

# **PRO-PAC PACKAGING LIMITED**

## **(ASX: PPG)**

### **HIGHLIGHTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

- Earnings per share (EPS) up 5% to 1.97 cents
- Profit after tax up 7% to \$4.5 million
- Cash and cash equivalents have increased to \$9.5 million from \$6.1 million.
- Dividend per share of 1.25 cents, up 25%

In the 6 months to 31 December 2015 the business delivered a solid result in challenging market conditions. Sales growth of 2% reflected modest growth in the Australian economy and competitive markets. Demand from the manufacturing, distribution, resources and meat processing sectors was soft, particularly later in the half. However, the Company experienced good growth in the pharmaceutical, healthcare, retail and dairy sectors.

The ongoing decline of the AUD continued to increase the cost of imported goods. Despite hedging strategies, adverse forex movements increased the cost of goods sold by circa \$6 million in the half relative to the same period last year. Throughout the half the Company progressively increased prices to its customers to recover this cost increase. As a result, margins in the half were maintained in line with the prior year but sales volumes were affected.

Sales growth combined with cost reduction initiatives, resulted in profit before tax increasing to \$6.5 million an increase of 7% versus the prior year.

Rigid Division had an excellent half, with good top line growth and lower resin costs resulting in EBITDA increasing 20% on the prior year.

Industrial Division, which imports most of its products, was adversely affected by the declining AUD. Sales were below the prior year but margin and cost control resulted in EBITDA 1% up on the prior year.

### **OUTLOOK**

The Company expects the Australian economy and the Company's markets to remain subdued but anticipates that new business development and cost reduction activities should result in higher earnings in FY16 versus the prior year. This assumes no unexpected adverse events.

The Company continues to evaluate a healthy pipeline of acquisitions.

### **DIVIDEND**

The Company has today declared a fully franked interim dividend of 1.25 cents per share - up 25% on the prior year comparative period. The record date for determining entitlement to the dividend will be 9 March 2016 and the dividend will be paid on 19 May 2016. The Company's Dividend Reinvestment Plan will apply to this dividend. No discount will apply to the issue price.

### **Enquiries**

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

### **About PPG**

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing innovative, flexible and rigid packaging solutions for a broad group of clients. PPG is headquartered in Sydney with a national footprint including operations in all mainland states. PPG's securities are listed and quoted on the ASX. For further information on PPG visit [www.ppgaust.com.au](http://www.ppgaust.com.au).

# Appendix 4D

## Half Yearly Report

### *Results for announcement to the market*

<b>Pro-Pac Packaging Limited</b>
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ACN	Half Year ended (‘Reporting Period’)	Previous Half Year ended (‘Corresponding period’)
112 971 874	<b>31 December 2015</b>	<b>31 December 2014</b>

#### Results

			<b>\$000's</b>
Revenue from ordinary activities	Up	1.5 % to	126,828
Profit before income tax, acquisition, rationalisation and relocation costs from ordinary activities	Up	2.4 % to	6,822
Profit from ordinary activities after tax attributable to shareholders	Up	7.4 % to	4,521
Net profit attributable to shareholders	Up	7.4 % to	4,521

#### Dividends (distributions)

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	1.25¢	1.25¢
Prior year interim dividend	1.0¢	1.0¢

Information on dividends:

The Company will pay an interim dividend of 1.25 cents per share on 19 May 2016.

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

Record Date for determining entitlements to the dividend	9 March 2016
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	10 March 2016

#### Control gained over entities

No control was gained or lost over entities that would have had a material impact on the financial report for the period ended 31 December 2015.

The Group has no associates or joint venture entities.

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

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

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

**Commentary**

Brief explanation of any of the figures reported above: Please refer to the attached Half Year Report for a detailed review.
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NTA backing	Reporting Period	Previous corresponding period
Net tangible asset backing per ordinary security	16.25 cents	15.31 cents

# PRO-PAC PACKAGING LIMITED

ACN 112 971 874

## HALF YEAR FINANCIAL REPORT

For the half-year ended  
31 December 2015

**PRO-PAC PACKAGING LIMITED**  
**DIRECTORS' REPORT**

The directors present their report, together with the financial statements, on the consolidated entity consisting of Pro-Pac Packaging Limited and the entities it controlled for the half year ended 31 December 2015.

**DIRECTORS**

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

Ahmed Fahour (Non Executive Director)  
BEcon, MBA

Elliott Kaplan (Non Executive Director)  
BAcc, CA

Brandon Penn (Non Executive Director)  
BCom

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

**PRINCIPAL ACTIVITIES**

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

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

**REVIEW AND RESULTS OF OPERATIONS**

The Company reported record revenue for the six months to 31 December 2015 with sales of \$127m being 1.5% higher than the previous corresponding period.

Higher sales volumes and improved operational costs partly offset by increased pressures on margins and one off costs, resulted in EBITDA of \$8.6m being 3.4% higher the previous corresponding period while after tax profit of \$4.5m was up 7.4% on the previous corresponding period. Basic earnings per share increased by 5% from 1.88c to 1.97c for the half year.

The Directors declared a fully franked interim dividend of 1.25 cents per share. The Record Date for determining entitlements to the dividend is 9 March 2016. The dividend will be paid on 19 May 2016.

**ROUNDING OF ACCOUNTS**

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

**AUDITOR'S INDEPENDENCE DECLARATION**

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

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



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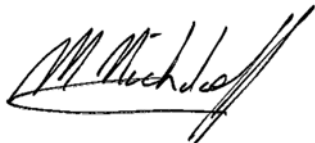
Ahmed Fahour  
Director  
Sydney  
25 February 2016

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

To the Directors of Pro-Pac Packaging Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2015, there have been:

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

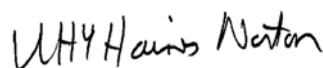


**Mark Nicholaeff**

Partner

Sydney

Dated: 25 February 2016



**UHY Haines Norton**

Chartered Accountants

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR TO 31 DECEMBER 2015**

	Notes	Consolidated 31 December 2015 \$000's	Consolidated 31 December 2014 \$000's
<b>Revenue</b>			
Sales of goods		126,828	124,936
Other income		-	340
Interest income		63	36
<b>Total Revenue</b>		<u>126,891</u>	<u>125,312</u>
<b>Expenses</b>			
Raw materials and consumables used		86,156	84,379
Employee benefits expense		16,738	16,742
Other expenses from ordinary activities		6,425	7,051
Distribution costs		5,092	4,521
Occupancy costs		3,561	3,719
Depreciation expense		1,628	1,515
Finance costs		441	564
Acquisition, rationalisation and relocation expenses		276	566
Amortisation of prepaid royalty		28	161
<b>Total Expenses</b>		<u>120,345</u>	<u>119,218</u>
<b>Profit before income tax from continuing operations</b>		6,546	6,094
Income tax expense		2,025	1,885
<b>Profit after income tax expense for the half year</b>		<u>4,521</u>	<u>4,209</u>
Other comprehensive income			
Items that will be subsequently recycled through profit & loss			
Cash flow hedges			
Gain / (loss) taken to equity		(950)	107
<b>Total comprehensive income for the half year</b>		<u>3,571</u>	<u>4,316</u>
<b>Earnings per share (cents per share)</b>			
- Basic earnings per share	3	1.97	1.88
- Diluted earnings per share	3	1.93	1.85

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

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Notes	Consolidated 31 December 2015 \$000's	Consolidated 30 June 2015 \$000's
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	9,452	6,120
Trade and other receivables		41,832	38,500
Inventories		37,258	32,393
Other assets		5,584	4,551
Current tax assets		-	15
<b>Total current assets</b>		<u>94,126</u>	<u>81,579</u>
<b>Non-current assets</b>			
Property, plant and equipment		16,605	17,366
Intangible assets	6	70,721	70,337
Deferred tax assets		<u>2,175</u>	<u>2,520</u>
<b>Total non-current assets</b>		<u>89,501</u>	<u>90,223</u>
<b>TOTAL ASSETS</b>		<u>183,627</u>	<u>171,802</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		34,662	26,628
Interest bearing trade finance		4,633	2,551
Borrowings		1,331	1,183
Provisions		3,645	3,973
Current tax liabilities		<u>24</u>	<u>-</u>
<b>Total current liabilities</b>		<u>44,295</u>	<u>34,335</u>
<b>Non-current liabilities</b>			
Borrowings		27,287	27,271
Provisions		<u>1,587</u>	<u>1,801</u>
<b>Total non-current liabilities</b>		<u>28,874</u>	<u>29,072</u>
<b>TOTAL LIABILITIES</b>		<u>73,169</u>	<u>63,407</u>
<b>NET ASSETS</b>		<u>110,458</u>	<u>108,395</u>
<b>EQUITY</b>			
Issued capital		94,646	92,726
Reserves		(120)	830
Retained earnings		<u>15,932</u>	<u>14,839</u>
<b>TOTAL EQUITY</b>		<u>110,458</u>	<u>108,395</u>

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



**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR TO 31 DECEMBER 2015**

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

	Notes	Issued capital \$000's	Retained earnings \$000's	Option reserve \$000's	Cash flow hedge reserve \$000's	Total equity \$000's
<b>Consolidated</b>						
<b>Balance as at 1 July 2015</b>		<b>92,726</b>	<b>14,839</b>	<b>120</b>	<b>710</b>	<b>108,395</b>
Profit after income tax expense for the half-year		-	<b>4,521</b>	-	-	<b>4,521</b>
Other comprehensive income for the half-year, net of tax		-	-	-	<b>(950)</b>	<b>(950)</b>
Total comprehensive income for the half-year		-	<b>4,521</b>	-	<b>(950)</b>	<b>3,571</b>
Transactions with owners in their capacity as owners:						
Dividends paid		-	<b>(3,428)</b>	-	-	<b>(3,428)</b>
Issue of shares for DRP		<b>1,920</b>				<b>1,920</b>
<b>At 31 December 2015</b>	<b>7</b>	<b>94,646</b>	<b>15,932</b>	<b>120</b>	<b>(240)</b>	<b>110,458</b>

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

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR TO 31 DECEMBER 2015**

	Notes	Consolidated 31 December 2015 \$000's	Consolidated 31 December 2014 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers		123,827	117,160
Payments to suppliers & employees		(117,512)	(112,571)
Interest received		63	36
Interest paid		(441)	(564)
Income tax paid		(1,638)	(1,557)
Relocation, restructuring and business combination costs		(276)	(566)
<b>Net cash flows provided by operating activities</b>	<b>8</b>	<b>4,023</b>	<b>1,938</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(977)	(1,568)
Proceeds from sale of property, plant and equipment		123	122
Payment for unincorporated businesses		(502)	(4,045)
Working capital for businesses acquired		(75)	(1,234)
<b>Net cash flows (used) in investing activities</b>		<b>(1,431)</b>	<b>(6,725)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(798)	(971)
Hire purchase and finance leases raised		964	725
Proceeds from borrowings		2,082	9,030
Dividend paid		(1,508)	(2,268)
<b>Net cash flows provided by financing activities</b>		<b>740</b>	<b>6,516</b>
Net increase / (decrease) in cash and cash equivalents		3,332	1,729
Cash & cash equivalents at beginning of the half year		6,120	3,580
<b>Cash &amp; cash equivalents at end of half year</b>	<b>5</b>	<b>9,452</b>	<b>5,309</b>
 Hire purchase and finance leases raised		 964	 725
Issue of shares for dividend re-investment plan		1,920	-

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

These general purpose financial statements for the interim half-year period ended 31 December 2015 have been prepared in accordance with the *Corporations Act 2001* and AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Pro-Pac Packaging Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. The half year financial report does not include full disclosures of the type normally included in an annual report. It is therefore recommended that this financial report be read in conjunction with the annual report of the Group for the year ended 30 June 2015, together with any public announcements made by the Group during the half-year.

The accounting policies applied by the Group in the interim consolidated financial report are the same as those applied by the Group in the Annual Financial Report as at and for the year ended 30 June 2015, with the exception of the amended standards noted below.

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

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

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

## NOTE 2: SEGMENT INFORMATION

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

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

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

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

### 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 operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

## NOTE 2: SEGMENT INFORMATION (continued)

### Inter-segment transactions

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

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

### Segment Assets

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

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

### Segment Liabilities

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

### Unallocated items

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

	Rigid packaging \$000's 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
<b>(i) Segment performance</b>								
<b>Six months ended 31 December</b>								
<b>Revenue</b>								
External sales	34,675	92,153	-	126,828	30,267	94,669	-	124,936
Inter-segment sales	4,621	4,269	(8,890)	-	4,349	4,590	(8,939)	-
<b>Total segment revenue</b>	<b>39,296</b>	<b>96,422</b>	<b>(8,890)</b>	<b>126,828</b>	<b>34,616</b>	<b>99,259</b>	<b>(8,939)</b>	<b>124,936</b>
<b>EBITDA</b>	4,619	6,343	(2,382)	8,580	3,860	6,264	(1,826)	8,298
Depreciation and amortisation				(1,656)				(1,676)
Interest revenue				63				36
Finance costs				(441)				(564)
<b>Profit before income tax</b>				<b>6,546</b>				<b>6,094</b>
Income tax expense				(2,025)				(1,885)
<b>Profit after income tax</b>				<b>4,521</b>				<b>4,209</b>
<b>(ii) Segment assets</b>								
<b>As at 31 December (2015: 30 June)</b>								
<b>Segment assets</b>	<b>48,628</b>	<b>125,056</b>	<b>-</b>	<b>173,684</b>	<b>47,437</b>	<b>117,297</b>	<b>-</b>	<b>164,734</b>
<i>Reconciliation of segment assets to group assets</i>								
Inter -segment eliminations				(1,858)				(1,634)
Unallocated assets				11,801				8,702
* Deferred tax assets				2,175				2,520
* Other				9,626				6,182
<b>Total group assets from continuing operations</b>				<b>183,627</b>				<b>171,802</b>

## NOTE 2: SEGMENT INFORMATION (continued)

	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
<b>(iii) Segment liabilities</b>								
As at 31 December (2015: 30 June)								
<b>Segment liabilities</b>	13,165	35,953	-	49,118	12,948	26,331	-	39,279
<i>Reconciliation of segment liabilities to group liabilities</i>								
Inter -segment eliminations				(1,897)				(1,722)
Unallocated liabilities				25,948				25,850
* Deferred tax liabilities				-				-
* Other liabilities				25,948				25,850
<b>Total group liabilities from continuing operations</b>				<b>73,169</b>				<b>63,407</b>

(iv) Pro-Pac Packaging Limited have an operation, PPG Services SDN BHD, which is a company incorporated in Malaysia. This company provides support services for all Group companies. The financial statements for this company are prepared under Malaysian Financial Reporting Standards, which are compliant with International Financial Reporting Standards

## NOTE 3: EARNINGS PER SHARES

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

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

	<b>Consolidated 31 December 2015</b>	<b>Consolidated 31 December 2014</b>
Net profit attributable to equity holders (\$000)	<b>4,521</b>	<b>4,209</b>
Weighted average number of ordinary shares for basic earnings per share	<b>228,939,658</b>	<b>224,013,758</b>
Weighted average number of ordinary shares for diluted earnings per share	<b>234,164,330</b>	<b>227,879,414</b>
Basic earnings per share (cents per share) *	<b>1.97</b>	<b>1.88</b>
Diluted earnings per share (cents per share) *	<b>1.93</b>	<b>1.85</b>

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

## NOTE 4: DIVIDENDS PAID AND PROPOSED

The Directors have declared an interim dividend of 1.25 cents per share in respect of the half year ended 31 December 2015 (2014: 1.0 cent per share). The Company has determined a record date of 9 March 2016 and a payment date of 19 May 2016.

	<b>31 December 2015 \$000's</b>	<b>31 December 2014 \$000's</b>
<b>Paid during the half year:</b>		
Final dividend for 2015 – 1.5 cents per ordinary share (2014 – 1.0 cent per ordinary share)	<b>3,428</b>	<b>2,268</b>

**NOTE 4: DIVIDENDS PAID AND PROPOSED (continued)****Franking credit balance**

The half-year financial report has been prepared on the basis that the Group has adopted the provisions of the tax consolidation regime for the year ending 30 June 2015 and 30 June 2014. As such franking credits arising from the other Group companies totalling \$15,503,201 will be available to the parent entity.

**NOTE 5: CASH AND CASH EQUIVALENTS**

	<b>Consolidated 31 Dec 2015 \$000's</b>	<b>Consolidated 30 Jun 2015 \$000's</b>
Cash at bank and in hand	<b>9,452</b>	<b>6,120</b>

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

**Reconciliation of cash**

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

Cash at bank and in hand	<b>9,452</b>	<b>6,120</b>
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**NOTE 6: INTANGIBLE ASSETS**

	<b>Consolidated 31 Dec 2015 \$000's</b>	<b>Consolidated 30 Jun 2015 \$000's</b>
<b>Goodwill</b>		
Carrying amount at beginning of the year	<b>70,337</b>	<b>68,793</b>
Acquisition through business combinations	<b>384</b>	<b>1,544</b>
Closing value	<b>70,721</b>	<b>70,337</b>
<b>Balance as at</b>		
At cost	<b>70,721</b>	<b>70,337</b>
Accumulated impairment losses	<b>-</b>	<b>-</b>
Net carrying value	<b>70,721</b>	<b>70,337</b>

**NOTE 7: CONTRIBUTED EQUITY**

		<b>Consolidated 31 Dec 2015 \$000's</b>		<b>Consolidated 30 Jun 2015 \$000's</b>
<b>Ordinary shares</b>				
Issued and fully paid		<b>94,646</b>		<b>92,726</b>
<b>Movement in ordinary shares on issue</b>	<b>Number</b>	<b>\$000's</b>	<b>Number</b>	<b>\$000's</b>
Balance at beginning of the half year	<b>229,073,257</b>	<b>92,726</b>	<b>226,618,758</b>	<b>91,548</b>
Issue of shares for Executive Long Term Incentive Plan	<b>3,300,000</b>	<b>-</b>	<b>2,454,499</b>	<b>1,178</b>
Cancellation of shares for Executive Long Term Incentive Plan	<b>(575,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of shares under the dividend re-investment plan	<b>4,614,963</b>	<b>1,920</b>	<b>-</b>	<b>-</b>
Balance at the end of the half year	<b>236,413,220</b>	<b>94,646</b>	<b>229,073,257</b>	<b>92,726</b>

**NOTE 7: CONTRIBUTED EQUITY (continued)**

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

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

**NOTE 8: CASH FLOW INFORMATION**

	<b>Consolidated 31 December 2015 \$000's</b>	<b>Consolidated 31 December 2014 \$000's</b>
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Net profit after tax	4,521	4,209
<b>Add/(Less) non-cash items:</b>		
Depreciation and amortisation of plant and equipment	1,628	1,515
Amortisation of pre-paid royalty	28	161
(Profit) / Loss on disposal of assets	16	1
Movement in income tax provision	38	498
Movement in deferred tax assets & liabilities	345	(163)
Movement in provision for bad debts	(196)	102
<b>Changes in assets and liabilities:</b>		
Receivables	(2,759)	(6,866)
Inventories	(4,729)	(1,711)
Payables	7,391	6,571
Provisions	(561)	60
Prepayments	(1,699)	(2,439)
<b>Net cash flows from operating activities</b>	<b>4,023</b>	<b>1,938</b>

**NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS**

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

As at statement of financial position date, the Company issued security deposit guarantees and standby letters of credit to the value of \$2,080,446.

As at statement of financial position date, the Company is defending a claim of \$1.2m arising from the acquisition of the assets and businesses of Eco Food Pack Australia Pty Limited. The Company has lodged counter claims in excess of \$3.0m.

**NOTE 10: 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.

**NOTE 10: FAIR VALUE MEASUREMENT (continued)**

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

Level 3: Unobservable inputs for the asset or liability

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Consolidated 31 December 2015</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<i>Liabilities</i>				
Derivative liability	-	240	-	240
Total liabilities	-	240	-	240

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Consolidated 30 June 2015</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<i>Assets</i>				
Derivative asset	-	710	-	710
Total assets	-	710	-	710

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.

**NOTE 11: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



## **DIRECTORS' DECLARATION**

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of its financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
  - (ii) comply with Corporations Act 2001, Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



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Ahmed Fahour  
Director

Sydney  
25 February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Members of Pro-Pac Packaging Limited

#### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Pro-Pac Packaging Limited ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year.

#### ***Directors' Responsibility for the Half-Year Financial Report***

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

#### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pro-Pac Packaging Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

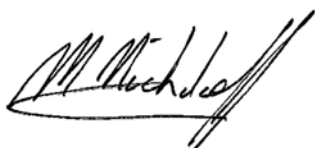
#### ***Independence***

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

**Conclusion**

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

- a) giving a true and fair view of consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

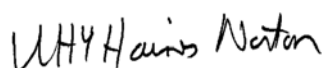


**Mark Nicholaeff**

Partner

Sydney

Date: 25 February 2016



**UHY Haines Norton**

Chartered Accountants