PRO-PAC PACKAGING LIMITED

2015 *Annual Report*

PRO-PAC PACKAGING LIMITED

WE ARE FOCUSED ON LOOKING AFTER OUR EMPLOYEES AND CUSTOMERS AND TOGETHER CONTINUING TO GROW A SUCCESSFUL PACKAGING AND DISTRIBUTION COMPANY IN AUSTRALIA THAT CREATES SHARED VALUE.

Pro-Pac Packaging
Corporate Protective Packaging Specialists

PB Packaging
Containers and Closures for All Industries

PPG

CORPORATE INFORMATION

Pro-Pac Packaging Limited

ACN: 112 971 874 ABN: 36 112 971 874

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DIRECTORS

Ahmed Fahour (Chairman)
Elliott Kaplan
Brandon Penn
Dr Gary Weiss

COMPANY SECRETARY

Mark Saus

REGISTERED OFFICE

147-151 Newton Road
Wetherill Park NSW 2164

PRINCIPAL PLACE OF BUSINESS

147-151 Newton Road
Wetherill Park NSW 2164

SHARE REGISTER

Boardroom Limited
Level 12, 225 George Street
Sydney NSW 2000

SOLICITORS

Thomson Geer
Level 25, 1 O'Connell Street
Sydney NSW 2000

BANKERS

Commonwealth Bank of Australia
Premium Business Services
Level 1, 430 Forest Road
Hurstville NSW 2220

AUDITORS

UHY Haines Norton
Level 11, 1 York Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Pro-Pac Packaging Limited shares are listed on the Australian Securities Exchange (ASX code: PPG)

WEBSITE

www.ppgaust.com.au

CHAIRMAN'S REPORT

On behalf of the Board of Directors and the management it is my pleasure to present Pro-Pac's annual report for the year ended 30 June 2015.

The highlight of the year was revenue growth of 12% ($25 million) by comparison with the prior year. The Company completed only one small acquisition in the year and therefore the revenue growth was primarily achieved through the successful implementation of sales and business development strategies. This achievement is particularly pleasing in the context of weak economic growth and very competitive markets.

Profit before income tax, relocation and business combination costs increased by 12% to $9.9 million by comparison with the prior year. However, one-off costs of approximately $1.5 million were incurred to restructure the existing business and integrate the Nelson Joyce acquisition which resulted in profit after tax increasing by only 1% to $5.8 million. Many of the products sold by Pro-Pac are imported from overseas and the declining value of the Australian dollar resulted in significant cost increases for these products. It is estimated that the total cost impost to Pro-Pac was $6 million by comparison with the prior year. It is a credit to our management and sales staff that the majority of this cost was recovered in very competitive market conditions.

The Company continues to look for attractive acquisitions that are accretive and meet return on investment hurdles. The Board expects further value-adding acquisitions to be completed in the coming year. Opportunities also exist to continue to lower the Company's cost base and grow sales with new and existing customers.

Despite the challenging business conditions the Board remains confident in the Company's ability to continue to grow both sales and profit and when considered in conjunction with a strong balance sheet and solid cash flows the Board decided to increase the final dividend to one and half cents per share for the second half. This, combined with the interim dividend, resulted in shareholders receiving a total dividend of two and half cents per share fully franked for the financial year.

In May 2015 Brandon Penn retired from his role as CEO of the Company. Brandon served as CEO for over five years and during that time the Company grew three fold in the packaging and distribution industry in Australia. On behalf of the Board I want to thank Brandon for his significant contribution to the Company over many years. Brandon remains a Director and a substantial shareholder of the Company. In August 2014 the Board appointed Peter Sutton as COO. Peter has extensive senior management experience in the packaging industry and in May 2015 Peter assumed the role of CEO.

Finally, I would like to thank my fellow Directors and the management team which are focused on looking after our employees and customers and together continuing to grow a successful packaging and distribution company in Australia that creates shared value.

Ahmed Fahour

Chairman

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity ("the Group") consisting of Pro-Pac Packaging Limited ("the Company") and the entities it controlled at the end of the year ended 30 June 2015.

DIRECTORS

The Directors in office at the date of this report and during the whole of the financial year are as follows:

Ahmed Fahour

B Econ, MBA

(Non-Executive Director – appointed director 28 March 2014 and Chairman 25 November 2014)

Mr Fahour was appointed Managing Director and CEO of Australia Post in February 2010. He has held a number of senior executive positions within the finance and banking industries in Australia and overseas and was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia), and he is the former chairman of Rip Curl Group. Mr Fahour is currently Executive Chairman of Our Neighbourhood and Star Track, as well as a director of the Carlton Football Club. He is also an Adjunct Professor in the Faculty of Business, Economics and Law at La Trobe University.

Mr Fahour is Chairman of the Remuneration Committee of Pro-Pac.

Elliott Kaplan

BAcc, CA

(Non-Executive Director – appointed Director 1 March 2005 and Chairman 25 February 2011, resigned as chairman 25 November 2014)

Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and public listed companies. His experience, from both an investor and investee perspective, spans a diverse range of industries including manufacturing, environmental, distribution and services. Mr Kaplan is Managing Director of CVC Private Equity Limited, a non-executive director of Cellnet Limited and a director of a number of unlisted companies. Mr Kaplan is also a former director of Dolomatrix Limited, The Environmental Group Limited and ASX listed Grays Ecommerce Group Limited.

Mr Kaplan is Chairman of the Audit and a member of the Remuneration Committees.

Brandon Penn

B. Com

(Non-Executive Director – appointed 16 August 2007, resigned as CEO 12 May 2015)

Mr Penn is the founding director of the PB Group which merged with PPG in 2007. He has had a number of business interests alongside the PB Group including the establishment of a dominant software development company, Dealing Information Systems (DIS), which developed wholesale banking systems. DIS was acquired in 1996 by Sungard Data Systems NYSE. Mr Penn assumed Asia-Pacific responsibility for the Sungard companies and offices throughout the Asia Pacific region.

Mr Penn is a member of the Remuneration Committee.

On 1 March 2010 Mr Penn was appointed to the position of Group CEO. He resigned as CEO on 12 May 2015.

Dr Gary Weiss

LL.B (Hons), **LL.M** (with dist.), **Doctor of Juridical Science** (JSD)

(Non-Executive Director – appointed 28 May 2012)

Dr Weiss is Chairman of ClearView Wealth Ltd and Ridley Corporation Ltd. He is Executive Director of Ariadne Australia Ltd and a director of several other public companies including Premier Investments Ltd, Thorney Opportunities Ltd and The Straits Trading Company Ltd.

Dr Weiss is a member of both the Audit and Remuneration Committees.

CHIEF EXECUTIVE OFFICER

Peter Sutton

B. Eng.

(Chief Executive Officer – appointed 13 May 2015)

Mr Sutton has over 25 years' experience in senior management roles in the packaging industry in Australia, New Zealand and Asia. Prior to joining PPG as CEO he was Managing Director and CEO of the private equity owned company Aperio Group, the largest supplier of plastic flexible packaging in Australasia. Mr Sutton has also served in large public companies including Managing Director of Amcor Australasia and Executive General Manager of Southcorp Packaging.

Mr Sutton holds a Bachelor of Engineering and is a graduate of the Advanced Management Program at Harvard Business School.

COMPANY SECRETARY

Mark Saus

B.Com, B. Compt (Hons), **CPA**

(Company Secretary and Chief Financial Officer – appointed 2 September 2005)

Mr Saus has more than 30 years' experience in commercial and financial management roles in private and public listed companies both in Australia and overseas. His experience spans a diverse range of industries including manufacturing, distribution and retail. Past roles include head of finance positions in high growth SME environments. Mr Saus is also the Chief Financial Officer of the Group.

DIRECTORS' REPORT

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the relevant interests of the directors in the shares and options of Pro-Pac Packaging Limited are shown in the table below:

	ORDINARY SHARES			
	Opening balance	Additions	Disposals	Closing balance
Elliott Kaplan	216,357	-	-	216,357
Ahmed Fahour	10,000,000	-	-	10,000,000
Brandon Penn	24,958,817	-	-	24,958,817
Dr Gary Weiss	500,000	-	200,000	300,000

	OPTIONS			
	Opening balance	Additions	Disposals	Closing balance
Elliott Kaplan	1,200,000	-	-	1,200,000

MEETINGS OF DIRECTORS

Attendances by each director during the year were:

	BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Elliott Kaplan	7	7	3	3	1	1
Ahmed Fahour	7	7	-	-	1	1
Dr Gary Weiss	7	7	3	3	1	1
Brandon Penn	7	7	-	-	1	1

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the 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 year.

OVERVIEW OF THE COMPANY'S BUSINESS

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing end to end solutions for general industrial and primary packaging, safety, food services and food processing sectors with a national footprint.

During the 2015 Financial Year, the Company continued to achieve good top line growth, both organically and through acquisitions. Revenue grew 12% (or $25 million) to $243 million of which organic growth accounted for approximately three quarters of the total increase in sales. Cross selling benefits continue to be realised between the various businesses acquired and integrated into the Company in recent years.

The volatile trading conditions experienced in H1 continued during H2 with the AUD declining even further and the resultant unfavourable exchange rate impost on our imported products and margins was circa $6 million for the financial year relative to the prior 12 month period. The latter was however partly mitigated by price increases to customers, predominantly during H2.

Cost out strategies and related costs savings continued during the year with administration, distribution and selling expenses (before acquisition, rationalisation and relocation expenses) reducing further during the year from 22.0% to 21.3% as a percentage of sales. Further ongoing cost saving initiatives are planned for FY16. In particular savings are expected from more efficient use of overheads across the expanded Group and supply chain improvements.

Acquisition, rationalisation and relocation expenses of circa $1.5 million were incurred during the period. The latter arose mainly from the relocation of the Company's Industrial distribution businesses in Corio, Melbourne and in Adelaide to more cost effective facilities. Relocation and integration costs of the Nelson Joyce business acquired in October 2014 also form part of this abnormal cost impost.

Accordingly, EBITDA before accounting for the above once off costs of $1.5 million was up 6% at $14.7 million while underlying PBT calculated on the same basis was up 12% at $9.9 million.

The Industrial Division finished the year with encouraging sales growth of 10% (6% organic) and EBITDA grew 7% - a particularly pleasing result given the division's heavy reliance on imports and the adverse effects experienced from a declining AUD.

The strong performance of the Rigid Division during H1 continued for the remainder of FY15 with 10% growth on the top line for FY15 while EBITDA grew by 17% as a result of the increased volumes, resulting economies of scale and effective cost control.

Profit after tax has risen 1% on last year and absorbed many one off costs noted above.

In line with its ambitious growth plans, the Company continues to evaluate a healthy pipeline of potentially accretive acquisitions.

DIVIDENDS

	2015 $000's	2014 $000's
Dividend paid during the year:		
Final dividend for 2014 – 1 cent per ordinary share (2013 – 1 cent per ordinary share)	2,267	2,122
Interim dividend for 2015 – 1 cent per ordinary share (2014 – 1 cent per ordinary share)	2,266	2,132
	4,533	**4,254**

In August 2015, the Company declared a fully franked final dividend of 1.5 cent per share. The record date for determining entitlement to the dividend is 9 September 2015 and the dividend will be paid on 24 September 2015. The Company's Dividend Reinvestment Plan will apply to this dividend. No discount will apply to the issue price.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no changes in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

LIKELY DEVELOPMENTS

Apart from the commentary outlined above, the directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the directors consider that it would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND THE AUDITOR

The Company has entered into a deed of access, indemnity and insurance with each of the Directors, under which the Company has agreed to:

> continue to provide the Directors with access to certain relevant information after they cease to be Directors;

> to the extent permitted by law, indemnify the Directors against liabilities incurred in their capacity as directors of the Company and its subsidiaries; and

> maintain certain Directors' liability insurance in respect of Directors, both during and after the period they are Directors.

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for the Directors of the Company.

These contracts of insurance prohibit the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

The Company has not, during the year or since the end of the financial year, in respect of any person who is or has been an auditor of the Group, paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expense of defending legal proceedings.

REMUNERATION REPORT (AUDITED)

Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

The Remuneration Committee comprises Mr Ahmed Fahour (Chairman), Mr Elliott Kaplan, Dr Gary Weiss and Mr Brandon Penn who are Non-Executive Directors.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors on a periodic basis by reference to relevant employment market

DIRECTORS' REPORT

conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Group. Further details on the remuneration of Directors and executives are set out in this Remuneration Report.

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate and distinct.

Non-Executive Director remuneration

The Company seeks to set aggregate remuneration at a level which provides the Company with the ability to attract, retain and motivate directors of the highest quality, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that non-executive directors are entitled to receive remuneration for their services as determined by the Company in a General Meeting. The Company has resolved that the maximum aggregate amount of directors' fees (which does not include remuneration of executive directors and other non-director services provided by directors) is $400,000 per annum. Non-executive directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A director may also be remunerated as determined by the directors if that director performs additional or special duties for the Company.

The remuneration of the Company's Non-Executive Directors for the period ending 30 June 2015 is detailed in Table 1 of this Remuneration Report.

Executive Director and Senior Management remuneration

The Group aims to develop remuneration packages properly reflecting each person's duties and responsibilities and the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration Committee is responsible for reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors.

The Remuneration Committee is also responsible for providing advice to the Board with respect to non-executive directors' remuneration.

The Board is responsible for determining remuneration packages applicable to the Board members and the Chief Executive Officer. The Chief Executive Officer determines the remuneration packages for the senior executives of the Company in accordance with compensation guidelines set by the Board.

The remuneration of the Chief Executive Officer and Senior Management for the year ending 30 June 2015 is set out in Table 1 of this report.

Employment contracts

Chief Executive Officer

The Company has entered into an executive service agreement with Mr Peter Sutton in relation to his role as Chief Executive Officer of the Group. In his executive service agreement, Mr Sutton agrees that all intellectual property rights created, developed or acquired by him in the course of his employment, belong to the Company.

The Company or the executive may terminate the service agreement by giving the other party three months' notice. In the event of a completion of a sale of all or substantially all of the assets or shares in the Company (a Change of Control) or the sale of a significant part of the Company that would materially change the scope and responsibilities of the CEO role, then the notice period required to be given to Mr Sutton is six months, which he may elect to receive in payment in lieu of notice instead of working part or all of the notice period.

The Company may terminate the agreement at any time with immediate effect in the event of misconduct. The agreement provides that for a period of six months after termination of his employment contract (less any served notice period) Mr Sutton will not compete with the Group in Australia.

Senior Management

Employment agreements entered into with senior management contain the following key terms:

Event	Company Policy
Resignation / notice period	6 months or less
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (ie 'golden handshakes')	None

Executive Long Term Incentive Plan (ESPP)

The Company has established an ESPP to encourage employees to share in the ownership of the Company and promote the long-term success of the Company as a goal shared by the employees. The ESPP has been approved by members of the Company for the purposes of sections 260C(4)(a), 259B(2)(a), 257B(1) and paragraph (b) of the definition of employee share scheme buy-back in section 9 of the Corporations Act. There are currently 2,030,000 shares issued to employees under the Plan.

The following are the key terms and conditions of the ESPP:

> No shares under the ESPP will be allotted unless the requirements of the *Corporations Act 2001* and the ASX Listing Rules have been complied with.

> Performance hurdles apply to the ESPP. The key performance hurdle is that the total shareholder return to shareholders of the Company must exceed the rate of growth over the same period for the S&P/ASX Small

Ordinaries Accumulation Index (or any equivalent or replacement of that index).

> Shares are allocated to employees at either the value of shares as detailed in the latest disclosure document issued by the Company or the 5-day weighted average price immediately prior to the offer being made to the employee.

> The Company may provide loans to participants to acquire shares under the ESPP. As security for the loans, participants will pledge the shares acquired under the ESPP to the Company at the time the loans are provided and will grant a charge over any benefits attributable to the Shares, including bonus shares, rights, and dividends. Any dividends paid on the shares by Pro-Pac Packaging Limited are treated as interest on the loan.

> The term of the loans and the vesting period for the shares from the date of issue of shares is 3 years.

> The Shares will be registered in the names of the participants from allotment, but will remain subject to restrictions on dealing while they are pledged as security for a loan or subject to performance hurdles specified.

> If the employee leaves the employment of the Group, the loan balance must be repaid in full or the shares surrendered in full settlement of the outstanding loan balance.

> During the year no shares were issued to staff and executives under the ESPP, while 650,000 were forfeited and were cancelled or await cancellation. At the end of the year 2,030,000 shares were in issue under the ESPP.

> No other features of the benefit provided (including vesting conditions) were incorporated into the measurement of fair value.

> The fair value of the employee benefit provided under the ESPP plan is estimated at the date of grant using the binomial model, and the following assumptions: expected volatility, risk-free interest rate, expected life of option, share price, dividend yield and probability of achievement.

> Under Australian Accounting Standards, shares issued to executives under the Long Term Executive Incentive Plan are now considered to be options granted. Comparative figures for the prior financial year have been adjusted accordingly.

Set out below are summaries of ESPP shares granted under the scheme:

Grant date	Expiry Date	Price	Balance at beginning of year	Granted	Exercised	Expired/ forfeited	Balance at end of year
2015							
05/04/12	04/04/15	0.500	200,000	-	-	200,000	-
17/10/12	16/10/15	0.485	330,000	-	-	50,000	280,000
22/07/13	21/07/16	0.458	1,100,000	-	-	300,000	800,000
25/03/14	24/03/17	0.460	1,050,000	-	-	100,000	950,000
TOTAL			**2,680,000**	**-**	**-**	**650,000**	**2,030,000**

Grant date	Expiry Date	Price	Balance at beginning of year	Granted	Exercised	Expired/ forfeited	Balance at end of year
2014							
30/08/10	30/08/13	0.325	1,175,000	-	1,125,000	50,000	-
05/04/12	04/04/15	0.500	200,000	-	-	-	200,000
17/10/12	16/10/15	0.485	430,000	-	-	100,000	330,000
22/07/13	21/07/16	0.458	-	1,100,000	-	-	1,100,000
25/03/14	24/03/17	0.460	-	1,050,000	-	-	1,050,000
TOTAL			**1,805,000**	**2,150,000**	**1,125,000**	**150,000**	**2,680,000**

DIRECTORS' REPORT

Key Management Personnel at 30 June 2015

Ahmed Fahour	>	Non-executive Chairman
Elliott Kaplan	>	Non-executive Director
Dr Gary Weiss	>	Non-executive Director
Brandon Penn	>	Non-executive Director
Peter Sutton	>	Chief Executive Officer
Hadrian Morrall	>	Divisional Managing Director
Mark Saus	>	Chief Financial Officer and Company Secretary

Remuneration of Key Management Personnel

Excluding the Directors, there are only three staff members of the Company who qualify as a "Key Management Personnel" for the purposes of this report. The executive key management personnel are also the most highly paid executive officers of the consolidated entity for the year under review.

Table 1

		Short-term benefits		Post employment benefits	Other long term benefits	Share based payment	Total	
		Cash, salary and fees $	Non-monetary $	Super-annuation benefits $	Other $	Equity and options $	$	Performance based %
Ahmed Fahour	2015	50,001	-	4,750	-	-	54,751	-
	2014	11,923	-	1,103	-	-	13,026	-
Elliott Kaplan	2015	60,000	-	5,700	-	-	65,700	-
	2014	60,000	-	5,550	-	12,440	77,990	-
Gary Weiss	2015	48,000	-	4,560	-	-	52,560	-
	2014	46,153	-	4,269	-	-	50,422	-
Brandon Penn	2015	247,542	-	19,835	-	-	267,377	-
	2014	226,793	-	20,978	-	-	247,771	-
Peter Sutton	2015	304,998	-	35,000	-	-	339,998	-
	2014	-	-	-	-	-	-	-
Hadrian Morrall	2015	205,023	22,980	21,440	-	-	249,443	-
	2014	200,689	22,980	20,280	-	-	243,949	-
Mark Saus	2015	195,418	-	34,900	-	4,667	234,985	5%
	2014	181,196	-	25,000	-	4,667	210,863	-
Wendy Penn	2015	151,132	4,000	10,012	-	-	165,144	-
	2014	185,393	8,000	17,149	-	-	210,542	-
Total Remuneration	**2015**	**1,262,114**	**26,980**	**136,197**	**-**	**4,667**	**1,429,958**	**-**
	2014	**912,147**	**30,980**	**94,329**	**-**	**17,107**	**1,054,563**	**-**

The differences between remuneration for the year ended 30 June 2015 and 30 June 2014 are mainly due to commencement and resignation dates. Ahmed Fahour commenced on 28 March 2014, Peter Sutton commenced on 18 August 2014 and Wendy Penn resigned on 31 December 2014.

Shares and Loans issued under the ESPP during the year ended 30 June 2015

No shares or related loans were issued under the ESPP during the year ended 30 June 2015.

ESPP Shares of Key Management Personnel as at the date of this report

	ESPP Shares (number)	ESPP Shares $	ESPP Loans Outstanding $	ESPP Issue Price $	ESPP Expiry Date $
Mark Saus	300,000	137,400	137,400	0.458	21 July 2016
Mark Saus	150,000	69,000	69,000	0.46	24 March 2017
Total	**450,000**	**206,400**	**206,400**		

Option Holdings of Key Management Personnel

1,200,000 options were granted to Mr Kaplan during the year ended 30 June 2014 as approved by a shareholders' meeting.

Loans to Key Management Personnel

Other than loans issued in relation to the Company's ESPP shares detailed above, there were no loans to Key Management Personnel during the year.

Other Transactions with Key Management Personnel

During the year the Company paid $796,405 (incl GST) to entities associated with directors Hadrian Morrall and Brandon Penn for property rental and outgoings, based on normal commercial terms and conditions.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

As at the date of this report (and at the balance date) there were 1,200,000 unissued ordinary shares under options.

Grant date	Expiry date	Exercise price	Number under option
25/06/2014	25/06/2017	$0.62	1,200,000

The exercise price is $0.62 from 26 June 2015 to 25 June 2016 and $0.90 from 26 June 2016 to 25 June 2017.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

ROUNDING OF ACCOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF THE AUDITOR

There are no officers of the company who are former audit partners of UHY Haines Norton, the auditor of the company.

DIRECTORS' REPORT

AUDITORS' INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

UHY Haines Norton continues in office in accordance with section 327 of the *Corporations Act 2001*.

During the year ended 30 June 2015, there were no non-audit services provided by the Company's auditors UHY Haines Norton.

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year end 30 June 2015 has been received and can be found on page 11 of the financial report.

This Directors' Report is signed in accordance with a resolution of the Board of Directors pursuant to section 298 (2) (a) of the *Corporations Act 2001*.

Signed at Sydney on 24 September 2015.

Ahmed Fahour
Chairman

Brandon Penn
Director

AUDITORS' INDEPENDENCE DECLARATION

under section 307C of the Corporations Act 2001

UHY Haines Norton
Chartered Accountants

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To The Directors of Pro-Pac Packaging Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

M.D. Nicholaeff	**UHY Haines Norton**
Partner	*Chartered Accountants*

Signed at Sydney on 24 September 2015.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of Pro-Pac Packaging Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at www.ppgaust.com.au.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company's Board of Directors ('Board') and is current as at 16 September 2015.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

The company's Board maintains the following roles and responsibilities:

> providing leadership and setting the strategic objectives of the company;

> appointing the Chair and/or the "senior independent director";

> appointing, and when necessary replacing, the Chief Executive Officer ('CEO');

> assessing the performance of the CEO and overseeing succession plans for senior executives;

> overseeing management's implementation of the company's strategic objectives;

> approving operating budgets and major capital expenditure;

> overseeing the integrity of the company's accounting and corporate reporting systems, including the external audit;

> overseeing the company's process for market disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities;

> ensuring that the company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;

> approving the company's remuneration framework;

> monitoring the effectiveness of the company's governance practices; and

> reporting to and communications with shareholders.

The Board has delegated the day-to-day management of the company to the CEO and other senior executives ('management'). The company's management is responsible for the following:

> being accountable for the performance of the company;

> implementing the strategic objectives set by the Board;

> operating within the risk parameters set by the Board;

> operational and business management of the company;

> managing the company's reputation and operating performance in accordance with parameters set by the Board;

> day-to-day running of the company;

> providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and

> approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

Recommendation 1.2 - A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications and other appropriate checks.

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

The company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

> advising the Board and its Committees on governance matters;

> monitoring compliance of the Board and associated committees with policies and procedures;

> coordinating all Board business;

> retaining independent professional advisors;

> ensuring that the business at Board and committee meetings is accurately minuted; and

> assisting with the induction and development of directors.

Recommendation 1.5 - A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The company does not currently have a formal diversity policy. It is the Board's intention to formulate and implement a formal policy during FY16. The company however respects people as individuals and values their differences. It is committed to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce. The organisation employs people of each gender as well as with varying skills, cultural backgrounds, ethnicity and experience. Pro-Pac believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The company also maintains a flexible working policy to provide flexible working arrangements including part time and working from home. This is to ensure employees with children are able to continue working and meet their home responsibilities.

The respective proportion of women and men in the company including its subsidiaries ('consolidated entity') as at 30 June 2015 are as follows:

	Proportion of women	Proportion of men
On the Board	-	100%
In senior executive positions	28%	72%
Across the whole organisation	37%	63%

For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

The company is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 on the basis that the entity employs 100 or more employees in Australia. The company makes annual filings of Gender Equality Indicators with the Workplace Gender Equality Agency (WGEA). This information is accessible on https://www.wgea.gov.au

Recommendation 1.6 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Pro-Pac has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Chairman has the responsibility to review continually the performance of each director and the Board as a whole. The performance of the Board is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and

CORPORATE GOVERNANCE STATEMENT

Executives are assessed is aligned with the financial and non-financial objectives of Pro-Pac. From time to time and, as considered appropriate, the Chairman will seek external assistance and advice to undertake these performance reviews. A review was conducted by the Chairman during the year.

Recommendation 1.7 - A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the company.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Nomination and Remuneration Committee. A review of the CEO and senior executives was undertaken during the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board maintains a combined Nomination and Remuneration Committee, whose members during the financial year, were as follows:

Director's name	Executive status	Independence status
Ahmed Fahour *Chair*	Non-Executive Director	Independent
Elliott Kaplan	Non-Executive Director	Independent
Dr Gary Weiss	Non-Executive Chairman	Independent
Brandon Penn	Non-Executive Director *(from 13 May 2015)*	Not-independent

The Charter of the Committee is available at the company's website. It details the roles and responsibilities of the Committee.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is therefore used when recruiting new directors and assessing which skills need to be outsourced based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either, High, Medium or Low.

Skill category	Description of attributes required	Level of importance	Existence in current Board
Risk and compliance	Identification of key risks to the company related to each key area of operations. Monitoring of risks, satisfy compliance issues and knowledge of legal and regulatory requirements.	High	High
Financial and audit	Analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution to budgeting and financial management of projects and company, assessing and supervising capital management.	High	High
Strategic	Development of strategies to achieve business objectives, oversee implementation and maintenance of strategies, and identification and critical assessment of strategic opportunities and threats to the company.	High	High
Operating policies	Key issue identification representing operational and reputational risks and development of policy responses and parameters within which the company should operate.	Medium	Medium
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	Medium
Executive management	Performance assessments of senior executives, succession planning for key executives, setting of key performance hurdles, experience in industrial relations and organisational change management programmes.	High	High
Age and gender	Board aims for equal gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	Medium

The Board currently believes that its membership adequately represents the required skills as set out in the matrix and therefore does not intend to seek any new or alternative candidates. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

In addition to the specific areas that are required at Board level identified the matrix above, all members of the Board are assessed for the following attributes before they are considered an appropriate candidate.

Board Member Attributes	
Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.

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Recommendation 2.3 - A listed entity should disclose:

(a) the names of the directors considered by the Board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its security holders generally.

Details of the Board of directors, their appointment dated, length of service as independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
Ahmed Fahour	28 March 2015	1 year and 3 months	Independent Non-executive
Elliott Kaplan	1 March 2005	10 years and 8 months	Independent Non-executive
Brandon Penn	16 August 2007	8 years and 1 month	Not-independent Substantial shareholder
Gary Weiss	28 May 2012	3 years and 4 months	Independent Non-executive

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

As part of its independence assessment, the Board considers the length of time that the director has been on the Board, as a prolonged service period may also be seen to impair independence. The Board concluded that no non-executive director has been on the Board for a period which could be seen to compromise their independence.

Where it is determined that a non-executive director should no longer be considered independent, the company shall make an announcement to the market.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were independent.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Ahmed Fahour is Chair of the Board and is considered to be an independent director of the company. Peter Sutton is the Chief Executive Officer.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

New directors undertake an induction program coordinated by the Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

The company maintains a code of conduct. The purpose of the Code of Conduct is to guide all employees, including Directors as to:

- the practices necessary to maintain confidence in Pro-Pac's honesty and integrity; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The overriding principle is that all business affairs of Pro-Pac must be conducted legally, ethically and with strict observance of the highest standards of propriety and business ethics. If there are any doubts as to how to respond to a particular circumstance, Directors and employees are encouraged to consult with the Chairman or Company Secretary and, if necessary, seek external professional advice.

Pro-Pac has in place a code of conduct which sets standards for the Board and employees in dealing with Pro-Pac's customers, suppliers, shareholders and other stakeholders. A copy of this code of conduct is available on the Pro-Pac website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 - The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board, and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee.

A summary of the Charter setting out the Committee's responsibilities is posted on the Pro-Pac website.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company.

This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Committee comprises Mr Kaplan and Dr Weiss. Each member is financially literate (i.e. they are able to read and understand financial statements) and Mr Kaplan has financial expertise (i.e. he is a Chartered Accountant). All members have some understanding of the industry in which the Company operates.

Recommendation 4.1 requires that the composition of Audit Committee comprises a majority of independent Directors and that the committee have at least three members. The Company does not, given its size and the size of its Board, satisfy this requirement although both members are independent.

For additional details of Directors' attendance at Audit Committee meetings and to review the qualifications of the members of the Audit Committee, please refer to the Directors' Report.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In relation to the financial statements for the financial year ended 30 June 2015 and the half-year ended 31 December 2015, the company's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CORPORATE GOVERNANCE STATEMENT

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The engagement partner for the company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 - A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Consistent with *ASX Principle 5*, the Board aims to ensure that all investors have equal and timely access to material information concerning the Company, that there is compliance with continuous disclosure requirements and that announcements made by the Company are factual and presented in a clear and balanced way. The Company has adopted an External Communications Policy reflecting the principles set out in ASX Principle 5. This policy has been placed on the Pro-Pac website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

Pro-Pac has adopted a number of different practices designed to promote effective communication with shareholders as recommended by *ASX Principle 6* and as reflected in the Company's External Communications Policy, published on its website. These practices include placing on the Pro-Pac website relevant information, including ASX announcements, annual and half-year reports, copies of notices of meetings, analyst briefings and presentations given by the Chairman or Chief Executive Officer. Annual reports are distributed to all shareholders by mail or email (unless a shareholder has specifically requested not to receive these documents).

A representative from the auditors of Pro-Pac attends the annual general meeting and any other meeting as required by the Board and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report. Shareholders are given the opportunity to raise questions with any of the Directors at shareholder meetings, both formally and informally.

The External communications policy also elaborates on the Company's continuous disclosure policy.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

This option is available to security holders.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendations 7.1 and 7.2 - The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

In addition to its financial reporting obligations, the Audit Committee is responsible for reviewing the risk management framework and policies of Pro-Pac. The structure of the Audit Committee and its responsibilities reflect in part the requirements of *ASX Principle 7* and are set out in the Company's Audit committee charter, published on its website. Details of directors' attendance at Audit Committee meetings are disclosed in the Directors' Report.

In performing this function, the Committee receives periodic reports from the Group's Risk Committee (comprising key stakeholders from the management team and the Group's insurance advisers), external auditor and, in some instances, external consultants detailing compliance with statutory requirements and the adequacy of the risk management programs and systems in place. In addition, the Committee reviews the adequacy of the group's insurance program. In line with *ASX Principle 7*, Pro-Pac adopted the policy requiring the Chief Executive Officer and Chief Financial Officer to confirm in writing that, to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects. The board has received the relevant declarations on 16 September 2015.

Recommendation 7.3 - A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The company does not have an internal audit function. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Committee.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The management of the company and the execution of its growth strategies are subject to a number of risks which could adversely affect the company's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the company (and its subsidiaries), but those considered by management to be the principal material risks:

Financial risk The company is exposed to financial risks such as foreign currency risk and interest rate risk. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed.

Loss of people The company's senior executive team is instrumental in implementing the company's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long term incentive schemes) and succession planning within the team.

Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board will link the nature and amount of directors' remuneration to the Company's financial and operations performance.

The Board has in place a Remuneration Committee to assist the Board in relation to human resources issues affecting the Pro-Pac Group. The structure of this Committee and its responsibilities reflect in part the requirements of *ASX Principle 8*. The Committee comprises Messrs Fahour (Chairman) and Kaplan and Dr Weiss all of whom are independent Directors. Mr Penn joined the Committee after he relinquished his executive position. In addition to the members, the Chief Executive is invited to the meetings at the discretion of the Committee. Refer schedule of meetings of directors on page 4.

A charter setting out the responsibilities of the Committee has been adopted and a summary of this charter is posted on the Pro-Pac website.

This Committee is responsible for ensuring that the recruitment and remuneration policies and practices of Pro-Pac are consistent with its strategic goals and human resources objectives and are designed to enhance corporate and individual performance as well as meet the appropriate recruitment and succession planning needs.

To do this the Committee, among other things, is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans, executive succession planning and development programs to ensure that they are appropriate to the Group's needs and the remuneration framework for Directors (as approved by shareholders). The Committee may consult with remuneration advisors to Pro-Pac to assist in its role.

The remuneration committee is also responsible to determine and review compensation arrangements for the directors and to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. In carrying out its functions the Remuneration Committee considers remuneration issues annually and otherwise as required in conjunction with the regular meetings of the Board. Compensation arrangements are determined subject to the Company's constitution and prior shareholder approvals.

Remuneration of non-executive Directors is in accordance with resolutions of shareholders in general meeting. The Company does not have any schemes for retirement benefits, other than statutory superannuation for non-executive Directors.

Details of the directors and key executives remuneration are set out in the Directors' Report as is the number of times that the Remuneration Committee met during the year.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Non-executive directors are remunerated by way of cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making. For the same reason, equity based remuneration is limited to non-performance based instruments such as shares.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries and set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The company operates an Executive Long Term Incentive Plan to encourage employees to share ownership of the company and promote long-term success of the company as a goal shared by the employees. Please see the Directors' report for further details of the plan.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Revenue			
Sale of goods		**243,457**	**218,273**
Other income		**340**	**415**
Interest income		**83**	**74**
Total Revenue		**243,880**	**218,762**
Expenses			
Raw materials and consumables used		**164,813**	**144,686**
Employee benefits expense		**33,814**	**33,558**
Other expenses from ordinary activities		**12,867**	**11,025**
Distribution costs		**9,636**	**8,067**
Occupancy costs		**8,002**	**7,531**
Depreciation expense	13	**3,261**	**3,311**
Acquisition, rationalisation and relocation expenses		**1,519**	**600**
Finance costs		**1,219**	**1,372**
Amortisation of prepaid royalty	16	**322**	**322**
Total Expenses		**235,453**	**210,472**
Profit before income tax from continuing operations		**8,427**	**8,290**
Income tax expense	6	**(2,585)**	**(2,483)**
Profit after income tax expense for the year		**5,842**	**5,807**
Other comprehensive income			
Items that will be reclassified to profit and loss			
Movements in reserves		**710**	**-**
Total comprehensive income for the year		**6,552**	**5,807**
Earnings per share (cents per share)			
- Basic earnings per share	7	**2.60**	**2.75**
- Diluted earnings per share	7	**2.56**	**2.73**

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

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at 30 June 2015

	Notes	Consolidated 30 June 2015 $000's	Restated Consolidated 30 June 2014 $000's
Assets			
Current assets			
Cash and cash equivalents	9	**6,120**	**3,580**
Trade and other receivables	11	**38,500**	**35,592**
Inventories	12	**32,393**	**34,235**
Current tax assets	6	**15**	**-**
Other assets	16	**4,551**	**3,402**
Total current assets		**81,579**	**76,809**
Non-current assets			
Property, plant and equipment	13	**17,366**	**17,382**
Intangible assets	14	**70,337**	**68,793**
Deferred tax assets	15	**2,520**	**2,376**
Other assets	16	**-**	**28**
Total non-current assets		**90,223**	**88,579**
TOTAL ASSETS		**171,802**	**165,388**
Liabilities			
Current liabilities			
Trade and other payables	17	**26,628**	**30,666**
Interest bearing trade finance	18	**2,551**	**2,559**
Interest bearing borrowings	18	**1,183**	**1,550**
Provisions	19	**3,973**	**3,705**
Current tax liabilities	6	**-**	**564**
Total current liabilities		**34,335**	**39,044**
Non-current liabilities			
Provisions	19	**1,801**	**1,376**
Interest bearing borrowings	18	**27,271**	**19,791**
Total non-current liabilities		**29,072**	**21,167**
TOTAL LIABILITIES		**63,407**	**60,211**
NET ASSETS		**108,395**	**105,177**
EQUITY			
Issued capital	20	**92,726**	**91,548**
Other reserves	21	**830**	**99**
Retained earnings	22	**14,839**	**13,530**
TOTAL EQUITY		**108,395**	**105,177**

The above statements of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 30 June 2015

	Notes	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		241,220	217,434
Payments to suppliers and employees (inclusive of GST)		(229,852)	(208,256)
Interest received		83	74
Finance costs		(1,219)	(1,448)
Income tax paid		(3,309)	(2,766)
Relocation, restructuring and business combination costs		(1,519)	(600)
Net cash flows provided by operating activities	10	5,404	4,438
Cash flows from investing activities			
Payments for property, plant and equipment		(3,666)	(2,872)
Proceeds from sale of property, plant and equipment		799	377
Payments for unincorporated businesses net of cash acquired		(2,150)	(1,051)
Working capital for businesses acquired		(1,597)	(3,062)
Net cash flows (used) in investing activities		(6,614)	(6,608)
Cash flows from financing activities			
Payment of hire purchase and finance lease liabilities		(1,976)	(2,091)
Finance leases raised		1,683	1,803
Proceeds from borrowing		7,397	1,783
Proceeds from issue of shares		-	4,515
Proceeds from vesting of ESPP shares		-	368
Dividend paid		(3,354)	(2,875)
Net cash flows provided by financing activities		3,750	3,503
Net increase/(decrease) in cash and cash equivalents		2,540	1,333
Cash and cash equivalents at beginning of financial year		3,580	2,247
Cash and cash equivalents at end of financial year	9	6,120	3,580
Non-cash financing transactions			
Hire purchase and finance lease liabilities raised		1,683	1,803
Issue of shares for dividend re-investment plan		1,178	1,380

The above statements of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 30 June 2015

	Issued capital $000's	Retained earnings $000's	Reserves $000's	Total equity $000's
Restated Consolidated				
Balance as at 1 July 2013	85,285	11,977	71	97,333
Profit after income tax expense for the year	-	6,131	-	6,131
Adjustment for correction of error	-	(324)	-	(324)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	5,807	-	5,807
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	1,380	-	-	1,380
Recognition of share based payment	-	-	28	28
Vesting of ESPP shares	368	-	-	368
Shares issued under share placement	4,515	-	-	4,515
Dividends paid	-	(4,254)	-	(4,254)
At 30 June 2014	91,548	13,530	99	105,177
Consolidated				
Balance as at 1 July 2014	91,548	13,530	99	105,177
Profit after income tax expense for the year	-	5,842	-	5,842
Other comprehensive income for the year, net of tax	-	-	710	710
Total comprehensive income for the year	-	5,842	710	6,552
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	1,178	-	-	1,178
Recognition of share based payment	-	-	21	21
Dividends paid	-	(4,533)	-	(4,533)
At 30 June 2015	92,726	14,839	830	108,395

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 1: CORPORATE INFORMATION

The financial report of Pro-Pac Packaging Limited and its subsidiaries ("the Group") for the year ended 30 June 2015 was approved for issue in accordance with a resolution of the Directors on 16 September 2015.

Pro-Pac Packaging Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

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

The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The consolidated entity has applied AASB 2014-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

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 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.

(b) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').The financial report has been prepared on an accruals basis and unless otherwise stated is based on historical costs. The financial report is presented in Australian dollars.

(c) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pro-Pac Packaging Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Pro-Pac

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Packaging Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Foreign currency translation

The financial statements are presented in Australian dollars, which is Pro-Pac Packaging Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(h) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Plant and equipment is depreciated using the straight line and diminishing value methods over the estimated useful lives.

Depreciation rates used for each class of assets vary to the estimated useful lives at the time of acquisition, and are typically:

Class of fixed asset	Depreciation rates	Method
Plant and equipment	4% - 50%	Straight-line and diminishing value
Motor vehicles	7% - 30%	Straight-line and diminishing value
Computer equipment	10% - 40%	Straight-line and diminishing value
Furniture and Fittings	5% - 25%	Straight-line and diminishing value
Office equipment	5% - 30%	Straight-line and diminishing value

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the Company substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(k) Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(l) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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 and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost in relation to work in progress and finished goods comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(o) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Other receivables are recognised at amortised cost, less any provision for impairment.

(p) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(s) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(t) Finance costs

Finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings;
- interest on finance leases; and
- unwinding of the discount on provisions.

(u) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

(v) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Pro-Pac Packaging Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Pro-Pac Packaging Ltd (the “head entity”) and its wholly owned Australian controlled entities have formed a tax consolidated group under the tax consolidated regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity.

(w) Goods and Services Tax (‘GST’) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(x) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on coporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation.

(y) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(z) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(bb) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

(cc) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Business combinations
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(dd) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Pro-Pac Packaging Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(ee) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ff) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 3: RESTATEMENT OF COMPARATIVES

The consolidated entity's financial statements for the year ended 30 June 2014 were restated to account for the understatement of duty payable on imported products and the make good provision for leased premises. The profit after income tax expense was overstated by $324,000. Property, plant and equipment, deferred tax assets, make good provision were understated and current tax liabilities were overstated. The comparative figures in the financial statements for the year ended 30 June 2015 and accompanying notes have been restated. Extracts (being only those line items affected) are disclosed below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - *Extract*

	Reported Consolidated 2014 $000's	Adjustment Consolidated 2014 $000's	Restated Consolidated 2014 $000's
Expenses			
Raw materials and consumables used	144,405	281	144,686
Depreciation expense	3,128	183	3,311
Total Expenses	210,008	464	210,472
Profit before income tax from continuing operations	8,754	(464)	8,290
Income tax expense	(2,623)	140	(2,483)
Profit after income tax expense for the year	6,131	(324)	5,807
Other comprehensive income	-	-	-
Total comprehensive income for the year	6,131	(324)	5,807
Earnings per share (cents per share)			
– Basic earnings per share	2.91	(0.16)	2.75
– Diluted earnings per share	2.88	(0.15)	2.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - *Extract*

	Reported Consolidated 2014 $000's	Adjustment Consolidated 2014 $000's	Restated Consolidated 2014 $000's
Assets			
Current assets			
Other assets	3,399	3	3,402
Total current assets	76,806	3	76,809
Non-current assets			
Property, plant and equipment	16,962	420	17,382
Deferred tax assets	2,323	53	2,376
Total non-current assets	88,106	473	88,579
TOTAL ASSETS	164,912	476	165,388
Liabilities			
Current liabilities			
Trade and other payables	30,385	281	30,666
Current tax liabilities	648	(84)	564
Total current liabilities	38,847	197	39,044
Non-current liabilities			
Provisions	773	603	1,376
Total non-current liabilities	20,564	603	21,167
TOTAL LIABILITIES	59,411	800	60,211
NET ASSETS	105,501	(324)	105,177
EQUITY			
Retained earnings	13,854	(324)	13,530
TOTAL EQUITY	105,501	(324)	105,177

NOTE 4: 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; and
- 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.

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 quarterly and is 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. All inter-segment loans payable and receivable are eliminated on consolidation for the Group's financial statements.

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 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 assets and liabilities;
- current tax liabilities; and
- other financial liabilities.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 4: OPERATING SEGMENTS (CONT.)

	Rigid packaging $ 000's 2015	Industrial packaging $ 000's 2015	Intersegment eliminations / unallocated $ 000's 2015	Total $ 000's 2015	Rigid packaging $ 000's 2014	Industrial packaging $ 000's 2014	Intersegment eliminations / unallocated $ 000's 2014	Total $ 000's 2014
(i) Segment performance								
12 months ended 30 June								
Revenue								
External sales	60,441	183,016	-	243,457	53,653	164,620	-	218,273
Inter-segment sales	8,594	7,648	(16,242)	-	9,247	8,989	(18,236)	-
Total segment revenue	69,035	190,664	(16,242)	243,457	62,900	173,609	(18,236)	218,273
EBITDA	7,454	10,077	(4,385)	13,146	6,372	9,424	(2,575)	13,221
Depreciation and amortisation	(1,618)	(1,736)	(229)	(3,583)	(1,577)	(1,883)	(173)	(3,633)
Interest revenue				83				74
Finance costs				(1,219)				(1,372)
Profit before income tax				8,427				8,290
Income tax expense				(2,585)				(2,483)
Profit after income tax				5,842				5,807
(ii) Segment assets								
As at 30 June								
Segment assets	47,437	117,297	-	164,734	46,601	113,308	-	159,909
Reconciliation of segment assets to group assets								
Inter-segment eliminations				(1,634)				(1,463)
Unallocated assets				8,702				6,942
– Deferred tax assets				2,520				2,379
– Other				6,182				4,563
Total group assets from continuing operations				171,802				165,388
(iii) Segment liabilities								
As at 30 June								
Segment liablities	12,948	26,331	-	39,279	11,525	28,642	-	40,167
Reconciliation of segment liablities to group liabilities								
Inter-segment eliminations				(1,722)				(1,538)
Unallocated liabilities				25,850				21,582
– Deferred tax liabilities				-				-
– Other liabilities				25,850				21,582
Total group liabilities from continuing operations				63,407				60,211

(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.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 5: EXPENSES

Profit before income tax includes the following expenses:

Bad and doubtful debts – trade	**389**	**226**
Rental expense on operating leases:		
- minimum lease payments	**7,426**	**6,908**

NOTE 6: INCOME TAX

Major components of income tax for the year ended 30 June are:

Current income tax		
Current income tax charge	**2,729**	**2,720**
Adjustments in respect of previous years	**-**	**38**
Adjustments in respect of permanent differences	**59**	**(1)**
Deferred income tax		
Relating to temporary differences	**(203)**	**(274)**
Income tax expense in statement of profit or loss and other comprehensive income	**2,585**	**2,483**

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 30 June 2015 is as follows:

Accounting profit before tax	**8,427**	**8,290**
At the statutory income tax rate of 30%	**2,528**	**2,487**
Which is adjusted by the tax effect of:		
Different rates of tax on overseas income	**(2)**	**(3)**
Adjustments in respect of permanent differences	**59**	**(1)**
At effective income tax rate of 30.7% (2015: 30.0%)	**2,585**	**2,483**
Income tax expense reported in statement of profit or loss and other comprehensive income	**2,585**	**2,483**

Tax consolidation

The Financial report has been prepared on the basis that the Group has adopted the provisions of the tax consolidation regime for the years ended 30 June 2015 and 30 June 2014.

Current tax asset	**15**	**-**
Current tax liability	**-**	**564**

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 7: EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net profit for the 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 2015 $000's	Restated Consolidated 2014 $000's
Net profit attributable to equity holders ($000's)	**5,842**	**5,807**
Weighted average number of ordinary shares for basic earnings per share	**224,290,226**	**210,854,244**
Basic earnings per share (cents per share) *	**2.60**	**2.75**
Diluted earnings per share (cents per share) *	**2.56**	**2.73**

*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.

NOTE 8: DIVIDENDS PAID AND PROPOSED

On 27 August 2015, the Company declared a fully franked final dividend of 1.5 cent per share. The record date for determining entitlements to the dividend is 9 September 2015 and the dividend will be paid on 24 September 2015. The Company's Dividend Reinvestment Plan will apply to the final dividend. No discount will apply to the issue price. When combined with PPG's interim dividend of 1.0 cent, paid on 20 May 2015, this brings total fully franked dividends for the 2014/15 financial year to 2.5 cents per share.

	2015 $000's	2014 $000's
Declared and paid during the year:		
Final dividend for 2014 – 1 cent per ordinary share (2013 – 1 cent per ordinary share)	**2,267**	**2,122**
Interim dividend for 2015 – 1 cent per ordinary share (2014 – 1 cent per ordinary share)	**2,266**	**2,132**
	4,533	**4,254**
Proposed for approval at the Directors Meeting (not recognised as a liability as at 30 June):		
Final dividend for 2015 – 1.5 cents per ordinary share (2014 – 1 cent per ordinary share)	**3,436**	**2,267**
Franking credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	**15,334**	**13,968**

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

> franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
> franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
> franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	6,120	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 30 June:

Cash at bank and in hand	6,120	3,580

NOTE 10: CASH FLOW INFORMATION

a) Reconciliation from the net profit after tax to the net cash flows from operations

Net profit after tax	5,842	5,807
Add/(Less) non-cash items:		
Depreciation and amortisation of plant and equipment	3,261	3,311
Amortisation of pre-paid royalty	322	322
(Profit)/Loss on disposal of assets	63	108
Movement in income tax provision	(579)	(62)
Movement in deferred tax assets and liabilities	(144)	(221)
Movement in provision for bad debts	92	183
Other non-cash movements	21	34
Changes in assets and liabilities:		
Receivables	(1,546)	(3,831)
Inventories	2,884	(4,450)
Payables	(4,276)	3,418
Provisions	201	92
Prepayments	(737)	(273)
Net cash flows from operating activities	5,404	4,438

b) Non-cash financing and investing activities

During the year, the consolidated Group acquired plant with an aggregate value of $1,682,635 (2014: $1,803,090) by means of finance leases.

c) Credit standby arrangements with banks

Credit facility	1,500	1,500
Amount utilised	-	-
Loan facilities	44,700	29,750
Amount utilised	33,159	23,659

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Current:		
Trade receivables	37,626	34,784
Provision for impairment of receivables	(602)	(510)
Other debtors	1,476	1,318
Total current receivables	38,500	35,592
Movements in the provision for impairment of receivables are as follows:		
Opening balance	(510)	(338)
Additional provision recognised	(481)	(398)
Receivables written off during the year as uncollectable	389	226
Closing balance	(602)	(510)

Trade receivables are non-interest bearing and are generally on terms between 30 and 60 days.

Credit risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions as agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trading terms (as detailed in the below table) are considered to be of high credit quality.

	Gross amount $000's	Past due and impaired $000's	Past due but not impaired > 90 $000's	Past due but not impaired 61 - 90 $000's	Within initial trade terms $000's
Consolidated					
2015					
Trade and term receivables	37,626	602	77	1,432	35,515
Other receivables	1,476	-	-	-	1,476
Total	39,102	602	77	1,432	36,991
2014					
Trade and term receivables	34,784	510	346	1,656	32,272
Other receivables	1,318	-	-	-	1,318
Total	36,102	510	346	1,656	33,590

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired. The consolidated entity did not consider a credit risk on the aggregate balance that are past due but not impaired based on recent collection practices.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 12: INVENTORIES

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Raw materials	1,225	985
Finished goods	31,168	33,250
Total inventories	32,393	34,235

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
At 30 June		
Plant and equipment		
At cost	31,749	29,273
Accumulated depreciation	(14,383)	(11,891)
Total property, plant and equipment	17,366	17,382

a) **Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.**

	2015 $000's	2015 $000's	2015 $000's	2015 $000's	2015 $000's	2015 $000's	2015 $000's
	Plant and Equipment	Motor Vehicles	Computer Equipment	Furniture & Fittings	Office Equipment	Leasehold Improvement	Total
Balance at the beginning of the year	13,329	2,195	674	362	402	420	17,382
Additions arising from business acquisitions during the year	75	54	7	-	11	-	147
Additions	2,829	332	214	136	155	-	3,666
Make good provision capitalised	-	-	-	-	-	285	285
Disposals	(610)	(226)	-	(11)	(6)	-	(853)
Reclassification	(29)	(38)	-	(1)	68	-	-
Depreciation charge for the year	(2,085)	(569)	(343)	(89)	(84)	(91)	(3,261)
Carrying amount at the end of the year	13,509	1,748	552	397	546	614	17,366

	2014 $000's	2014 $000's	2014 $000's	2014 $000's	2014 $000's	2014 $000's	2014 $000's
	Plant and Equipment	Motor Vehicles	Computer Equipment	Furniture & Fittings	Office Equipment	Leasehold Improvement	Total
Balance at the beginning of the year	13,722	2,376	681	386	445	-	17,610
Additions arising from business acquisitions during the year	100	-	-	-	-	-	100
Additions	1,874	651	308	22	17	-	2,872
Make good provision capitalised	-	-	-	-	-	603	603
Disposals	(288)	(204)	-	-	-	-	(492)
Depreciation charge for the year	(2,079)	(628)	(315)	(46)	(60)	(183)	(3,311)
Carrying amount at the end of the year	13,329	2,195	674	362	402	420	17,382

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 14: INTANGIBLE ASSETS

Goodwill		
Carrying amount at beginning of the year	**68,793**	**67,867**
Acquisition through business combinations	**1,544**	**926**
Closing value	**70,337**	**68,793**
At 30 June		
Gross	**70,337**	**68,793**
Accumulated impairment losses	**-**	**-**
Net carrying value	**70,337**	**68,793**

Impairment Test for Goodwill

The Group and all of its subsidiaries are divided into two major cash generating units as these are the smallest groups of identifiable assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired through business combinations has been allocated to the cash-generating-units for impairment testing.

The recoverable amount of the cash generating unit has been determined based on a value-in-use calculation. Based on the value-in-use calculations undertaken by management, Goodwill has not been impaired (see note 28).

NOTE 15: DEFERRED TAX ASSETS

Deferred tax assets		
Deferred tax assets comprise:		
Provisions and other timing differences	**2,424**	**2,242**
Transactions costs on equity issue	**96**	**134**
	2,520	**2,376**
Reconciliation of gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	**2,376**	**2,101**
Other permanent differences brought to account	**(59)**	**1**
Charge to statement of comprehensive income	**203**	**274**
Closing balance	**2,520**	**2,376**
Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions and other timing differences at 1 July	**2,242**	**1,940**
Reclassification	**-**	**(27)**
Credit / (charge) to statement of comprehensive income	**182**	**329**
At 30 June	**2,424**	**2,242**
Transaction cost to equity issue at 1 July	**134**	**161**
Tax effect of share issue cost	**33**	**11**
Reclassification	**-**	**27**
Charge to statement of comprehensive income	**(71)**	**(65)**
At 30 June	**96**	**134**

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 16: OTHER ASSETS

(a) Current assets		
Other prepayments	**3,813**	**3,080**
Derivative asset	**710**	**-**
Prepaid royalty	**28**	**322**
Total current assets	**4,551**	**3,402**
(b) Non-current assets		
Prepaid royalty	**-**	**28**
Total non-current assets	**-**	**28**

Prepayment of royalty

The prepayment of the royalty is amortised over the remaining period of the exclusive licence to manufacture and distribute biodegradable flowable void fill products. The prepaid royalty amortised for the year ended 30 June 2015 amounted to $322,082 (2014: $322,082).

NOTE 17: TRADE AND OTHER PAYABLES

Current		
Unsecured:		
Trade payables	**18,202**	**18,222**
GST payable	**716**	**741**
Other tax payable	**524**	**672**
Sundry creditors and accruals	**7,131**	**7,041**
Contingent deferred payments to vendors for acquisitions	**55**	**3,990**
	26,628	**30,666**

Trade payables are non-interest bearing and are normally settled on 60 day terms. The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

NOTE 18: INTEREST BEARING LOANS AND BORROWINGS

Current		
Finance lease and hire purchase (see note 24)	**1,183**	**1,550**
Trade Finance	**2,551**	**2,559**
	3,734	**4,109**
Non-current		
Finance lease and hire purchase (see note 24)	**1,771**	**1,696**
Bank loan (secured)	**25,500**	**18,095**
	27,271	**19,791**

a) The bank loan and trade finance are secured as follows:
   i) first ranking registered equitable mortgage over Pro-Pac Packaging Limited and all wholly owned subsidiaries; and
   ii) cross interlocking guarantees from Pro-Pac Packaging Limited and all wholly owned subsidiaries.

b) In respect of the 2015 financial year, the bank loan is subject to the following covenants on a 12 month rolling basis:
   i) the Interest Coverage Ratio for the Group will at all times be greater than 4.00:1;
   ii) the Gross Leverage Ratio for the Group will at all times not be greater than 3.00:1; and
   iii) the Net Tangible Asset Cover Ratio for the Group will at all times be greater than 1.50:1.

c) Pro-Pac Packaging Limited undertakes to the bank that any dividends or distribution payments paid to shareholders or members for a financial year will not exceed more than 70% of net profit after tax for that financial year.

d) The bank loan facility is subject to review on 31 July 2016.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 19: PROVISIONS

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Current		
Employee entitlements		
Opening balance	3,705	3,651
Arising on acquisition of business combinations	57	20
Additional provisions	2,508	2,236
Amount used	(2,297)	(2,202)
Closing balance	3,973	3,705
Non-current		
Employee entitlements		
Opening balance	773	695
Arising on acquisition of business combinations	149	21
Additional provisions	229	315
Amount used	(239)	(258)
Closing balance	912	773
Make good provision		
Opening balance	603	-
Additional provisions	286	603
Closing balance	889	603
Total non-current provisions		
Opening balance	1,376	695
Arising on acquisition of business combinations	149	21
Additional provisions	515	918
Amount used	(239)	(258)
Closing balance	1,801	1,376

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 20: ISSUED CAPITAL

Ordinary shares		
Issued and fully paid	92,726	91,548

Movement in ordinary shares on issue	Number	$000's
Balance at 1 July 2013	211,257,804	85,285
Vesting of ESPP shares	-	368
Issue of shares for Executive Long Term Incentive Plan	2,150,000	-
Cancellation of shares for Executive Long Term Incentive Plan	(150,000)	-
Issue of shares	10,500,000	4,515
Issue of shares under the dividend re-investment plan	2,935,954	1,380
Balance at 30 June 2014	226,693,758	91,548
Cancellation of shares for Executive Long Term Incentive Plan	(75,000)	-
Issue of shares under the dividend re-investment plan	2,454,499	1,178
Balance at 30 June 2015	229,073,257	92,726

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 (refer remuneration report on page 6).

Ordinary shares

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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity and parent entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity and parent entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity and parent entity are subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's

NOTE 21: RESERVES

The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Option reserve	**120**	**99**
Cashflow hedge reserve	**710**	**-**
Closing balance	**830**	**99**

Option reserve

The reserve is used to recognise the value of share options at an agreed price, where certain employees are granted options for shares that vest at a future date subject to the employee still being employed at that vesting date.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

NOTE 22: RETAINED EARNINGS

Retained profits at the beginning of the year	**13,530**	**11,977**
Net profit attributable to members of the company	**5,842**	**5,807**
Dividends paid	**(4,533)**	**(4,254)**
Retained profits at the end of the year	**14,839**	**13,530**

NOTE 23: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk is limited to interest receivable and payable on bank accounts and drawn down bank loans. The interest rates contained in the finance lease and hire purchase agreements are fixed for the term of those arrangements. All cash balances are at call and the average interest rate on the deposits is 2.1%.

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from purchases by the operating unit in currencies other than the unit's measurement currency which accounted for 38.3% of purchases of materials and capital items.

Commodity price risk

The Group's exposure to commodity price risk is relatively low although certain petrochemical based products are affected by oil price.

Credit risk

The Group has policies in place to ensure that customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases and hire purchase contracts.

NOTE 24: FINANCIAL INSTRUMENTS

Unless otherwise stated the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Interest rate risk

The following table sets out the interest rates applicable to financial instruments that are exposed to interest rate risk:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount per the statement of financial position	Weighted average interest rate
	2015 $000's	2015 $000's	2015 $000's	2015 $000's	2015 %
Consolidated					
(i) Financial assets					
Cash Assets	6,110	-	10	6,120	2.1
Receivables	-	-	38,500	38,500	
Total financial assets	6,110	-	38,510	44,620	
(ii) Financial liabilities					
Finance Leases (current)	-	1,183	-	1,183	6.9
Finance Leases (non-current)	-	1,771	-	1,771	6.9
Trade Finance (current)	2,551			2,551	3.1
Bank loans (non-current)	25,500	-	-	25,500	3.1
Payables (current)	-	-	26,628	26,628	
Total financial liabilities	28,051	2,954	26,628	57,633	
Net financial assets/(liabilities)	(21,941)	(2,954)	11,882	(13,013)	

There is no interest rate applicable on receivables or payables.

	2014 $000's	2014 $000's	2014 $000's	2014 $000's	2014 %
Restated Consolidated					
(i) Financial assets					
Cash Assets	3,569	-	11	3,580	2.5
Receivables	-	-	35,592	35,592	
Total financial assets	3,569	-	35,603	39,172	
(ii) Financial liabilities					
Finance Leases (current)	-	1,550	-	1,550	7.9
Finance Leases (non-current)	-	1,696	-	1,696	7.9
Trade Finance (current)	2,559			2,559	5.7
Bank loans (non-current)	18,095	-	-	18,095	5.7
Payables (current)	-	-	30,666	30,666	
Total financial liabilities	20,654	3,246	30,666	54,566	
Net financial assets/(liabilities)	(17,085)	(3,246)	4,937	(15,394)	

NOTE 24: FINANCIAL INSTRUMENTS (CONT.)

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Year ended 30 June 2015	Less than one year $000's	Between 1 and 2 years $000's	Between 2 and 3 years $000's	Between 3 and 4 years $000's	Between 4 and 5 years $000's	More than 5 years $000's	Total $000's
Consolidated							
Cash assets	6,110	-	-	-	-	-	6,110
Trade Finance	2,551	-	-	-	-	-	2,551
Finance leases	1,183	887	506	312	63	3	2,954
Bank loans	-	25,500	-	-	-	-	25,500

Year ended 30 June 2014	Less than one year $000's	Between 1 and 2 years $000's	Between 2 and 3 years $000's	Between 3 and 4 years $000's	Between 4 and 5 years $000's	More than 5 years $000's	Total $000's
Consolidated							
Cash assets	3,569	-	-	-	-	-	3,569
Trade Finance	2,559	-	-	-	-	-	2,559
Finance leases	1,550	890	559	189	40	18	3,246
Bank loans	-	18,095	-	-	-	-	18,095

The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at the reporting date would have been affected by changes in the relevant risk variable that managers considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables

	Consolidated Profit $000's	Restated Consolidated Equity $000's
2015		
+/- 1% in interest rates	+/- 228	+/- 228
+/- 10% in AUD / USD	+/- 6,776	+/- 6,776
2014		
+/- 1% in interest rates	+/- 196	+/- 196
+/- 10% in AUD / USD	+/- 6,689	+/- 6,689

NOTE 24: FINANCIAL INSTRUMENTS (CONT.)

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge 100% of anticipated USD foreign currency transactions for the subsequent 3 months (2014: 6 months).

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	2015 $'000	2014 $'000	2015	2014
Buy US dollars				
Maturity:				
0 - 3 months	22,231	15,316	0.7814	0.8881
3 - 6 months	1,197	9,989	0.7683	0.9010

NOTE 25: FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative asset	-	710	-	710
Total assets	-	710	-	710

Consolidated - 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative asset	-	-	-	-
Total assets	-	-	-	-

Derivative financial instruments have been valued using market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 26: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2. The financial years of all controlled entities are the same as that of the parent entity.

	Country of Incorporation	Class of Shares	Equity Holding 2015	Equity Holding 2014
Direct Controlled Entities:				
Pro-Pac Group Pty Ltd	Australia	Ordinary	100%	100%
Plastic Bottles Pty Ltd	Australia	Ordinary	100%	100%
PPG Services SDN BHD	Malaysia	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Group Pty Ltd				
Pro-Pac Packaging (Aust) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac (GLP) Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Plastic Bottles Pty Ltd				
Specialty Products and Dispensers Pty Ltd	Australia	Ordinary	100%	100%
Australian Bottle Manufacturers Pty Ltd	Australia	Ordinary	100%	100%
Ctech Closures Pty Ltd	Australia	Ordinary	100%	100%
Bev-Cap Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Pro-Pac Packaging (Aust) Pty Ltd				
Pro-Pac Packaging Manufacturing (Syd) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Packaging Manufacturing (Melb) Pty Ltd	Australia	Ordinary	100%	100%
Pro-Pac Packaging Manufacturing (Bris) Pty Ltd	Australia	Ordinary	100%	100%
Creative Packaging Pty Ltd	Australia	Ordinary	100%	100%
Controlled Entities owned 100% by Bev-Cap Pty Ltd				
Great Lakes Moulding Pty Ltd	Australia	Ordinary	100%	100%
Finpact (Pty) Ltd	Australia	Ordinary	100%	100%

Entities subject to class order relief

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Pro-Pac Packaging Limited

Plastic Bottles Pty Ltd

Pro-Pac Group Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

As parent entity, Pro-Pac Packaging Limited and other group entities, Pro-Pac Group Pty Ltd and Plastic Bottles Pty Ltd as disclosed above are party to the deed of cross guarantee, the Statement of Profit and Loss and Other Comprehensive Income and the Statement of Financial Position of the entities that are party to the deed of cross guarantee are as presented in the Consolidated Statement of Profit and Loss and Other Comprehensive Income on page 21 and Consolidated Statement of Financial Position presented on page 22. PPG Services SDN BHD does not form part of the deed of cross guarantee. The impact on the net assets and profit for the year of the Group is not considered to be material.

NOTE 27: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases which are non-cancellable. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Renewals are at the option of the specific entity that holds the lease.

The Group also leases various items of machinery under cancellable operating leases.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Within one year	4,911	4,292
After one year but not more than five years	10,372	9,538
More than five years	30	-
	15,313	13,830

Figures exclude GST

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2015 Minimum payments $000's	2015 Present value of payments $000's	2014 Minimum payments $000's	2014 Present value of payments $000's
Within one year	1,340	1,183	1,718	1,550
After one year but not more than five years	1,912	1,771	1,823	1,696
Total minimum lease payments	3,252	2,954	3,541	3,246
Less amounts representing future finance charges	(298)	-	(295)	-
Present value of minimum lease payments	2,954	2,954	3,246	3,246

	2015 $000's	2015 $000's
Representing lease liabilities		
Current	1,183	1,550
Non-Current	1,771	1,696
	2,954	3,246

The weighted average interest rate implicit in the leases is 6.9%.

Contingent Liability

As at statement of financial position date, the Company issued security deposit guarantees and standby letters of credits to the value of $2,418,092 (2014: $1,673,781) to the landlords of rented premises and overseas suppliers.

NOTE 27: COMMITMENTS AND CONTINGENCIES (CONT.)

Capital Expenditure Commitments

As at statement of financial position date the Company had no commitments for future capital expenditure.

	Consolidated 2015 $000's	Restated Consolidated 2014 $000's
Capital commitments - Property, plant and equipment		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	318,729
One to five years	-	-
	-	318,729

NOTE 28: IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill		
Carrying amount of goodwill Industrial Division	48,242	46,698
Carrying amount of goodwill Rigid Division	22,095	22,095
Total Carrying amount of goodwill	70,337	68,793

The Group and all of its subsidiaries are divided into two major cash generating units, the industrial and rigid divisions, as these are the smallest groups of identifiable assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired through business combinations has been allocated to the cash-generating-units for impairment testing.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a one year projection period approved by management and extrapolated for a further 4 years using a steady growth rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the industrial and rigid divisions:

a) 7.5% pre-tax discount rate; (2014: 6.7%)

b) 5.5% for Industrial division (2014: 5.0%) and 3.2% for Rigid division (2014: 2.2%) per annum projected revenue growth rate;

c) 5.5% for Industrial division (2014: 5.0%) and 3.2% for Rigid division (2014: 2.2%) per annum increase in operating costs and overheads.

The discount rate of 7.5% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Projected growth rates are based on historical performance over the last three years and current trends which management believes are achievable during the forecasted period.

Sensitivity

The directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in the carrying amount. The sensitivities are as follows:

a) the discount rate would need to increase to 12.0% for the Industrial division and to 16.5% for the Rigid division before goodwill would be impaired. A rate of 7.5% was used in the assessment of goodwill.

b) the EBITDA growth rate would need to decrease to negative 60.6% in the Industrial division and to negative 50.7% in the Rigid division before goodwill would be impaired. EBITDA growth rates of 5.5% and 3.2% respectively, were used in the assessment of goodwill for the Industrial and Rigid divisions respectively.

NOTE 29: RELATED PARTY DISCLOSURE

Parent Entity

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

Subsidiaries

Interests in subsidiaries are set out in note 26.

Transactions with Key Management Personnel

The Company or members of the Group have entered into the following agreements with the following Key Management Personnel or entities related to them: Hadrian Morrall and Brandon Penn.

	Consolidated 2015 $	Restated Consolidated 2014 $
Hadrian Morrall		
> Remuneration paid	**249,443**	**243,949**
> Payments to Morrall Penn Holdings Pty Ltd and The Penn Morrall Partnership for rental related to the Sydney, Melbourne and Brisbane properties (inc GST)	**796,405**	**796,405**
– 9 Widemere Road, Wetherill Park, NSW	**581,505**	**581,505**
– Unit 15/129 Robinson Road, Geebung, QLD	**125,203**	**125,203**
– 32 Hinkler Road, Mordialloc, VIC	**89,697**	**89,697**
Brandon Penn		
> Remuneration paid	**267,377**	**247,771**
> Payments to Morrall Penn Holdings Pty Ltd and The Penn Morrall Partnership for rental related to the Sydney, Melbourne and Brisbane properties (inc GST)	**796,405**	**796,405**
– 9 Widemere Road, Wetherill Park, NSW	**581,505**	**581,505**
– Unit 15/129 Robinson Road, Geebung, QLD	**125,203**	**125,203**
– 32 Hinkler Road, Mordialloc, VIC	**89,697**	**89,697**

Total payments to related parties during the year ended 30 June 2015 was $1,313,225 (2014: $1,288,125).

NOTE 30: KEY MANAGEMENT PERSONNEL DISCLOSURE

Key Management Personnel at 30 June 2015

Ahmed Fahour	Non-executive Chairman
Elliott Kaplan	Non-executive Director
Dr Gary Weiss	Non-executive Director
Brandon Penn	Non-executive Director
Peter Sutton	Chief Executive Officer
Hadrian Morrall	Divisional Managing Director
Mark Saus	Chief Financial Officer and Company Secretary

Total remuneration made to above key management personnel during the year ended 30 June 2015 was $1,264,814 (2014: $844,021). Details of remuneration made to above key management personnel are disclosed in the directors' report on page 8.

Remuneration of Key Management Personnel

Excluding the Directors, there are only three staff members of the Company who qualify as "Key Management Personnel" for the purposes of this report. The executive key management personnel are also the most highly paid executive officers of the consolidated entity for the year under review. For more details refer to the remuneration report as included in directors' report.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 30 June 2015

NOTE 31: PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Parent	
	2015 $'000	**2014 $'000**
Profit for the year	**4,535**	**5,788**
Total comprehensive income	**4,535**	**5,788**
Total current assets	**4,014**	**591**
Total assets	**95,094**	**93,104**
Total current liabilities	**2,345**	**1,535**
Total liabilities	**2,345**	**1,535**
Equity		
Contributed equity	**92,726**	**91,548**
Reserves	**-**	**-**
Retained profits/(accumulated losses)	**23**	**21**
Total equity	**92,749**	**91,569**

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

– Investments in subsidiaries are accounted for at cost, less any impairment.

NOTE 32: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 22 August 2015, the Company declared a fully franked final dividend of one and half cent per share. For details refer to the Directors' Report on page 5.

	Consolidated 2015 $000's	**Restated Consolidated 2014 $000's**
NOTE 33: AUDITORS' REMUNERATION		
Amounts paid or due payable to UHY Haines Norton for:		
– audit or review of the financial report and half-year financial report	**118,000**	**112,000**

NOTE 34: ACCOUNTING STANDARDS ISSUED OR AMENDED

A number of accounting standards have either been issued or amended since year end but are not effective for the financial year ended 30 June 2015. The Group does not at this time believe these have any material impact on the 2015 financial report or for the ensuing year.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 21 to 54, are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
   b) give a true and fair view of the consolidated entity's financial position at 30 June 2015 and of its performance for the year ended on that date;
   c) comply with International Financial Reporting Standards as disclosed in Note 2 (c) to the financial statements.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:
   a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b) the financial statements and notes for the financial year comply with the accounting standards; and
   c) the financial statements and notes for the financial year give a true and fair view; and

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. At the date of this declaration, there are reasonable grounds to believe that the entities that are party to the deed of cross guarantee as described in note 26 to the financial statements will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Board of Directors pursuant to section 295 (5) (a) of the *Corporations Act 2001*.

On behalf of the Board on 24 September 2015.

Ahmed Fahour
Chairman

Brandon Penn
Director

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Pro-Pac Packaging Limited

Report on the Financial Report

We have audited the accompanying financial report of Pro-Pac Packaging Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Pro-Pac Packaging Limited, is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  ii. complying with the Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 5 to 9 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Pro-Pac Packaging Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

M.D. Nicholaeff
Partner

UHY Haines Norton
Chartered Accountants

Signed at Sydney on 24 September 2015

ADDITIONAL COMPANY INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 9 September 2015.

(a) Distribution of equity securities

Table 1: The number of holders, by size of holding, in each class of security are (includes ESPP shares):

Holdings Ranges	Holders	Total Units	%
1 - 1,000	94	9,520	0.004
1,001 - 5,000	109	340,863	0.149
5,001 - 10,000	113	908,531	0.397
10,001 - 100,000	727	29,132,500	12.718
100,001 and over	137	198,681,843	86.732
Totals	**1,180**	**229,073,257**	**100.00**

There are ninety-five holders of unmarketable parcels totalling 10,560 shares representing 0.005% of the Company's issued capital.

(b) Twenty largest holders

Table 2: The names of the twenty largest holders, in each class of security are:

Rank	Holder	Number	%
1	BENNAMON PTY LTD	112,602,277	49.16
2	MR BRANDON ARI PENN	22,279,165	9.73
3	AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	16,387,253	7.15
4	EQUITAS NOMINEES PTY LIMITED <PB-600762 A/C>	10,000,000	4.37
5	BNP PARIBAS NOMS PTY LTD <DRP>	3,673,951	1.60
6	MR BRANDON PENN & MRS WENDY PENN <CARLTASHA DISCRETIONRY A/C>	2,297,872	1.00
7	NATIONAL NOMINEES LIMITED	1,507,958	0.66
8	MRS NATALIE PENN	1,200,344	0.52
9	MISCHKE INVESTMENTS PTY LTD <MISCHKE SUPER FUND A/C>	978,792	0.43
10	MISCHKE INVESTMENTS PTY LTD <DELAFOSSE FAMILY A/C>	854,850	0.37
11	CVC LIMITED	781,914	0.34
12	SONHILL INVESTMENTS PTY LTD <PETERSON SUPER FUND A/C>	723,310	0.32
13	W&S SEJA INVESTMENTS PTY LTD <SEJA FAMILY A/C>	601,972	0.26
14	D & M TULLOCH PTY LTD <D & M TULLOCH S/F A/C>	600,000	0.26
15	PHILANTHROPIC INVESTORS CLUB PTY LTD <PHILANTHROPIC INVST FND A/C>	600,000	0.26
16	WOLBOW GROUP PTY LTD <WILBOW GROUP A/C>	579,195	0.25
17	MR CRAIG STEWART FOX & MES TONI ROSEMARY FOX <FOX FAMILY SUPER FUND A/C>	537,280	0.24
18	MR GREGORY RIDDER & MRS LEE RIDDER <RIDDER SUPER FUND A/C>	531,724	0.23
19	RUBI HOLDING PTY LTD <JOHN RUBINO S/F A/C>	514,146	0.22
20	DONALD CANT PTY LTD	450,000	0.20
	TOP 20	**177,702,003**	**77.57**

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

Bennamon Pty Limited	112,602,277 ordinary shares
Mr Brandon Penn	24,958,817 ordinary shares
Trustees Australia Limited for Lanyon Australian Value Fund	16,387,253 ordinary shares

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

Restricted securities total 2,030,000.

ESPP Shares under escrow until 16 October 2015	280,000 ESPP shares
ESPP Shares under escrow until 21 July 2016	800,000 ESPP shares
ESPP Shares under escrow until 24 March 2017	950,000 ESPP shares

(f) Business objectives

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

PRO-PAC PACKAGING LIMITED

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