brandon Penn, CEO, Pro-Pac Packaging Limited on Tel (02) 8781 0500.

**About PPG**

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing innovative, flexible and rigid packaging solutions for a broad group of clients. PPG is headquartered in Sydney with operations in Adelaide, Brisbane, Melbourne and Perth. 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)

# Appendix 4E

## Preliminary Final Report

### Results for announcement to the market

#### Pro-Pac Packaging Limited for the year ended 30 June 2014

**Reporting period** : year to June 2014

**Previous corresponding period** : year to June 2013

#### Results

|  |    |     |    |                    |
|--|----|-----|----|--------------------|
| Revenue from ordinary activities   | up | 26% | to | \$000's<br>218,273 |
| Earnings Before Interest, Tax, Depreciation and Amortisation             | up | 22% | to | 13,502             |
| Profit from continuing operations after tax attributable to shareholders | up | 19% | to | 6,131              |
| Net profit for the year attributable to shareholders                     | up | 19% | to | 6,131              |

#### Dividends (distributions)

|   | Amount per security | Franked amount per security |
|---|---------------------|-----------------------------|
| Final Dividend  | 1.0¢                | 1.0¢                        |
| Interim Dividend  | 1.0¢                | 1.0¢                        |
| <p>Information on Dividends:</p> <p>The Company has declared a fully franked final dividend of 1.0 cent per share which will be paid on 4 November 2014.</p> <p>The Company's Dividend Reinvestment Plan will not apply to this dividend.</p> |                     |                             |
| Record date for determining entitlements to the final dividend  | 11 September 2014   |                             |
| Last date for elections to participate in the Dividend Reinvestment Plan  | Not applicable      |                             |

#### Commentary

Please refer to the attached commentary for a more detailed review of the Company.

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR TO 30 JUNE 2014**

|   | Notes | Consolidated<br>2014<br>\$000's | Consolidated<br>2013<br>\$000's |
|---|-------|---------------------------------|---------------------------------|
| <b>Revenue</b>  |       |                                 |                                 |
| Sale of goods and services  |       | 218,273                         | 173,131                         |
| Other income  |       | 415                             | 234                             |
| Interest income   |       | 74                              | 62                              |
| <b>Total Revenues</b>   |       | <b>218,762</b>                  | <b>173,427</b>                  |
| <b>Expenses</b>   |       |                                 |                                 |
| Amortisation of prepaid royalty   |       | 322                             | 322                             |
| Depreciation expense  |       | 3,128                           | 2,747                           |
| Distribution costs  |       | 8,067                           | 6,220                           |
| Employee benefits expense   |       | 33,558                          | 28,054                          |
| Finance costs   |       | 1,372                           | 839                             |
| Occupancy costs   |       | 7,531                           | 6,228                           |
| Other expenses from ordinary activities   |       | 11,025                          | 11,316                          |
| Raw materials and consumables used  |       | 144,405                         | 108,733                         |
| Relocation and rationalisation expenses   |       | 600                             | 1,740                           |
| <b>Total Expenses</b>   |       | <b>210,008</b>                  | <b>166,199</b>                  |
| <b>Profit before income tax</b>   |       | <b>8,754</b>                    | <b>7,228</b>                    |
| Income tax expense  | 4     | (2,623)                         | (2,074)                         |
| <b>Profit after tax from continuing operations</b>  | 13    | <b>6,131</b>                    | <b>5,154</b>                    |
| Other comprehensive income  |       | -                               | -                               |
| <b>Total comprehensive income for the period</b>  |       | <b>6,131</b>                    | <b>5,154</b>                    |
| <b>Earnings per share (cents per share) for the profit from continuing operations attributable to the ordinary equity holders of the parent</b> |       |                                 |                                 |
| - Basic earnings per share  | 1     | 2.91                            | 2.46                            |
| - Diluted earnings per share  | 1     | 2.88                            | 2.44                            |

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

|                                      | Notes | Consolidated<br>2014<br>\$000's | Consolidated<br>2013<br>\$000's |
|--------------------------------------|-------|---------------------------------|---------------------------------|
| <b>ASSETS</b>                        |       |                                 |                                 |
| <b>CURRENT ASSETS</b>                |       |                                 |                                 |
| Cash and cash equivalents            | 14    | 3,580                           | 2,247                           |
| Trade and other receivables          | 5     | 35,592                          | 30,645                          |
| Inventories                          | 6     | 34,235                          | 28,091                          |
| Prepayments                          |       | 3,399                           | 3,125                           |
| <b>Total Current Assets</b>          |       | <b>76,806</b>                   | <b>64,108</b>                   |
| <b>NON-CURRENT ASSETS</b>            |       |                                 |                                 |
| Property, plant and equipment        | 7     | 16,962                          | 17,610                          |
| Intangible assets                    | 8     | 68,793                          | 67,867                          |
| Deferred tax assets                  | 4     | 2,323                           | 2,101                           |
| Prepayments                          |       | 28                              | 350                             |
| <b>Total Non-Current Assets</b>      |       | <b>88,106</b>                   | <b>87,928</b>                   |
| <b>TOTAL ASSETS</b>                  |       | <b>164,912</b>                  | <b>152,036</b>                  |
| <b>LIABILITIES</b>                   |       |                                 |                                 |
| <b>CURRENT LIABILITIES</b>           |       |                                 |                                 |
| Trade and other payables             | 9     | 30,385                          | 24,681                          |
| Interest bearing trade finance       |       | 2,559                           | 2,036                           |
| Interest bearing borrowings          |       | 1,550                           | 1,666                           |
| Provisions                           | 10    | 3,705                           | 3,651                           |
| Current tax liabilities              | 4     | 648                             | 569                             |
| <b>Total Current Liabilities</b>     |       | <b>38,847</b>                   | <b>32,603</b>                   |
| <b>NON-CURRENT LIABILITIES</b>       |       |                                 |                                 |
| Other payables                       | 9     | -                               | 2,625                           |
| Provisions                           | 10    | 773                             | 695                             |
| Interest bearing borrowings          |       | 19,791                          | 18,780                          |
| <b>Total Non-Current Liabilities</b> |       | <b>20,564</b>                   | <b>22,100</b>                   |
| <b>TOTAL LIABILITIES</b>             |       | <b>59,411</b>                   | <b>54,703</b>                   |
| <b>NET ASSETS</b>                    |       | <b>105,501</b>                  | <b>97,333</b>                   |
| <b>EQUITY</b>                        |       |                                 |                                 |
| Issued capital                       | 11    | 91,548                          | 85,285                          |
| Other reserves                       | 12    | 99                              | 71                              |
| Retained earnings                    | 13    | 13,854                          | 11,977                          |
| <b>TOTAL EQUITY</b>                  |       | <b>105,501</b>                  | <b>97,333</b>                   |

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR TO 30 JUNE 2014**

|   | Notes | Consolidated<br>2014<br>\$000's | Consolidated<br>2013<br>\$000's |
|---|-------|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>                     |       |                                 |                                 |
| Receipts from customers (inclusive of GST)                      |       | 217,434                         | 176,071                         |
| Payments to suppliers and employees (inclusive of GST)          |       | (208,256)                       | (167,194)                       |
| Interest received   |       | 74                              | 62                              |
| Finance costs   |       | (1,448)                         | (777)                           |
| Income tax paid   |       | (2,766)                         | (2,353)                         |
| Relocation, restructuring and business combination costs        |       | (600)                           | (1,740)                         |
| <b>Net cash flows from operating activities</b>                 | 14    | 4,438                           | 4,069                           |
| <b>Cash flows from investing activities</b>                     |       |                                 |                                 |
| Payments for property, plant and equipment                      |       | (2,872)                         | (2,938)                         |
| Proceeds from sale of property, plant and equipment             |       | 377                             | 61                              |
| Payment for unincorporated businesses net of cash acquired      |       | (1,051)                         | (10,907)                        |
| Working capital for businesses acquired                         |       | (3,062)                         | (5,839)                         |
| <b>Net cash flows used in investing activities</b>              |       | (6,608)                         | (19,623)                        |
| <b>Cash flows from financing activities</b>                     |       |                                 |                                 |
| Payment of hire purchase and finance lease liabilities          |       | (2,091)                         | (2,040)                         |
| Finance leases raised   |       | 1,803                           | 1,267                           |
| Proceeds from borrowings  |       | 1,783                           | 18,886                          |
| Proceeds from issue of shares                                   |       | 4,515                           | -                               |
| Proceeds from vesting of ESPP shares                            |       | 368                             | -                               |
| Dividends paid  |       | (2,875)                         | (4,223)                         |
| <b>Net cash flows provided by financing activities</b>          |       | 3,503                           | 13,890                          |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   |       | 1,333                           | (1,664)                         |
| <b>Cash and cash equivalents at beginning of financial year</b> |       | 2,247                           | 3,911                           |
| <b>Cash and cash equivalents at end of financial year</b>       | 14    | 3,580                           | 2,247                           |
| <b>Non cash financing transactions</b>                          |       |                                 |                                 |
| Hire purchase and finance lease liabilities raised              |       | 1,803                           | 1,267                           |
| Issue of shares for dividend re-investment plan                 |       | 1,380                           | -                               |

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR TO 30 JUNE 2014**

|   | Issued<br>Capital<br>\$000's | Retained<br>Earnings<br>\$000's | Option<br>Reserve<br>\$000's | Total<br>Equity<br>\$000's |
|---|------------------------------|---------------------------------|------------------------------|----------------------------|
| <b>Consolidated</b>                             |                              |                                 |                              |                            |
| <b>Balance as at 1 July 2012</b>                | 85,285                       | 11,046                          | 56                           | 96,387                     |
| Dividends paid                                  | -                            | (4,223)                         | -                            | (4,223)                    |
| Recognition of share based payments             | -                            | -                               | 15                           | 15                         |
| Total comprehensive income for the year         | -                            | 5,154                           | -                            | 5,154                      |
| <b>Balance as at 30 June 2013</b>               | <u>85,285</u>                | <u>11,977</u>                   | <u>71</u>                    | <u>97,333</u>              |
| Issue of shares for dividend re-investment plan | 1,380                        | -                               | -                            | 1,380                      |
| Dividends paid                                  | -                            | (4,254)                         | -                            | (4,254)                    |
| Recognition of share based payments             | -                            | -                               | 28                           | 28                         |
| Vesting of ESPP shares                          | 368                          | -                               | -                            | 368                        |
| Shares issued under share placement             | 4,515                        | -                               | -                            | 4,515                      |
| Total comprehensive income for the year         | -                            | 6,131                           | -                            | 6,131                      |
| <b>Balance as at 30 June 2014</b>               | <u>91,548</u>                | <u>13,854</u>                   | <u>99</u>                    | <u>105,501</u>             |

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 1: EARNINGS PER SHARE

|  | Consolidated<br>Year Ended<br>30 June 14<br>Cents | Consolidated<br>Year Ended<br>30 June 13<br>Cents |
|--|---|---|
| Basic earnings per share *   | 2.91  | 2.46  |
| Diluted earnings per share *   | 2.88  | 2.44  |
| Reconciliation of earnings used in calculation of earnings per share:                                  |   |   |
|  | \$000's   | \$000's   |
| Profit after income tax  | 6,131   | 5,154   |
|  | <u>          </u>                                 | <u>          </u>                                 |
|  | No. of Shares                                     | No. of Shares                                     |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share         | 210,854,244                                       | 209,452,804                                       |
| Weighted average number of ordinary shares used in the calculation of basic diluted earnings per share | 212,967,211                                       | 211,195,716                                       |
|  | <u>          </u>                                 | <u>          </u>                                 |
| Number of ordinary shares on issue at year end (including ESPP shares)                                 | 226,693,758                                       | 211,257,804                                       |
|  | <u>          </u>                                 | <u>          </u>                                 |

\* 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 one cent (1.0 c) per share in respect of the financial year ended 30 June 2014. When combined with the interim dividend of one cent (1.0 c) per share paid on 20 May 2014, this represents fully franked dividends of two cents (2.0 c) per share for the 2013/14 financial year.

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

|  | Consolidated<br>Year Ended<br>30 June 14<br>Cents | Consolidated<br>Year Ended<br>30 June 13<br>Cents |
|--|---|---|
| Net tangible assets per security – basic | 15.19   | 12.74   |
|  | <u>          </u>                                 | <u>          </u>                                 |
| Net assets per security – basic          | 47.10   | 46.47   |
|  | <u>          </u>                                 | <u>          </u>                                 |

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

|   | Consolidated<br>Year Ended<br>30 June 2014<br>\$000's | Consolidated<br>Year Ended<br>30 June 2013<br>\$000's |
|---|---|---|
| <b>NOTE 4: TAXATION</b>   |   |   |
| <i>a) Income Tax Expense:</i>   | 2,623   | 2,074   |
| <b>Income tax expense:</b>  |   |   |
| Prima facie income tax expense calculated at 30% on the profit from ordinary activities | 2,626   | 2,168   |
| <b>Decrease in income tax expense due to:</b>   |   |   |
| Other income not subject to tax net of expenditure not allowable for tax purposes       | (3)   | (94)  |
| <b>Income tax expense attributable to profit from ordinary activities</b>               | <u>2,623</u>  | <u>2,074</u>  |
| <i>b) Current Tax Liabilities:</i>  |   |   |
| Income tax payable  | <u>648</u>  | <u>569</u>  |
| <i>c) Non-Current Tax Assets:</i>   |   |   |
| Deferred tax asset  | <u>2,323</u>  | <u>2,101</u>  |

#### NOTE 5: TRADE AND OTHER RECEIVABLES

|   |               |               |
|---|---------------|---------------|
| <b>Current</b>                          |               |               |
| Trade receivables                       | 34,784        | 29,767        |
| Provision for impairment of receivables | (510)         | (338)         |
|   | <u>34,274</u> | <u>29,429</u> |
| Other debtors                           | <u>1,318</u>  | <u>1,216</u>  |
| <b>Total Current Receivables</b>        | <u>35,592</u> | <u>30,645</u> |

#### NOTE 6: INVENTORIES

|   |               |               |
|---|---------------|---------------|
| <b>Current</b>  |               |               |
| Raw materials and work in progress (lower of cost and net realisable value) | 985           | 983           |
| Finished goods (lower of cost and net realisable value)                     | 33,250        | 27,108        |
| <b>Total Inventories</b>  | <u>34,235</u> | <u>28,091</u> |



## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

|  | Consolidated<br>Year Ended<br>30 June 2014<br>\$000's | Consolidated<br>Year Ended<br>30 June 2013<br>\$000's |
|--|---|---|
| <b>Note 7: PROPERTY, PLANT AND EQUIPMENT</b>             |   |   |
| <b>Plant and Equipment</b>                               |   |   |
| At cost  | 28,670  | 27,787  |
| Accumulated depreciation                                 | (11,708)  | (10,177)  |
| Total plant and equipment                                | <u>16,962</u>   | <u>17,610</u>   |
| <b>Note 8: INTANGIBLE ASSETS</b>                         |   |   |
| Goodwill   | <u>68,793</u>   | <u>67,867</u>   |
| <b>Reconciliation</b>                                    |   |   |
| Carrying amount at beginning of the year                 | 67,867  | 56,226  |
| Acquisition of businesses                                | 926   | 11,641  |
| Total goodwill   | <u>68,793</u>   | <u>67,867</u>   |
| <b>NOTE 9: PAYABLES</b>                                  |   |   |
| <b>Current</b>   |   |   |
| <b>Unsecured</b>   |   |   |
| Trade payables   | 18,222  | 15,355  |
| GST payable  | 741   | 808   |
| Other tax payable  | 672   | 525   |
| Sundry creditors and accruals                            | 6,760   | 4,431   |
| Contingent deferred payments to vendors for acquisitions | 3,990   | 3,562   |
|  | <u>30,385</u>   | <u>24,681</u>   |
| <b>Non-current</b>                                       |   |   |
| <b>Unsecured</b>   |   |   |
| Contingent deferred payments to vendors for acquisitions | -   | 2,625   |
| <b>NOTE 10: PROVISIONS</b>                               |   |   |
| <b>Current</b>   |   |   |
| Employee entitlements                                    | <u>3,705</u>  | <u>3,651</u>  |
| <b>Non-Current</b>                                       |   |   |
| Employee entitlements                                    | <u>773</u>  | <u>695</u>  |

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

|   | Consolidated  | Consolidated   |
|---|---------------|----------------|
| <b>NOTE 11: ISSUED CAPITAL</b>                                |               |                |
| <b>2014</b>   | <b>Number</b> | <b>\$000's</b> |
| <b>Issued and Paid-Up Share Capital</b>                       |               |                |
| Fully paid ordinary shares:                                   | 226,693,758   | 91,548         |
| <i>Movements during the year:</i>                             |               |                |
| Balance at beginning of year                                  | 211,257,804   | 85,285         |
| Vesting of ESPP shares  | 2,150,000     | 368            |
| Cancellation of shares for Executive Long Term Incentive Plan | (150,000)     | -              |
| Issue of shares   | 10,500,000    | 4,515          |
| Issue of shares for dividend re-investment plan               | 2,935,954     | 1,380          |
|   | 226,693,758   | 91,548         |
| <b>2013</b>   | <b>Number</b> | <b>\$000's</b> |
| <b>Issued and Paid-Up Share Capital</b>                       |               |                |
| Fully paid ordinary shares:                                   | 211,257,804   | 85,285         |
| <i>Movements during the year:</i>                             |               |                |
| Balance at beginning of year                                  | 210,987,804   | 85,285         |
| Issue of shares for Executive Long Term Incentive Plan        | 430,000       | -              |
| Cancellation of shares for Executive Long Term Incentive Plan | (160,000)     | -              |
|   | 211,257,804   | 85,285         |

During the year 1,200,000 share options were issued.

|                                     | Consolidated<br>Year Ended<br>30 June 2014<br>\$000's | Consolidated<br>Year Ended<br>30 June 2013<br>\$000's |
|-------------------------------------|---|---|
| <b>NOTE 12: OTHER RESERVES</b>      |   |   |
| <b>Options Reserve</b>              |   |   |
| Balance brought forward             | 71  | 56  |
| Recognition of share based payments | 28  | 15  |
| <b>Balance carried forward</b>      | <b>99</b>   | <b>71</b>   |

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

|  | Consolidated<br>Year Ended<br>30 June 2014<br>\$000's | Consolidated<br>Year Ended<br>30 June 2013<br>\$000's |
|--|---|---|
| <b>NOTE 13: RETAINED PROFITS</b>   |   |   |
| Retained profits at the beginning of the year  | 11,977  | 11,046  |
| Net profit attributable to members of the company  | 6,131   | 5,154   |
| Dividends paid   | (4,254)   | (4,223)   |
|  | <u>13,854</u>   | <u>11,977</u>   |
| <b>Retained profits at the end of the year</b>   | <u><u>13,854</u></u>                                  | <u><u>11,977</u></u>                                  |
| <b>NOTE 14: NOTES TO THE STATEMENT OF CASH FLOWS</b>   |   |   |
| <b>a) Reconciliation of Cash</b>   |   |   |
| For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: |   |   |
| <b>Cash Assets</b>   | <u><u>3,580</u></u>                                   | <u><u>2,247</u></u>                                   |
| <b>b) Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities:</b>   |   |   |
| <b>Profit from ordinary activities after income tax</b>  | 6,131   | 5,154   |
| <b>Add/(Less) non-cash items:</b>  |   |   |
| Depreciation and amortisation of plant and equipment   | 3,128   | 2,727   |
| Amortisation of prepaid royalty  | 322   | 322   |
| (Profit) / loss on disposal of assets  | 108   | 69  |
| Movement in income tax provision   | 78  | 95  |
| Movement in deferred tax assets & liabilities  | (221)   | (542)   |
| Movement in provision for bad debts  | 183   | (54)  |
| Other non-cash movements   | 34  | 29  |
| <b>Changes in Assets and Liabilities:</b>  |   |   |
| Receivables  | (3,831)   | 941   |
| Inventories  | (4,450)   | (1,772)   |
| Payables   | 3,137   | (1,558)   |
| Provisions   | 92  | 414   |
| Prepayments  | (273)   | (1,756)   |
|  | <u>4,438</u>  | <u>(1,756)</u>  |
| <b>Net cash flows from operating activities</b>  | <u><u>4,438</u></u>                                   | <u><u>4,069</u></u>                                   |

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 15: CONTROLLED ENTITIES

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

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

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

#### NOTE 16: OPERATING SEGMENTS

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

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

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

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

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

##### **Industrial packaging**

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

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

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

##### **Rigid packaging**

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

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

###### *Accounting policies adopted*

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

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

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

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

###### *Segment Assets*

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

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

###### *Segment Liabilities*

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

###### *Unallocated items*

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

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

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

|   | Rigid<br>packaging<br>\$ 000<br>2014 | Industrial<br>packaging<br>\$ 000<br>2014 | Intersegment<br>eliminations /<br>unallocated<br>\$ 000<br>2014 | Total<br>\$ 000<br>2014 | Rigid<br>packaging<br>\$ 000<br>2013 | Industrial<br>packaging<br>\$ 000<br>2013 | Intersegment<br>eliminations /<br>unallocated<br>\$ 000<br>2013 | Total<br>\$ 000<br>2013 |
|---|--------------------------------------|---|---|-------------------------|--------------------------------------|---|---|-------------------------|
| <b>(i) Segment performance</b>                                    |                                      |   |   |                         |                                      |   |   |                         |
| <b>12 months ended 30 June</b>                                    |                                      |   |   |                         |                                      |   |   |                         |
| <b>Revenue</b>  |                                      |   |   |                         |                                      |   |   |                         |
| External sales  | 53,653                               | 164,620                                   | -   | 218,273                 | 51,815                               | 121,316                                   | -   | 173,131                 |
| Inter-segment sales   | 9,247                                | 8,989                                     | (18,236)  | -                       | 7,687                                | 8,338                                     | (16,025)  | -                       |
| <b>Total segment revenue</b>                                      | <b>62,900</b>                        | <b>173,609</b>                            | <b>(18,236)</b>   | <b>218,273</b>          | <b>59,502</b>                        | <b>129,654</b>                            | <b>(16,025)</b>   | <b>173,131</b>          |
| <b>EBITDA</b>   | 6,372                                | 9,705                                     | (2,575)   | 13,502                  | 6,724                                | 7,349                                     | (2,999)   | 11,074                  |
| Depreciation and amortisation                                     | (1,502)                              | (1,775)                                   | (173)   | (3,450)                 | (1,427)                              | (1,498)                                   | (144)   | (3,069)                 |
| Interest revenue  |                                      |   |   | 74                      |                                      |   |   | 62                      |
| Finance costs   |                                      |   |   | (1,372)                 |                                      |   |   | (839)                   |
| <b>Profit before income tax</b>                                   |                                      |   |   | <b>8,754</b>            |                                      |   |   | <b>7,228</b>            |
| Income tax expense  |                                      |   |   | (2,623)                 |                                      |   |   | (2,074)                 |
| <b>Profit after income tax</b>                                    |                                      |   |   | <b>6,131</b>            |                                      |   |   | <b>5,154</b>            |
| <b>(ii) Segment assets</b>  |                                      |   |   |                         |                                      |   |   |                         |
| <b>As at 30 June</b>  |                                      |   |   |                         |                                      |   |   |                         |
| <b>Segment assets</b>   | 46,442                               | 113,047                                   | -   | 159,489                 | 45,538                               | 103,257                                   | -   | 148,795                 |
| <i>Reconciliation of segment assets to group assets</i>           |                                      |   |   |                         |                                      |   |   |                         |
| Inter -segment eliminations                                       |                                      |   |   | (1,463)                 |                                      |   |   | (1,497)                 |
| Unallocated assets  |                                      |   |   | 6,886                   |                                      |   |   | 4,738                   |
| * Deferred tax assets   |                                      |   |   | 2,323                   |                                      |   |   | 2,101                   |
| * Other   |                                      |   |   | 4,563                   |                                      |   |   | 2,637                   |
| <b>Total group assets from continuing operations</b>              |                                      |   |   | <b>164,912</b>          |                                      |   |   | <b>152,036</b>          |
| <b>(iii) Segment liabilities</b>                                  |                                      |   |   |                         |                                      |   |   |                         |
| <b>As at 30 June</b>  |                                      |   |   |                         |                                      |   |   |                         |
| <b>Segment liabilities</b>  | 11,314                               | 28,109                                    | -   | 39,423                  | 10,479                               | 27,846                                    | -   | 38,325                  |
| <i>Reconciliation of segment liabilities to group liabilities</i> |                                      |   |   |                         |                                      |   |   |                         |
| Inter -segment eliminations                                       |                                      |   |   | (1,538)                 |                                      |   |   | (1,451)                 |
| Unallocated liabilities   |                                      |   |   | 21,526                  |                                      |   |   | 17,829                  |
| * Deferred tax liabilities  |                                      |   |   | -                       |                                      |   |   | -                       |
| * Other liabilities   |                                      |   |   | 21,526                  |                                      |   |   | 17,829                  |
| <b>Total group liabilities from continuing operations</b>         |                                      |   |   | <b>59,411</b>           |                                      |   |   | <b>54,703</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.

#### NOTE 17: AUDIT STATUS

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

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

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

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 19: SIGNIFICANT EVENTS DURING THE PERIOD

##### *Acquisition of businesses*

The Group acquired the business and assets of the following:

| Effective date | Acquired                      | Business description                |
|----------------|-------------------------------|-------------------------------------|
| 01/08/2013     | Fast Labels                   | Niche label manufacturer            |
| 14/02/2014     | Australian Film Manufacturers | Niche film importer and distributor |

The effect of the above transactions can be summarised as follows:

|                                      | \$000's<br>Fair value |
|--------------------------------------|-----------------------|
| <b>Assets</b>                        |                       |
| <b>Current Assets</b>                |                       |
| Other receivables                    | 66                    |
| <b>Total Current Assets</b>          | <u>66</u>             |
| <b>Non-Current Assets</b>            |                       |
| Property, plant and equipment        | 100                   |
| <b>Total Non-Current Assets</b>      | <u>100</u>            |
| <b>Total Assets</b>                  | <u>166</u>            |
| <b>Liabilities</b>                   |                       |
| <b>Current Liabilities</b>           |                       |
| Trade and other payables             | 20                    |
| <b>Total Current Liabilities</b>     | <u>20</u>             |
| <b>Non-Current Liabilities</b>       |                       |
| Other payables                       | 21                    |
| <b>Total Non-Current Liabilities</b> | <u>21</u>             |
| <b>Total Liabilities</b>             | <u>41</u>             |
| <b>NET ASSETS</b>                    | <u>125</u>            |
| <b>CONSIDERATION PAID</b>            |                       |
| Cash                                 | 1,051                 |
| <b>Total</b>                         | <u>1,051</u>          |
| <b>GOODWILL</b>                      | <u>926</u>            |

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

**NOTE 19: SIGNIFICANT EVENTS DURING THE PERIOD (CONTINUED)**

| Contribution of revenue and profits from acquired entities |       |
|--|-------|
|  | \$000 |
| Total revenue to 30/06/2014                                | 2,029 |
| Profit after tax to 30/06/2014                             | 153   |
| Total revenue to 30/06/2014 if acquired at 1/7/13          | 3,583 |
| Profit after tax to 30/06/2014 if acquired at 1/7/13       | 167   |

**NOTE 20: CONTINGENT LIABILITIES**

As at balance sheet date, the company issued security deposit guarantees to the value of \$1,673,781 to the landlords of rented premises and overseas suppliers.

**NOTE 21: CAPITAL EXPENDITURE COMMITMENTS**

As at reporting date the company had commitments for future capital expenditure of \$318,729.

**NOTE 22: EVENTS SUBSEQUENT TO YEAR END**

There were no events subsequent to year end.