

## **PRO-PAC PACKAGING LIMITED**

### **(ASX: PPG)**

#### **HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2016**

- Profit after tax up 19% to \$6.9 million
- Net cash from operating activities up 162% to \$14.2m
- Earnings per share (EPS) up 16% to 3.01 cents
- Dividends per share of 2.75 cents, up 10%

Despite continued difficult general industry trading conditions, rising raw material input prices and adverse margin impacts from the significant downward movement in the A\$/US\$ exchange rate during the year, the business delivered a solid result for the 12 months to 30 June 2016.

Sales were down 1% on the prior year reflecting a sluggish Australian economy and competitive markets. As previously reported, demand from the manufacturing, distribution, resources and meat processing sectors was soft, particularly later in the first half and continued for the remainder of the financial year. However, the Company experienced good growth in the pharmaceutical, healthcare, retail and dairy sectors.

Despite hedging strategies, adverse forex movements due mainly to the ongoing decline of the AUD increased the cost of imported goods sold relative to the prior year, particularly during H1. Consequently, throughout the year the Company progressively increased prices to its customers to recover this cost increase. As a result, margins were maintained broadly in line with the prior year but sales volumes were adversely affected.

The maintenance of margins and the continued focus on cost out strategies yielded substantial savings in administration, distribution and selling expenses that enabled the Company to record a profit before tax of \$10.1 million, an increase of 20% up on the prior year.

Rigid Division had an excellent year, with good top line growth and lower resin costs resulting in EBITDA increasing 18% on the prior year.

Industrial Division, which imports most of its products, was adversely affected by the declining AUD. As alluded to above, steps taken to stabilise margins within the division adversely effected sales which finished lower than the prior year. EBITDA for the division was however up 3% up on the prior year, largely due to effective cost control.

#### **OUTLOOK**

The Company expects the Australian economy and the Company's markets to remain subdued. Cost reduction initiatives and measures to stabilise margins will continue during FY17.

While FY16 was a year of consolidation, the Company has a current pipeline of acquisition opportunities which it is continuing to assess.

#### **DIVIDEND**

The Company has today declared a fully franked final dividend of 1.5 cents per share for H2 bringing the total dividend paid in respect of FY16 to 2.75 cents, up 10% on the prior year. The record date for determining entitlement to the dividend will be 8 September 2016 and the dividend will be paid on 22 September 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. Brandon Penn Acting 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 4E

## Preliminary Final Report

### Company details

Name of entity:	Pro-Pac Packaging Limited
ABN:	36 112 971 874
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

### Results for announcement to the market

Revenue from ordinary activities	down	1%	to	\$000's 240,774
Profit from ordinary operations after tax attributable to the owners of Pro-Pac Packaging Limited	up	19%	to	6,938
Profit for the year attributable to the owners of Pro-Pac Packaging Limited	up	19%	to	6,938

<i>Dividends</i>	<b>Amount per security cents</b>	<b>Franked amount per security cents</b>
Final dividend for the year ended 30 Jun 2015 paid on 24 September 2015	<b>1.5</b>	<b>1.5</b>
Interim dividend the year ended 30 Jun 2016 paid on 19 May 2016	<b>1.25</b>	<b>1.25</b>

On 26 August 2016, the directors declared a fully franked final dividend of 1.5 cent per ordinary share with a record date of 8 September 2016 to be paid on 22 September 2016.

The Company's Dividend Reinvestment Plan will apply to this final dividend. No discount will apply to the issue price. Under the Plan, shareholders can acquire shares in the Company at the volume weighted sale price during the four trading days up to and including the Record Date for determining entitlements. The last date for elections to participate in the Dividend Reinvestment Plan is 9 September 2016.

During the year, 8,629,936 shares were issued under the Dividend Reinvestment Plan.

### Net tangible assets

	<b>Consolidated Year Ended 30 June 16 Cents</b>	<b>Consolidated Year Ended 30 June 15 Cents</b>
Net tangible assets per ordinary security	<b>16.41</b>	<b>15.68</b>

### Control gained over entities

During the year, there was one minor acquisition by Pro-Pac Packaging (Aust) Pty Limited, a wholly owned subsidiary of Pro-Pac Packaging Limited.

**Loss of control over entities**

Not applicable.

**Details of associates and joint venture entities**

Not applicable.

**Foreign entities**

Details of origin of accounting standards used in compiling the report:

Pro-Pac Packaging Limited has a wholly owned subsidiary, 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.

**Audit qualification or review**

This report is based on financial statements which are in the process of being audited.

**Attachments**

Details of attachments (if any):

The consolidated preliminary financial statements of Pro-Pac Packaging Limited for the year ended 30 June 2016 are attached.

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**Signed**



Date: 26 August 2016

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Ahmed Fahour  
Director  
Sydney

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR TO 30 JUNE 2016**

	Notes	Consolidated 2016 \$ 000	Consolidated 2015 \$ 000
<b>Revenue</b>			
Sales of goods		240,774	243,457
Other income		-	340
Interest income		166	83
<b>Total Revenue</b>		<b>240,940</b>	<b>243,880</b>
<b>Expenses</b>			
Raw materials and consumables used		162,512	164,813
Employee benefits expense		33,521	33,814
Other expenses from ordinary activities		12,150	12,322
Distribution costs		9,806	9,636
Occupancy costs		7,479	8,002
Depreciation expense		3,353	3,261
Finance costs		1,482	1,764
Acquisition, rationalisation and relocation expenses		489	1,519
Amortisation of prepaid royalty		28	322
<b>Total Expenses</b>		<b>230,820</b>	<b>235,453</b>
<b>Profit before income tax from continuing operations</b>		<b>10,120</b>	<b>8,427</b>
Income tax expense	4	(3,182)	(2,585)
<b>Profit after income tax expense for the year</b>	<b>12</b>	<b>6,938</b>	<b>5,842</b>
Other comprehensive income / (costs)			
Items that will be reclassified to profit & loss			
Movements in reserves	14	(1,214)	710
<b>Total comprehensive income for the year</b>		<b>5,724</b>	<b>6,552</b>
<b>Earnings per share (cents per share)</b>			
- Basic earnings per share	1	3.01	2.60
- Diluted earnings per share	1	2.95	2.56

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Notes	Consolidated 2016 \$000's	Consolidated 2015 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13	15,345	6,120
Trade and other receivables	5	36,772	38,506
Inventories	6	33,112	32,393
Current tax assets	4	80	15
Other assets		4,332	4,551
<b>Total Current Assets</b>		<b>89,641</b>	<b>81,585</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	15,831	17,366
Intangible assets	8	70,721	70,337
Deferred tax assets	4	2,068	2,520
<b>Total Non-Current Assets</b>		<b>88,620</b>	<b>90,223</b>
<b>TOTAL ASSETS</b>		<b>178,261</b>	<b>171,808</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	30,013	26,628
Interest bearing trade finance		3,000	2,551
Interest bearing borrowings		1,156	1,183
Provisions	10	3,941	3,973
<b>Total Current Liabilities</b>		<b>38,110</b>	<b>34,335</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	1,683	1,801
Interest bearing borrowings		27,104	27,271
<b>Total Non-Current Liabilities</b>		<b>28,787</b>	<b>29,072</b>
<b>TOTAL LIABILITIES</b>		<b>66,897</b>	<b>63,407</b>
<b>NET ASSETS</b>		<b>111,364</b>	<b>108,401</b>
<b>EQUITY</b>			
Issued capital	11	96,304	92,726
Other reserves	14	(343)	830
Retained earnings	12	15,403	14,845
<b>TOTAL EQUITY</b>		<b>111,364</b>	<b>108,401</b>

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR TO 30 JUNE 2016**

	Notes	Consolidated 2016 \$000's	Consolidated 2015 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		243,281	241,220
Payments to suppliers and employees (inclusive of GST)		(224,552)	(229,852)
Interest received		166	83
Finance costs		(1,482)	(1,219)
Income tax paid		(2,771)	(3,309)
Relocation, restructuring and business combination costs		(489)	(1,519)
<b>Net cash flows from operating activities</b>	13	14,153	5,404
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,980)	(3,666)
Proceeds from sale of property, plant and equipment		176	799
Payment for unincorporated business net of cash acquired		(502)	(2,150)
Working capital for business acquired		(75)	(1,597)
<b>Net cash flows used in investing activities</b>		(2,381)	(6,614)
<b>Cash flows from financing activities</b>			
Payment of hire purchase and finance lease liabilities		(1,533)	(1,976)
Finance leases raised		1,339	1,683
Proceeds from borrowings		449	7,397
Dividends paid		(2,802)	(3,354)
<b>Net cash flows provided by financing activities</b>		(2,547)	3,750
<b>Net increase / (decrease) in cash and cash equivalents</b>		9,225	2,540
<b>Cash and cash equivalents at beginning of financial year</b>		6,120	3,580
<b>Cash and cash equivalents at end of financial year</b>	13	15,345	6,120
<b>Non cash financing transactions</b>			
Hire purchase and finance lease liabilities raised		1,339	1,683
Issue of shares for dividend re-investment plan		3,578	1,178

**PRO-PAC PACKAGING LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR TO 30 JUNE 2016**

	<b>Issued capital \$ 000</b>	<b>Retained earnings \$ 000</b>	<b>Reserves \$ 000</b>	<b>Total equity \$ 000</b>
<b>Consolidated</b>				
<b>Balance as at 1 July 2014</b>	<b>91,548</b>	<b>13,536</b>	<b>99</b>	<b>105,183</b>
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)
<b>At 30 June 2015</b>	<b>92,726</b>	<b>14,845</b>	<b>830</b>	<b>108,401</b>

  

	<b>Issued capital \$ 000</b>	<b>Retained earnings \$ 000</b>	<b>Reserves \$ 000</b>	<b>Total equity \$ 000</b>
<b>Consolidated</b>				
<b>Balance as at 1 July 2015</b>	<b>92,726</b>	<b>14,845</b>	<b>830</b>	<b>108,401</b>
Profit after income tax expense for the year	-	6,938	-	6,938
Other comprehensive income for the year, net of tax	-	-	(1,214)	(1,214)
Total comprehensive income for the year	-	6,938	(1,214)	5,724
Transactions with owners in their capacity as owners:				
Issue of shares for dividend re-investment plan	3,578	-	-	3,578
Recognition of share based payment	-	-	41	41
Dividends paid	-	(6,380)	-	(6,380)
<b>At 30 June 2016</b>	<b>96,304</b>	<b>15,403</b>	<b>(343)</b>	<b>111,364</b>



## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 1: EARNINGS PER SHARE

	Consolidated Year Ended 30 June 16 Cents	Consolidated Year Ended 30 June 15 Cents
Basic earnings per share *	3.01	2.60
Diluted earnings per share *	2.95	2.56
Reconciliation of earnings used in calculation of earnings per share:		
	\$000's	\$000's
Profit after income tax	6,938	5,842
	<u>          </u>	<u>          </u>
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	230,470,499	224,290,226
Weighted average number of ordinary shares used in the calculation of basic diluted earnings per share	236,346,047	228,125,721
	<u>          </u>	<u>          </u>
Number of ordinary shares on issue at year end (including ESPP shares)	240,428,193	229,073,257
	<u>          </u>	<u>          </u>

\* The difference between basic and diluted shares on issue represents the PPG Executive Long Term Incentive Plan (ESPP) shares on issue which are treated as an option grant as well as options issued.

#### NOTE 2: DIVIDENDS

The Directors of Pro-Pac Packaging Limited have declared a final fully franked dividend of 1.5 c per share in respect of the financial year ended 30 June 2016. When combined with the interim dividend of 1.25 c per share paid on 19 May 2016, this represents fully franked dividends of 2.75 c per share for the 2015/16 financial year.

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

	Consolidated Year Ended 30 June 16 Cents	Consolidated Year Ended 30 June 15 Cents
Net tangible assets per security – basic	16.41	15.68
	<u>          </u>	<u>          </u>
Net assets per security – basic	47.37	47.86
	<u>          </u>	<u>          </u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2016 \$000's	Consolidated Year Ended 30 June 2015 \$000's
<b>NOTE 4: TAXATION</b>		
<i>a) Income Tax Expense:</i>	3,182	2,585
<b>Income tax expense:</b>		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	3,036	2,528
<b>Increase / (decrease) in income tax expense due to:</b>		
Difference in income tax rate of overseas entity and Australia	(2)	(2)
Other income not subject to tax net of expenditure not allowable for tax purposes	148	59
<b>Income tax expense attributable to profit from ordinary activities</b>	<u>3,182</u>	<u>2,585</u>
<i>b) Current Tax Liabilities:</i>		
Income tax payable	<u>-</u>	<u>-</u>
<i>c) Current Tax Assets:</i>		
Current tax asset	<u>80</u>	<u>15</u>
<i>d) Non-Current Tax Assets:</i>		
Deferred tax asset	<u>2,068</u>	<u>2,520</u>
<b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	35,767	37,626
Provision for impairment of receivables	(358)	(602)
	<u>35,409</u>	<u>37,024</u>
Other debtors	<u>1,363</u>	<u>1,482</u>
<b>Total Current Receivables</b>	<u>36,772</u>	<u>38,506</u>
<b>NOTE 6: INVENTORIES</b>		
<b>Current</b>		
Raw materials and work in progress (lower of cost and net realisable value)	1,071	1,225
Finished goods (lower of cost and net realisable value)	32,041	31,168
<b>Total Inventories</b>	<u>33,112</u>	<u>32,393</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2016 \$000's	Consolidated Year Ended 30 June 2015 \$000's
<b>Note 7: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and Equipment</b>		
At cost	33,119	31,749
Accumulated depreciation	(17,288)	(14,383)
Total plant and equipment	<u>15,831</u>	<u>17,366</u>
<b>Note 8: INTANGIBLE ASSETS</b>		
Goodwill	<u>70,721</u>	<u>70,337</u>
<b>Reconciliation</b>		
Carrying amount at beginning of the year	70,337	68,793
Acquisition of businesses	384	1,544
Total goodwill	<u>70,721</u>	<u>70,337</u>
<b>NOTE 9: PAYABLES</b>		
<b>Current</b>		
<b>Unsecured</b>		
Trade payables	21,391	18,202
GST payable	580	716
Other tax payable	358	524
Sundry creditors and accruals	7,569	7,131
Contingent deferred payments to vendors for acquisitions	115	55
	<u>30,013</u>	<u>26,628</u>
<b>NOTE 10: PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	<u>3,941</u>	<u>3,973</u>
<b>Non-Current</b>		
Make good provision	938	889
Employee entitlements	745	912
	<u>1,683</u>	<u>1,801</u>

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

**NOTE 11: ISSUED CAPITAL**

	Consolidated	Consolidated
	Number	\$000's
<b>2016</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	<u>240,428,193</u>	<u>96,304</u>
<i>Movements during the year:</i>		
Balance at beginning of year	229,073,257	92,726
Issue of shares for Executive Long Term Incentive Plan	3,300,000	-
Cancellation of shares for Executive Long Term Incentive Plan	(575,000)	-
Issue of shares for dividend re-investment plan	<u>8,629,936</u>	<u>3,578</u>
	<u>240,428,193</u>	<u>96,304</u>
<b>2015</b>		
<b>Issued and Paid-Up Share Capital</b>		
Fully paid ordinary shares:	<u>229,073,257</u>	<u>92,726</u>
<i>Movements during the year:</i>		
Balance at beginning of year	226,693,758	91,548
Cancellation of shares for Executive Long Term Incentive Plan	(75,000)	-
Issue of shares for dividend re-investment plan	<u>2,454,499</u>	<u>1,178</u>
	<u>229,073,257</u>	<u>92,726</u>
	<b>Consolidated Year Ended 30 June 2016 \$000's</b>	<b>Consolidated Year Ended 30 June 2015 \$000's</b>

**NOTE 12: RETAINED PROFITS**

Retained profits at the beginning of the year	14,845	13,536
Net profit attributable to members of the company	6,938	5,842
Dividends paid	<u>(6,380)</u>	<u>(4,533)</u>
<b>Retained profits at the end of the year</b>	<u>15,403</u>	<u>14,845</u>

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

Consolidated Year Ended 30 June 2016 \$000's	Consolidated Year Ended 30 June 2015 \$000's
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#### NOTE 13: NOTES TO THE STATEMENT OF CASH FLOWS

##### a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash Assets	15,345	6,120
<b>b) Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities:</b>		
Profit from ordinary activities after income tax	6,938	5,842
<b>Add/(Less) non-cash items:</b>		
Depreciation and amortisation of plant and equipment	3,353	3,261
Amortisation of prepaid royalty	28	322
(Profit) / loss on disposal of assets	20	63
Movement in income tax provision	(65)	(579)
Movement in deferred tax assets & liabilities	452	(144)
Movement in provision for bad debts	(244)	92
Other non-cash movements	76	21
<b>Changes in Assets and Liabilities:</b>		
Receivables	2,206	(1,546)
Inventories	(583)	2,884
Payables	2,703	(4,276)
Provisions	(212)	201
Prepayments	(519)	(737)
<b>Net cash flows from operating activities</b>	<b>14,153</b>	<b>5,404</b>

#### NOTE 14: MOVEMENT IN RESERVES

The movement in the Cash flow hedge reserve reflects the difference between contracted values and market values of the foreign currency forward contracts that the Company holds as at balance sheet date.

	Cash flow hedge reserve \$'000	Option reserve \$'000	Total \$'000
<b>Consolidated - 2016</b>			
Balance as at 1 July 2015	710	120	830
Movement during the year	(1,214)	41	(1,173)
Balance as at 30 June 2016	(504)	161	(343)

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

#### NOTE 15: CONTROLLED ENTITIES

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

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

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

#### NOTE 16: OPERATING SEGMENTS

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

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

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

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

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

##### **Industrial packaging**

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

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

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

##### **Rigid packaging**

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

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

###### *Accounting policies adopted*

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

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

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

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

###### *Segment Assets*

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

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

###### *Segment Liabilities*

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

###### *Unallocated items*

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

## PRO-PAC PACKAGING LIMITED

### NOTES TO THE PRELIMINARY FINAL REPORT

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

	Rigid packaging \$ 000 2016	Industrial packaging \$ 000 2016	Intersegment eliminations / unallocated \$ 000 2016	Total \$ 000 2016		Rigid packaging \$ 000 2015	Industrial packaging \$ 000 2015	Intersegment eliminations / unallocated \$ 000 2015	Total \$ 000 2015
<b>(i) Segment performance</b>									
<b>12 month ended 30 June</b>									
<b>Revenue</b>									
External sales	65,615	175,159	-	240,774		60,441	183,016	-	243,457
Inter-segment sales	8,754	7,827	(16,581)	-		8,594	7,648	(16,242)	-
<b>Total segment revenue</b>	<b>74,369</b>	<b>182,986</b>	<b>(16,581)</b>	<b>240,774</b>		<b>69,035</b>	<b>190,664</b>	<b>(16,242)</b>	<b>243,457</b>
<b>EBITDA</b>									
Depreciation and amortisation	8,825	10,415	(4,423)	14,817		7,454	10,077	(3,840)	13,691
Interest revenue	(1,496)	(1,697)	(188)	(3,381)		(1,618)	(1,736)	(229)	(3,583)
Finance costs				166					83
<b>Profit before income tax</b>				<b>10,120</b>					<b>8,427</b>
Income tax expense				(3,182)					(2,585)
<b>Profit after income tax</b>				<b>6,938</b>					<b>5,842</b>
<b>(ii) Segment assets</b>									
<b>As at 30 June</b>									
<b>Segment assets</b>	46,844	115,788	-	162,632		47,437	117,297	-	164,734
<i>Reconciliation of segment assets to group assets</i>									
Inter -segment eliminations				(1,870)					(1,634)
Unallocated assets				17,499					8,708
* Deferred tax assets				2,068					2,520
* Other				15,431					6,188
<b>Total group assets from continuing operations</b>				<b>178,261</b>					<b>171,808</b>
<b>(iii) Segment liabilities</b>									
<b>As at 30 June</b>									
<b>Segment liabilities</b>	13,216	29,356	-	42,572		12,948	26,331	-	39,279
<i>Reconciliation of segment liabilities to group liabilities</i>									
Inter -segment eliminations				(1,866)					(1,722)
Unallocated liabilities				26,191					25,850
* Deferred tax liabilities				-					-
* Other liabilities				26,191					25,850
<b>Total group liabilities from continuing operations</b>				<b>66,897</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 17: AUDIT STATUS

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

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

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



## **PRO-PAC PACKAGING LIMITED**

### **NOTES TO THE PRELIMINARY FINAL REPORT**

#### **NOTE 19: CONTINGENT LIABILITIES**

As at balance sheet date, the company issued security deposit guarantees and standby letters of credits to the value of \$1,865,015 to the landlords of rented premises and overseas suppliers.

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 \$4.0m.

#### **NOTE 20: CAPITAL EXPENDITURE COMMITMENTS**

As at reporting date the company had no commitments for future capital expenditure.

#### **NOTE 21: EVENTS SUBSEQUENT TO YEAR END**

There were no events subsequent to year end.

#### **NOTE 22: RECLASSIFICATION**

Bank line fees, usage fees and facility establishment fees were incorrectly included in "Other expenses from ordinary activities" instead of "Finance costs" in the consolidated entity's financial statements for the year ended 30 June 2015. As such, earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended 30 June 2015 was understated by \$545,000. The relevant comparative numbers for the year ended 30 June 2015 have accordingly been reclassified. Profit before and after income tax expense for the year ended 30 June 2015 remains unchanged. Bank line fees, usage fees and facility establishment fees are included in "Finance costs" in the financial statements for the year ended 30 June 2016.