PRO-PAC PACKAGING LIMITED
(ASX: PPG)

PRO-PAC 1H2018 RESULT

- **Statutory Loss After Tax of $3.2m, which includes $9.9 million of one off acquisition, rationalisation and relocation costs.**
- **Underlying 1H18 Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) of $9.55 million[1]**
- **On track for annualised sustainable EBITDA of circa $37.7 million**
- **Merger with Integrated Packaging Group established market-leading Industrial and Flexible Packaging business with synergies ahead of schedule**
- **Strategic review of Rigid business underway**
- **Strong M&A pipeline**
- **Interim dividend of 1.0 cent per share fully franked declared**

Pro-Pac Packaging Limited (ASX:PPG) today announced revenue of $158 million for the half-year ending 31 December 2017 ('1H18') and a loss after tax of $3.2m. This result includes two months of trading for Integrated Packaging ('IPG') following its acquisition on 6 November, 2017 and one off abnormals and write offs of $9.9m.

Revenue for PPG on a standalone basis was $121 million, up $5 million on the previous corresponding period. Trading conditions across the group were strong in horticultural, industrial, pharmaceutical and FMCG markets, and weaker in red meat and agricultural crops where unfavourable weather conditions resulted in lower yields.

Completing the merger with leading flexible packaging manufacturer, Integrated Packaging, provides a platform for accelerated growth through access to the higher growth flexible packaging markets, complementing PPG's strong position in industrial packaging markets.

Underlying Profit Before Tax (PBT) for the Group was $5.95 million, after adjusting for $9.9 million of one-off items attributed to the IPG acquisition and resulting rationalisation and relocation costs.
Directors have declared an interim fully franked dividend of 1.0 cent per ordinary share with a record date of 27 February 2018 and a payment date of 23 May 2018.

OUTLOOK

Following the merger with IPG, Pro-Pac Group is now emerging as a world class flexible and industrial packaging manufacturer and distributor with no geographic constraints.

Pro-Pac CEO Grant Harrod said: "*The merger with IPG has strengthened our focus in the high growth flexible packaging sector, providing Pro-Pac with a unique opportunity as both manufacturer and distributor. The business can now provide clients with a total packaging solution by combining IPG's extensive local manufacturing capability and product innovation skills with Pro-Pac's global sourcing capability as a major packaging distribution business.*

"*We plan to further expand our offering into growth markets such as food processing, agriculture and horticultural packaging. All require local processing supported by an increasing requirement for flexible packaging, driven by consumer demand for greater product freshness and portion control.*
"The integration of IPG and Pro-Pac is well underway, with Management focused on the rationalisation, consolidation and optimisation of the two businesses. We are on track to exceed the $2m in annualised synergies as previously announced."

The PPG Board is undertaking a strategic review of its Rigid business division.

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[1] Results include two months of trading for Integrated Packaging following completion of the acquisition on 6 November, 2017.

“The merger of IPG allows us to establish a new growth platform into the highly fragmented flexible packaging market, where PPG has the opportunity to consolidate and become a market leader,” Mr Harrod added

“We have a strong M&A pipeline of bolt-on opportunities, and are in advanced discussions on a number of these.”

The company confirmed it remains on track for an annualised sustainable EBITDA, including synergies, of $37.7 million.

DIVIDEND

The Company has today declared a fully franked interim dividend of 1.0 cent per share. The record date for determining entitlement to the dividend will be 27 February 2018 and the dividend will be paid on 23 May 2018. The Company’s Dividend Reinvestment Plan will apply to this dividend.

Enquiries

For further information please contact Mr. Grant Harrod, CEO, or Mr. Mark Saus, CFO, Pro-Pac Packaging Limited on Tel (02) 8781 0500.

About PPG
PPG Group including Pro-Pac Packaging Limited, Integrated Packaging Group Pty Limited and Plastic Bottles Pty Limited, is a diversified manufacturing and distribution company providing innovative industrial & flexible and rigid packaging solutions for a broad group of blue-chip clients and small-to-medium enterprises. PPG is headquartered in Sydney, with an international footprint including Australia, New Zealand and Canada. PPG’s securities are listed and quoted on the ASX. For further information on PPG visit www.ppgaust.com.au.

Appendix 4D

Half Yearly Report

Results for announcement to the market

Pro-Pac Packaging Limited

ACN	Half Year ended ('Reporting Period')	Previous Half Year ended ('Corresponding period')
112 971 874	**31 December 2017**	**31 December 2016**

Results

				$000's
Revenue from ordinary activities	Up	35.8 %	to	157,969
Profit before income tax, rationalisation, relocation, restructuring and business combination costs from ordinary activities	Up	15.8%	to	5,948
Profit from ordinary activities after tax attributable to shareholders	Down	191.0 %	to	(3,173)
Net profit attributable to shareholders	Down	191.0 %	to	(3,173)

Dividends (distributions)

	Amount per security	**Franked amount per security**
Interim dividend	1.00¢	1.00¢
Prior year interim dividend	1.00¢	1.00¢
Final dividend for year ended 30 June 2017 paid on 19 October 2017	1.00¢	1.00¢

Information on dividends:

The Company will pay an interim dividend of 1.00 cent per share on 23 May 2018.

The Company's Dividend Reinvestment Plan will apply to this interim. 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.

Record Date for determining entitlements to the dividend	27 February 2018
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	28 February 2018

Control gained over entities
PPG completed the merger of leading flexible packaging manufacturer Integrated Packaging Group Pty Ltd on 6 November 2017. Other than this, 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 2017.

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 entities PPG Services SDN BHD, Integrated Packaging (NZ) Ltd, IP America Inc. and IP Canada Packaging Group Ltd

The half year financial report is not subject to a review report that is subject to a modified opinion, emphasis of matter or other matter paragraph (a copy of the review report is included in the half year accounts attached).

The half year financial report should be read in conjunction with the most recent annual financial report.

NTA	**Reporting Period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	3.02 cents	17.30 cents

PRO-PAC PACKAGING LIMITED

ACN 112 971 874

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2017

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 during the half year ended 31 December 2017.

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 (Executive Director) – appointed Executive Chairman 27 October 2017
BEcon, MBA

Elliott Kaplan (Non-Executive Director)
BAcc, CA

Brandon Penn (Non-Executive Director)
BCom

Dr Gary Weiss (Non-Executive Director) – resigned 27 November 2017
LL.B (Hons), LL.M (with distinction), JSD

Rupert Harrington (Non-Executive Director) – appointed 6 November 2017
BTech, Cert Dipl Acc & Fin, MBM

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. In November 2107, the company acquired Integrated Packaging ("IPG") that focuses on the manufacture and distribution of flexibles. There have been no other significant changes in the nature of these activities during the half year.

REVIEW AND RESULTS OF OPERATIONS

Sales for Pro-Pac standalone (excluding recent acquisition IPG) in the six months to 31 December 2017 were up by 4.3% at $121m relative to the prior year.

PPG completed the merger of leading flexible packaging manufacturer, Integrated Packaging ('IPG'), on 6 November 2017, to provide it with a growth platform into the higher growth flexible packaging market.

Statutory Loss After Tax of $3.2m, which includes $9.9 million of one off acquisition, rationalisation and relocation costs.

EBITDA before income tax, relocation, restructuring and business combination costs from ordinary activities for the Group was $9.55 million, up 30% on the prior comparative period, while profit before income tax, relocation, restructuring and business combination costs for the Group was $5.95 million, up 15.8% relative to the prior year.

Post the IPG acquisition, the Company maintains a solid balance sheet with a gearing ratio (net interest bearing debt / (net interest bearing debts plus shareholders' equity) of 28% and cash in the bank of $9.9m at the end of the period. Cash flow from operating activities was $14.5m for the period.

Reported basic earnings per share decreased from 1.47c to (0.95c) for the half year.

A fully franked interim dividend of 1.0 cent per share was declared. The Record Date for determining entitlements to the dividend is 27 February 2018. The dividend will be paid on 23 May 2018.

ROUNDING OF ACCOUNTS
The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
There were no changes in the state of affairs of the Company during the period.

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 5 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.

Ahmed Fahour AO
Director
Sydney
15 February 2018

UHY Haines Norton
Chartered Accountants

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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 2017, 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.

This declaration is in respect of Pro-Pac Packaging Limited and the entities it controlled during the financial period.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Dated: 15 February 2018

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 2017

	Notes	Consolidated 31 December 2017 $000's	Consolidated 31 December 2016 $000's
Revenue			
Sales of goods		**157,969**	**116,286**
Interest income		**52**	**88**
Total Revenue		**158,021**	**116,374**
Expenses			
Raw materials and consumables used		**101,626**	**77,419**
Employee benefits expense		**24,715**	**16,622**
Other expenses from ordinary activities		**9,255**	**6,255**
Distribution costs		**7,435**	**5,055**
Occupancy costs		**5,386**	**3,599**
Depreciation and amortisation expense		**2,060**	**1,575**
Finance costs		**1,596**	**714**
Total Expenses		**152,073**	**111,239**
Profit before income tax expense and acquisition, rationalisation, relocation and restructuring expenses		**5,948**	**5,135**
Acquisition, rationalisation, relocation and restructuring expenses	**4**	**9,905**	**124**
(Loss) / Profit before income tax expense		**(3,957)**	**5,011**
Income tax (benefit) / expense		**(784)**	**1,535**
(Loss) / Profit after income tax expense for the half year		**(3,173)**	**3,476**
Other comprehensive income			
Items that will be subsequently recycled through profit & loss			
Cash flow hedges			
Gain / (loss) taken to equity		**(869)**	**1,429**
Total comprehensive income / (expense) for the half year		**(4,042)**	**4,905**
Earnings per share (cents per share)			
- Basic earnings per share	**5**	**(0.95)**	**1.47**
- Diluted earnings per share	**5**	**(0.93)**	**1.43**

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 2017

	Notes	Consolidated 31 December 2017 $000's	Consolidated 30 June 2017 $000's
Assets			
Current assets			
Cash and cash equivalents	7	9,930	12,259
Trade and other receivables		85,915	37,732
Inventories		86,869	35,093
Other assets		11,413	5,125
Derivative financial asset		16	886
Current tax assets		1,533	181
Total current assets		195,676	91,276
Non-current assets			
Property, plant and equipment		31,438	15,158
Intangible assets	8	195,652	71,281
Deferred tax assets		8,466	2,224
Total non-current assets		235,556	88,663
TOTAL ASSETS		431,232	179,939
Liabilities			
Current liabilities			
Trade and other payables		96,135	31,435
Interest bearing trade finance		-	800
Borrowings	9	14,204	1,098
Provisions		11,495	4,171
Total current liabilities		121,834	37,504
Non-current liabilities			
Borrowings	9	80,844	27,116
Provisions		7,589	1,636
Total non-current liabilities		88,433	28,752
TOTAL LIABILITIES		210,267	66,256
NET ASSETS		220,965	113,683
EQUITY			
Issued capital		211,907	98,194
Reserves		193	1,062
Retained earnings		8,865	14,427
TOTAL EQUITY		220,965	113,683

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 2017

	Notes	Issued capital $000's	Retained earnings $000's	Option reserve $000's	Cash flow hedge reserve $000's	Total equity $000's
Consolidated						
Balance as at 1 July 2016		**96,304**	**15,403**	**162**	**(505)**	**111,364**
Profit after income tax expense for the half-year		**-**	**3,476**	**-**	**-**	**3,476**
Other comprehensive income for the half-year, net of tax		**-**	**-**	**-**	**1,430**	**1,430**
Total comprehensive income for the half-year		**-**	**3,476**	**-**	**1,430**	**4,906**
Transactions with owners in their capacity as owners:						
Dividends paid		**-**	**(3,573)**	**-**	**-**	**(3,573)**
Issue of shares for DRP		**1,890**				**1,890**
At 31 December 2016	**10**	**98,194**	**15,306**	**162**	**925**	**114,587**

	Notes	Issued capital $000's	Retained earnings $000's	Option reserve $000's	Cash flow hedge reserve $000's	Total equity $000's
Consolidated						
Balance as at 1 July 2017		**98,194**	**14,427**	**177**	**885**	**113,683**
Profit after income tax expense for the half-year		**-**	**(3,173)**	**-**	**-**	**(3,173)**
Other comprehensive income for the half-year, net of tax		**-**	**-**	**-**	**(869)**	**(869)**
Total comprehensive income for the half-year		**-**	**(3,173)**	**-**	**(869)**	**(4,042)**
Transactions with owners in their capacity as owners:						
Dividends paid		**-**	**(2,389)**	**-**	**-**	**(2,389)**
Issue of shares		**113,713**	**-**	**-**	**-**	**113,713**
At 31 December 2017	**10**	**211,907**	**8,865**	**177**	**16**	**220,965**

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 2017

	Notes	Consolidated 31 December 2017 $000's	Consolidated 31 December 2016 $000's
Cash flows from operating activities			
Receipts from customers		152,747	114,922
Payments to suppliers & employees		(129,632)	(109,924)
Interest received		52	88
Interest paid		(1,585)	(714)
Income tax paid		(1,042)	(1,272)
Capitalised acquisition transaction costs		(4,099)	-
Relocation, restructuring and business combination costs		(1,943)	(124)
Net cash flows provided by operating activities	11	14,498	2,976
Cash flows from investing activities			
Payments for property, plant and equipment		(4,774)	(1,605)
Proceeds from sale of property, plant and equipment		377	151
Payment for controlled entity net of cash acquired		(125,760)	-
Payment for unincorporated businesses		(2,761)	(1,442)
Working capital for businesses acquired		(3,371)	-
Net cash flows (used) in investing activities		(136,289)	(2,896)
Cash flows from financing activities			
Payment of finance lease liabilities		(681)	(696)
Hire purchase and finance leases raised		385	949
Proceeds from borrowings / (Repayments)		68,786	(3,000)
Funds raised from share issue		53,361	-
Dividend paid		(2,389)	(1,682)
Net cash flows provided by financing activities		119,462	(4,429)
Net increase / (decrease) in cash and cash equivalents		(2,329)	(4,349)
Cash & cash equivalents at beginning of the half year		12,259	15,345
Cash & cash equivalents at end of half year	7	9,930	10,996

Hire purchase and finance leases raised	385	949
Issue of shares for dividend re-investment plan	-	1,890

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 2017 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 2017, 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 2017, 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 & flexibles packaging

The Industrial & flexibles packaging division manufactures, sources and distributes industrial & flexible packaging materials and related products and services, incorporating products such as stretch & shrink warp, agricultural silage packaging, fresh produce bags, barrier & lidding films and industrial protective films. 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 & flexibles 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.

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.

NOTE 2: SEGMENT INFORMATION (continued)

	Rigid packaging $000's 2017	Industrial & flexibles packaging $000's 2017	Intersegment eliminations / unallocated $000's 2017	Total $000's 2017	Rigid packaging $000's 2016	Industrial & flexibles packaging $000's 2016	Intersegment eliminations / unallocated $000's 2016	Total $000's 2016
(i) Segment performance								
Six months ended 31 December								
Revenue								
External sales	30,880	127,089	-	157,969	30,499	85,787	-	116,286
Inter-segment sales	4,955	4,495	(9,450)	-	3,890	3,931	(7,821)	-
Total segment revenue	35,835	131,584	(9,450)	157,969	34,389	89,718	(7,821)	116,286
UNDERLYING EBITDA	4,353	7,160	(1,961)	9,552	3,728	5,613	(2,005)	7,336
Acquisition, rationalisation, relocation & restructuring expenses	1,111	6,371	2,423	9,905	-	13	111	124
EBITDA	3,242	789	(4,384)	(353)	3,728	5,600	(2,116)	7,212
Depreciation and amortisation				(2,060)				(1,575)
Interest revenue				52				88
Finance costs				(1,596)				(714)
Profit before income tax				(3,957)				5,011
Income tax expense				784				(1,535)
Profit after income tax				(3,173)				3,476
(ii) Segment assets								
As at 31 December (2017: 30 June)								
Segment assets	47,957	363,902	-	411,859	46,716	123,405	-	170,121
Reconciliation of segment assets to group assets								
Inter -segment eliminations				(2,193)				(1,745)
Unallocated assets				21,566				13,055
* Deferred tax assets				8,150				1,986
* Other				13,416				11,069
Total group assets from continuing operations				431,232				181,431
(iii) Segment liabilities								
As at 31 December (2017: 30 June)								
Segment liablities	13,614	100,778	-	114,392	13,006	29,709	-	42,715
Reconciliation of segment liablities to group liabilities								
Inter -segment eliminations				(3,107)				(1,843)
Unallocated liabilities				98,982				25,972
* Deferred tax liabilities				-				-
* Other liabilities				98,982				25,972
Total group liabilities from continuing operations				210,267				66,844

(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. IPG have operations in Australia, Canada & New Zealand. The financial statements for these companies are prepared under their respective country's standards, which are compliant with International Financial Reporting Standards.

NOTE 3: BUSINESS COMBINATION

Significant acquisition made in the six months to 31 December 2017:

On 6 November 2017, the Group acquired the Integrated Packaging (IPG), leading flexible packaging manufacturer. The business has four flexible packaging production sites in Australia, one in New Zealand, and various distributions sites across Australia, New Zealand and Canada. The Group generated annual sales of approximately $215 million (based on 30 June 2017 year end audited financial report). These facilities will provide a growth platform to the Group into the higher growth packaging market, incorporating products such as stretch & shrink wrap, agricultural silage packaging, fresh produce bags, barrier & lidding films and industrial protective films. These complement PPG's strong position in the food and industrial packaging markets.

The acquisition price of $180 million was paid in cash and equity. As a result of this transaction, the Group recognised $59 million of preliminary acquired net identifiable assets resulting in a preliminary goodwill of $121 million. The goodwill on acquisition is primarily attributable to expected synergies available to the Group upon the integration of the businesses into the Group, as well as benefits derived from the acquired workforce, product innovation skills and other intangible assets that cannot be separately recognised. A detailed purchase price allocation will be performed over the twelve months following acquisition date. IPG contributed revenues of $38 million and profit before tax of $2.6 million to the Group for the period from 1 November to 31 December 2017.

NOTE 3: BUSINESS COMBINATION (continued)

Integrated Packaging Group	**$000's**
Cash & cash equivalent	(5,820)
Trade and other receivables	59,202
Inventories	52,433
Property, plant and equipment	13,708
Deferred tax assets	4,746
Trade and other payables	(55,307)
Current tax liabilities	(1,163)
Current provisions	(5,005)
Non-current provisions	(3,872)
Fair value of net identifiable assets acquired	**58,922**
Add goodwill	121,018
Fair value of net assets acquired	**179,940**
Purchase consideration	
Cash paid	119,940
Equity Issued	60,000
Total purchase consideration	**179,940**
Cash flows on acquisition	
Cash consideration - paid	119,940
Less: Cash & cash equivalent	-
Add: Bank overdraft	5,820
Net cash used	**125,760**
Acquisition costs expensed to profit or loss	**1,284**
Acquisition costs capitalised to equity	**1,482**

NOTE 4: ACQUISITION, RATIONALISATION, RELOCATION AND RESTRUCTURING COSTS

During the half year ended 31 December 2017, the Group acquired Integrated Packaging and undertook a re-organisation and restructure of the Group. These changes were undertaken to remove costs from the organisation, to improve efficiency and enable the ongoing business to better service its customer base and increase profitability.

	$000's
Discontinued and Redundant Stock Lines	3,597
Onerous leases and exit costs	1,827
Redundancy costs	112
Fixed asset disposals and write offs	1,075
Third party consultants, temporary staff and relocations	497
Other costs and legal fees	2,797
Total acquisition, rationalisation, relocation and restructuring costs	**9,905**

NOTE 4: ACQUISITION, RATIONALISATION, RELOCATION AND RESTRUCTURING COSTS (continued)

Discontinued and Redundant Stock Lines
As part of the first stage of relocation and integration exercise, the PPG board along with management identified discontinued and redundant stock lines across all of its warehouse facilities in Australia in order to free up space to accommodate the proposed restructure of these warehousing facilities. The objective is to eliminate external third-party storage costs and achieve greater efficiencies within the restructured existing warehouses within the group. The amount is provided for as at 31 December 2017 based on inventory held by business units which were reviewed and selected as appropriate for removal and dumping based on a number of criteria including, the bulkiness of the product, current demand, alternative products, customer locations etc. The actual removal and dumping of the selected stock is expected to be completed by 30 June 2018.

Onerous leases and exit costs
As part of the integration process, the Group has decided to close down three facilities by integrating them to the existing facilities within the same states. Therefore, as at 31 December 2017, provision for onerous leases and exit costs were provided in relation to the remaining lease terms for such facilities.

Other costs and legal fees
These costs include $1.3m of transaction costs for Integrated Packaging (IPG) acquisition and various other restructure costs.

NOTE 5: EARNINGS PER SHARES

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

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

	Consolidated 31 December 2017	**Consolidated 31 December 2016**
Net profit attributable to equity holders ($000)	**(3,173)**	**3,476**
Weighted average number of ordinary shares for basic earnings per share	**334,927,263**	**237,098,421**
Weighted average number of ordinary shares for diluted earnings per share	**339,853,219**	**243,203,503**
Basic earnings per share (cents per share) *	**(0.95)**	**1.47**
Diluted earnings per share (cents per share) *	**(0.93)**	**1.43**

NOTE 6: DIVIDENDS PAID AND PROPOSED

The Directors have declared an interim dividend of 1.00 cent per share in respect of the half year ended 31 December 2017 (2016: 1.00 cent per share). The Company has determined a record date of 27 February 2018 and a payment date of 23 May 2018.

	31 December 2017 $000's	**31 December 2016 $000's**
Paid during the half year:		
Final dividend for 2017 – 1.0 cents per ordinary share (2016 – 1.5 cents per ordinary share)	**2,389**	**3,573**

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 2017 and 30 June 2016. As such franking credits arising from the other Group companies totalling $14,975,679 will be available to the parent entity.

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated 31 Dec 2017 $000's	Consolidated 30 Jun 2017 $000's
Cash at bank and in hand	**9,930**	**12,259**

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	**9,930**	**12,259**

NOTE 8: INTANGIBLE ASSETS

	Consolidated 31 Dec 2017 $000's	Consolidated 30 Jun 2017 $000's
Goodwill		
Carrying amount at beginning of the year	**71,281**	**70,721**
Acquisition through business combinations	**124,371**	**560**
Closing value	**195,652**	**71,281**
Balance as at		
At cost	**195,652**	**71,281**
Accumulated impairment losses	**-**	**-**
Net carrying value	**195,652**	**71,281**

NOTE 9: BORROWINGS

	Consolidated 31 Dec 2017 $000's	Consolidated 30 Jun 2017 $000's
Current		
Bank Borrowings (a)	**13,007**	**-**
Finance Leases	**1,197**	**1,098**
Total Current Borrowings	**14,204**	**1,098**
Non-Current		
Bank Borrowings (a)	**79,622**	**25,500**
Finance Leases	**1,222**	**1,616**
Total Non-Current Borrowings	**80,844**	**27,116**
Total Bank Borrowings (a)	**92,629**	**25,500**

Movement in bank borrowings	Consolidated 31 Dec 2017 $000's	Consolidated 30 June 2017 $000's
Balance at beginning of the half year	**25,500**	**25,500**
Repayment of bank borrowing facilities	**(25,500)**	**-**
Additional borrowings drawn down	**95,085**	**-**
Capitalised borrowing costs	**(2,602)**	**-**
(Amortised borrowing costs)	**146**	**-**
		-
Balance at end of the half year	**92,629**	**25,500**

As at 31 December 2017 the entity had total bank financing facilities of $107.2 million of which $12.1 million remained available to draw.

NOTE 10: CONTRIBUTED EQUITY

	Consolidated 31 Dec 2017 $000's	Consolidated 30 Jun 2017 $000's
Ordinary shares		
Issued and fully paid	**211,907**	**98,194**

Movement in ordinary shares on issue	Number	$000's	Number	$000's
Balance at beginning of the half year	**241,771,819**	**98,194**	**240,428,193**	**96,304**
Issue of shares for Executive Long Term Incentive Plan	**14,910,000**	**-**	**-**	**-**
Cancellation of shares for Executive Long Term Incentive Plan	**(1,000,000)**	**-**	**(2,430,000)**	**-**
Issue of shares	**319,602,658**	**113,713**	**3,773,626**	**1,890**
Balance at the end of the half year	**575,284,477**	**211,907**	**241,771,819**	**98,194**

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 11: CASH FLOW INFORMATION

	Consolidated 31 December 2017 $000's	Consolidated 31 December 2016 $000's
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit after tax	**(3,173)**	**3,476**
Add/(Less) non-cash items:		
Depreciation and amortisation of plant and equipment	**2,060**	**1,575**
(Profit) / Loss on disposal of assets	**141**	**(16)**
Movement in income tax provision	**(1,962)**	**179**
Movement in deferred tax assets & liabilities	**(1,180)**	**82**
Movement in provision for bad debts	**(23)**	**29**
Changes in assets and liabilities:		
Receivables	**1,243**	**(1,740)**
Inventories	**3,529**	**(2,174)**
Payables	**9,338**	**2,985**
Provisions	**4,394**	**55**
Prepayments	**131**	**(1,475)**
Net cash flows from operating activities	**14,498**	**2,976**

NOTE 12: CONTINGENT LIABILITIES

As at statement of financial position date, the Company issued security deposit guarantees and standby letters of credit to the value of $14,513,596.

As at statement of financial position date, the Company is defending a claim of $1.5m arising from the acquisition of a business. The Company has lodged counter claims in excess of $600,000.

NOTE 13: 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.

Level 3: Unobservable inputs for the asset or liability

NOTE 13: FAIR VALUE MEASUREMENT (continued)

Consolidated 31 December 2017	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**	**Total $000's**
Assets				
Derivative asset	-	16	-	16
Total assets	-	16	-	16

Consolidated 30 June 2017	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**	**Total $000's**
Assets				
Derivative asset	-	886	-	886
Total assets	-	886	-	886

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 14: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 31 December 2017 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 2017 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

Ahmed Fahour AO
Director

Sydney
15 February 2018

UHY Haines Norton
Chartered Accountants

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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 2017, 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, selected explanatory notes 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 Australian 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 2017 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 and the entities it controlled during the half-year, 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 2017 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 the *Corporations Regulations 2001*.

UHY Haines Norton

Mark Nicholaeff

Partner

Sydney

Date: 15 February 2018

UHY Haines Norton

Chartered Accountants