

PRO-PAC PACKAGING LIMITED

(ASX: PPG)

Commentary on Results for the Six Months Ended 31 December 2014

The Company reported record revenue for the six months to 31 December 2014 with sales of \$125m being 12% higher than the previous corresponding period. While some of the top line growth is acquisition related, it is pleasing to note that organic sales growth of 10% was achieved in a difficult economic climate. Profit before tax, acquisition, rationalisation and relocation costs was up 9% at \$6.7m while after tax profit of \$4.2m was up 1% on the previous corresponding period.

The first half was a particularly volatile period with the declining AUD and the resultant unfavourable exchange rate impost on our imported products. Adverse forex movements had a circa \$3m negative impact on the Company's gross margins compared to the corresponding period in the prior financial year. However price increases were advised to the market late in the half with the bulk of these increases becoming effective in the first quarter of calendar year 2015. These increases will recover some of the margin erosion experienced.

Effective 3 October 2014, the business and assets of Nelson Joyce, a supplier of primarily flexible packaging products into the food and industrial markets were acquired. This acquisition has been transitioned and fully integrated into the Industrial division and complements our existing flexible packaging businesses.

The offshore Malaysian processing centre is now fully functional and delivering the back office cost savings as anticipated. There is still scope for expansion of these offshore services to extract synergies from our divisional cost structures and achieve further savings for the Group.

The Industrial Division finished the half with encouraging sales growth of 13% and EBITDA grew 4%. This is a particularly pleasing result in view of the significant decline in the AUD and its detrimental effect on the margins of a division that is heavily dependent on imports for a wide range of its products. The division continued with its growth strategies and we expect the Industrial Division to produce further solid sales growth going forward.

The Rigid Division put in a particularly strong performance with 9% growth on the top line while EBITDA grew by 16% as a result of the increased volumes, resulting economies of scale and effective cost control.

Head office costs increased in line with the increased activity of the Group and as a result of the appointment of key managers to facilitate growth and enhance efficiencies. The Malaysian processing centre now also forms part of the Head office cost structure.

The Company has a healthy pipeline of new business opportunities which augurs well for its continued organic growth. The Company is continuing to evaluate a number of potential accretive acquisitions.

The Company has today declared a fully franked interim dividend of one cent per share. The record date for determining entitlement to the dividend will be 13 March 2015 and the dividend will be paid on 20 May 2015. The Company's Dividend Reinvestment Plan will apply to this dividend. No discount will apply to the issue price.

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 a national footprint including operations in all mainland states. PPG's securities are listed and quoted on the ASX. For further information on PPG visit www.ppgaust.com.au.

Appendix 4D

Half Yearly Report

Results for announcement to the market

Pro-Pac Packaging Limited

ACN	Half Year ended (‘Reporting Period’)	Previous Half Year ended (‘Corresponding period’)
112 971 874	31 December 2014	31 December 2013

Results

				\$ 000's
Revenue from ordinary activities	Up	11.7 %	to	124,936
Profit before income tax, acquisition, rationalisation and relocation costs from ordinary activities	Up	9.0%	to	6,660
Profit from continuing operations after tax attributable to shareholders	Up	1.1 %	to	4,209
Net profit attributable to shareholders	Up	1.1 %	to	4,209

Dividends (distributions)

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	1.0¢	1.0¢
Prior year interim dividend	1.0¢	1.0¢

Information on dividends:

The Company will pay an interim dividend of one cent per share on 20 May 2015.

The Company’s Dividend Reinvestment Plan has been activated. Under the Plan, shareholders can acquire shares in the Company at the volume weighted average sale price per share during the four trading days up to and including the Record Date for determining entitlements. No discount will apply to the issue price.

Record Date for determining entitlements to the dividend	13 March 2015
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	17 March 2015

Control gained over entities

No control was gained or lost over entities that would have had a material impact on the financial report for the period ended 31 December 2014.

The Group has no associates or joint venture entities.

The Group applies International Accounting Standards in compiling the financial report of its wholly-owned foreign entity PPG Services SDN BHD.

The financial statements included in the half year report are not subject to audit dispute or qualification.

The information set out above and in the attached half year report is provided to ASX in accordance with a resolution of the Directors.

Commentary

Brief explanation of any of the figures reported above: Please refer to the attached Half Year Report for a detailed review.

NTA backing

	Reporting Period	Previous corresponding period
Net tangible asset backing per ordinary security	15.31 cents	13.43 cents

PRO-PAC PACKAGING LIMITED

ACN 112 971 874

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2014

PRO-PAC PACKAGING LIMITED
DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity consisting of Pro-Pac Packaging Limited and the entities it controlled for the half year ended 31 December 2014.

DIRECTORS

The names of the company's Directors in office during the half year and up to the date of this report are:

Ahmed Fahour (Non Executive Director)
BEcon, MBA

Elliott Kaplan (Non Executive Director)
BAcc, CA

Brandon Penn (Executive Director)
BCom

Dr Gary Weiss (Non Executive Director)
LL.B (Hons), LL.M (with distinction), JSD

PRINCIPAL ACTIVITIES

Pro-Pac Packaging Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity during the half year were the manufacture and distribution of industrial, protective and rigid packaging products. There have been no significant changes in the nature of these activities during the half year.

There are no significant changes in the state of affairs of the company.

REVIEW AND RESULTS OF OPERATIONS

The Company reported record revenue for the six months to 31 December 2014 with sales of \$125m being 12% higher than the previous corresponding period.

However increased pressures on margins, higher operational and one off costs resulted in EBITDA of \$8.3m being in line with the previous corresponding period while and after tax profit of \$4.2m was up 1% on the previous corresponding period. Basic earnings per share reduced by 5% from 1.98c to 1.88c for the half year, mainly due to a larger number of shares in issue.

The Directors declared a fully franked interim dividend of one (1c) cent per share. The Record Date for determining entitlements to the dividend is 13 March 2015. The dividend will be paid on 20 May 2015.

ROUNDING OF ACCOUNTS

The company is of a kind referred to in Class Order 98/100, issued by ASIC, accordingly amounts on this report have been rounded off to the nearest thousand dollars.

AUDITOR'S INDEPENDENCE DECLARATION

The auditors have provided the Board of Directors with a signed Independence Declaration in accordance with s307C of the Corporations Act 2001. This declaration is included on page 3 of this Half Year Financial Report.

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



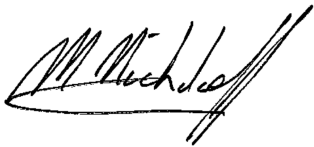
Brandon Penn
Director
Sydney
24 February 2015

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Pro-Pac Packaging Limited

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2014 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

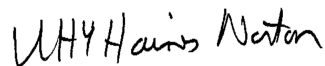


Mark Nicholaeff

Partner

Sydney

Dated: 24 February 2015



UHY Haines Norton

Chartered Accountants

PRO-PAC PACKAGING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 DECEMBER 2014

Notes	Consolidated 2014 \$ 000	Consolidated 2013 \$ 000
Revenue		
Sales of goods	124,936	111,871
Other income	340	-
Interest income	36	36
Total Revenue	125,312	111,907
Expenses		
Raw materials and consumables used	84,379	72,997
Employee benefits expense	16,742	17,244
Other expenses from ordinary activities	7,051	5,920
Distribution costs	4,521	3,760
Occupancy costs	3,719	3,538
Depreciation expense	1,515	1,526
Finance costs	564	649
Acquisition, rationalisation and relocation expenses	566	135
Amortisation of prepaid royalty	161	161
Total Expenses	119,218	105,930
Profit before income tax from continuing operations	6,094	5,977
Income tax expense	1,885	1,814
Profit after income tax expense for the half year	4,209	4,163
Other comprehensive income		
Items that will be subsequently recycled through profit & loss		
Cash flow hedges		
Gain / (loss) taken to equity	107	-
Total comprehensive income for the half year	4,316	4,163
Earnings per share (cents per share)		
- Basic earnings per share	3	1.88
- Diluted earnings per share	3	1.96

The above statement should be read in conjunction with the accompanying notes.

PRO-PAC PACKAGING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 \$ 000	Consolidated 30 June 2014 \$ 000
Assets			
Current assets			
Cash and cash equivalents	5	5,309	3,580
Trade and other receivables		43,709	35,592
Inventories		36,820	34,235
Prepayments		5,864	3,399
Total current assets		91,702	76,806
Non-current assets			
Property, plant and equipment		17,119	16,962
Intangible assets	6	70,587	68,793
Deferred tax assets		2,487	2,323
Prepayments		-	28
Total non-current assets		90,193	88,106
TOTAL ASSETS		181,895	164,912
Liabilities			
Current liabilities			
Trade and other payables		35,771	30,385
Interest bearing trade finance		5,139	2,559
Borrowings		1,619	1,550
Provisions		3,835	3,705
Current tax liabilities		1,147	648
Total current liabilities		47,511	38,847
Non-current liabilities			
Borrowings		25,926	19,791
Provisions		909	773
Total non-current liabilities		26,835	20,564
TOTAL LIABILITIES		74,346	59,411
NET ASSETS		107,549	105,501
EQUITY			
Issued capital		91,548	91,548
Reserves		206	99
Retained earnings		15,795	13,854
TOTAL EQUITY		107,549	105,501

The above statement should be read in conjunction with the accompanying notes.

PRO-PAC PACKAGING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR TO 31 DECEMBER 2014

	Notes	Issued capital \$ 000	Retained earnings \$ 000	Option reserve \$ 000	Cash flow hedge reserve \$ 000	Total equity \$ 000
Consolidated						
Balance as at 1 July 2013		85,285	11,977	71	-	97,333
Profit after income tax expense for the half-year		-	4,163	-	-	4,163
Total comprehensive income for the half-year		-	4,163	-	-	4,163
Transactions with owners in their capacity as owners:						
Vesting of ESPP shares		368	-	-	-	368
Dividends paid		-	(2,122)	-	-	(2,122)
At 31 December 2013	7	85,653	14,018	71	-	99,742

	Notes	Issued capital \$ 000	Retained earnings \$ 000	Option reserve \$ 000	Cash flow hedge reserve \$ 000	Total equity \$ 000
Consolidated						
Balance as at 1 July 2014		91,548	13,854	99	-	105,501
Profit after income tax expense for the half-year		-	4,209	-	-	4,209
Other comprehensive income for the half-year, net of tax		-	-	-	107	107
Total comprehensive income for the half-year		-	4,209	-	107	4,316
Transactions with owners in their capacity as owners:						
Dividends paid		-	(2,268)	-	-	(2,268)
At 31 December 2014	7	91,548	15,795	99	107	107,549

The above statement should be read in conjunction with the accompanying notes.

PRO-PAC PACKAGING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR TO 31 DECEMBER 2014

	Notes	Consolidated 2014 \$ 000	Consolidated 2013 \$ 000
Cash flows from operating activities			
Receipts from customers		117,160	107,571
Payments to suppliers & employees		(112,571)	(102,913)
Interest received		36	36
Interest paid		(564)	(710)
Income tax paid		(1,557)	(1,515)
Relocation, restructuring and business combination costs		(566)	(135)
Net cash flows provided by operating activities	8	1,938	2,334
Cash flows from investing activities			
Payments for property, plant and equipment		(1,568)	(1,257)
Proceeds from sale of property, plant and equipment		122	99
Payment for unincorporated businesses		(4,045)	(969)
Working capital for businesses acquired		(1,234)	(3,261)
Net cash flows (used) in investing activities		(6,725)	(5,388)
Cash flows from financing activities			
Payment of finance lease liabilities		(971)	(1,060)
Hire purchase and finance leases raised		725	713
Proceeds from borrowings		9,030	6,008
Proceeds from vesting of ESPP shares		-	368
Dividend paid		(2,268)	(2,122)
Net cash flows provided by financing activities		6,516	3,907
Net increase / (decrease) in cash and cash equivalents		1,729	853
Cash & cash equivalents at beginning of the half year		3,580	2,247
Cash & cash equivalents at end of half year	5	5,309	3,100

Hire purchase and finance leases raised	725	713
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The above statement should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements for the interim half-year period ended 31 December 2014 have been prepared in accordance with the *Corporations Act 2001* and AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Pro-Pac Packaging Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. The half year financial report does not include full disclosures of the type normally included in an annual report. It is therefore recommended that this financial report be read in conjunction with the annual report of the Group for the year ended 30 June 2014, together with any public announcements made by the Group during the half-year.

The accounting policies applied by the Group in the interim consolidated financial report are the same as those applied by the Group in the Annual Financial Report as at and for the year ended 30 June 2014, with the exception of the amended standards noted below.

(b) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity:

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosure for Non-Financial Assets.

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal. When these amendments are adopted for the first time, they are unlikely to have any significant impact to the Group given that they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Annual improvements 2010-2012 Cycle – Annual Improvements to IFRSs 2010-2012 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during the 2010–2012 cycle for annual improvements to IFRSs. The amendments have not yet been adopted by the AASB.

Among the items addressed by this standard, the following are relevant to the Group:

- IFRS 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. The group is yet to assess the effect if any of this amendment on its accounting of share-based payments.
- IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide reconciliation of total reportable segments' assets to the entity's total assets.
- IAS 16 & IAS 38 – Clarifies the determination of accumulated depreciation does not depend on the selection of valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Annual Improvements 2011–2013 Cycle – Annual Improvements to IFRSs 2011-2013 Cycle.

Annual Improvements to IFRSs 2011–2013 Cycle is a collection of amendments to IFRSs in response to four issues addressed during the 2011–2013 cycle. Among other improvements, the amendments clarify that an entity should assess whether an acquired property is an investment property under IAS 40 Investment Property and perform a separate assessment under IFRS 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination. The amendments have not yet been adopted by the AASB.

AASB 1031 Materiality - The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

Unless otherwise stated above, the adoption of the above standards is not expected to have a significant effect on the way the Group accounts for and presents its financial results.

NOTE 2: SEGMENT INFORMATION

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;

NOTE 2: SEGMENT INFORMATION (continued)

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.

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. Inter-segment loans are eliminated on consolidation.

Segment Assets

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

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

Segment Liabilities

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

Unallocated items

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

NOTE 2: SEGMENT INFORMATION (continued)

	Rigid packaging \$ 000 2014	Industrial packaging \$ 000 2014	Intersegment eliminations / unallocated \$ 000 2014	Total \$ 000 2014	Rigid packaging \$ 000 2013	Industrial packaging \$ 000 2013	Intersegment eliminations / unallocated \$ 000 2013	Total \$ 000 2013
(i) Segment performance								
Six months ended 31 December								
Revenue								
External sales	30,267	94,669	-	124,936	27,842	84,029	-	111,871
Inter-segment sales	4,349	4,590	(8,939)	-	4,421	4,795	(9,216)	-
Total segment revenue	34,616	99,259	(8,939)	124,936	32,263	88,824	(9,216)	111,871
				-				-
EBITDA	3,860	6,564	(2,126)	8,298	3,333	6,300	(1,356)	8,277
Depreciation and amortisation				(1,676)				(1,687)
Interest revenue				36				36
Finance costs				(564)				(649)
Profit before income tax				6,094				5,977
Income tax expense				(1,885)				(1,814)
Profit after income tax				4,209				4,163
(ii) Segment assets								
As at 31 December (2014: 30 June)								
Segment assets	46,777	128,253	-	175,030	46,442	113,047	-	159,489
<i>Reconciliation of segment assets to group assets</i>								
Inter -segment eliminations				(1,019)				(1,463)
Unallocated assets				7,884				6,886
* Deferred tax assets				2,487				2,323
* Other				5,397				4,563
Total group assets from continuing operations				181,895				164,912
(iii) Segment liabilities								
As at 31 December (2014: 30 June)								
Segment liabilities	12,269	37,305	-	49,574	11,314	28,109	-	39,423
<i>Reconciliation of segment liabilities to group liabilities</i>								
Inter -segment eliminations				(1,079)				(1,538)
Unallocated liabilities				25,851				21,526
* Deferred tax liabilities				-				-
* Other liabilities				25,851				21,526
Total group liabilities from continuing operations				74,346				59,411

(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 3: EARNINGS PER SHARES

Basic and diluted earnings per share amounts are calculated by dividing net profit for the half year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 2014	Consolidated 2013
Net profit attributable to equity holders (\$000)	4,209	4,163
Weighted average number of ordinary shares for basic earnings per share	224,013,758	210,196,656
Weighted average number of ordinary shares for diluted earnings per share	227,879,414	212,203,706
Basic earnings per share (cents per share) *	1.88	1.98
Diluted earnings per share (cents per share) *	1.85	1.96

NOTE 3: EARNINGS PER SHARES (continued)

* The difference between basic and diluted shares on issue represents the PPG Executive Long Term Incentive Plan shares on issue which are treated as an option grant as well as 1,200,000 share options. During the prior period, the average exercise price of the options was higher than the average market price. As such, the options would not have been exercised and therefore no dilution would have occurred.

NOTE 4: DIVIDENDS PAID AND PROPOSED

The Directors have declared an interim dividend of 1.0 cent per share in respect of the half year ended 31 December 2014 (2013: 1.0 cent per share). The company has determined a record date of 13 March 2015 and a payment date of 20 May 2015.

	2014 \$000's	2013 \$000's
Paid during the half year:		
Final dividend for 2014 – 1 cent per ordinary share (2013 – 1 cent per ordinary share)	2,268	2,122

Franking credit balance

The half-year financial report has been prepared on the basis that the Group has adopted the provisions of the tax consolidation regime for the year ending 30 June 2014 and 30 June 2013. As such franking credits arising from the other Group companies totalling \$14,553,348 will be available to the parent entity.

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated 31 Dec 2014 \$000's	Consolidated 30 Jun 2014 \$000's
Cash at bank and in hand	5,309	3,580

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates

Reconciliation of cash

For the purposes of the Statement of cash flow, cash and cash equivalents comprise the following at 31 December:

Cash at bank and in hand	5,309	3,580
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NOTE 6: INTANGIBLE ASSETS

	Notes	Consolidated 31 Dec 2014 \$000's	Consolidated 30 Jun 2014 \$000's
Goodwill			
Carrying amount at beginning of the year		68,793	67,867
Acquisition through business combinations	8	1,794	926
Closing value		70,587	68,793
At 31 December			
Gross		70,587	68,793
Accumulated impairment losses		-	-
Net carrying value		70,587	68,793

NOTE 7: CONTRIBUTED EQUITY

	Consolidated 2014 \$ 000	Consolidated 2013 \$ 000
Ordinary shares		
Issued and fully paid	<u>85,653</u>	<u>85,285</u>

<i>Movement in ordinary shares on issue</i>	Number	\$ 000	Number	\$ 000
Balance at beginning of the half year	226,693,758	91,548	211,257,804	85,285
Vesting of ESPP shares	-	-	1,100,000	368
Cancellation of shares for Executive Long Term Incentive Plan	(75,000)	-	(150,000)	-
Balance at the end of the half year	<u>226,618,758</u>	<u>91,548</u>	<u>212,207,804</u>	<u>85,653</u>

Note: There are 1,200,000 share options on issue.

There was no par value for the shares issued. The company has an Executive Long Term Incentive Plan under which the company's shares have been granted.

NOTE 8: CASH FLOW INFORMATION

	Consolidated 2014 \$000's	Consolidated 2013 \$000's
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit after tax	4,209	4,163
Add/(Less) non-cash items:		
Depreciation and amortisation of plant and equipment	1,515	1,526
Amortisation of pre-paid royalty	161	161
(Profit) / Loss on disposal of assets	1	27
Movement in income tax provision	498	467
Movement in deferred tax assets & liabilities	(163)	(168)
Movement in provision for bad debts	102	101
Changes in assets and liabilities:		
Receivables	(6,866)	(6,752)
Inventories	(1,711)	(2,306)
Payables	6,571	3,527
Provisions	60	356
Prepayments	(2,439)	1,232
Net cash flows from operating activities	<u>1,938</u>	<u>2,334</u>

NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS

As at statement of financial position date the company had commitments for future capital expenditure of \$341,711.

As at statement of financial position date, the company issued security deposit guarantees and standby letters of credit to the value of \$1,832,932.

As at statement of financial position date, the company is defending a claim of \$1.2m arising from the acquisition of the assets and businesses of Eco Food Pack Australia Pty Limited. The company has lodged counter claims in excess of \$2.0m.

NOTE 10: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no events after the statement of financial position date.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pro-Pac Packaging Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2014 and the performance for the half year ended on that date; and
 - (ii) comply with 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 Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303 (5) (a) of the Corporations Act 2001.

On behalf of the Board



Brandon Penn
Director

Sydney
24 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Pro-Pac Packaging Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pro-Pac Packaging Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year.

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 those charged with governance determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated 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, we have become aware of any matter that makes us 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 consolidated entity's financial position as at 31 December 2014 and its 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 Pro-Pac Packaging Limited, 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.

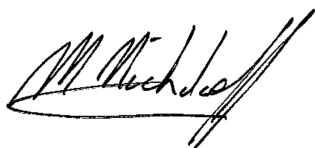
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pro-Pac Packaging Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

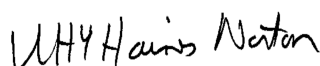


Mark Nicholaeff

Partner

Sydney

Date: 24 February 2015



UHY Haines Norton

Chartered Accountants