PRO-PAC PACKAGING LIMITED
(ASX: PPG)

As a result of weaker than normal trading conditions in the Company's major market segments, sales for the six months to 31 December 2016 of $116.3m were down by 8.3% relative to the prior year. Weaker demand was particularly prevalent in the nutraceutical, red meat, beverage and retail markets where tough conditions prevailed.

Despite contribution margins as a percentage of sales being maintained and overheads being trimmed by circa $0.6m (2%) relative to the prior comparative period, the loss of contribution dollars from the decline in volumes resulted in profit before tax decreasing to $5.0m.

The Company's balance sheet remains solid with a low gearing ratio (net interest bearing debt / net interest bearing debt plus shareholders' equity) of 13.3% and cash of $11.0m at 31 December. Cash flow from operating activities for the half year was $3.0m.

Basic earnings per share decreased from 1.97c to 1.47c.

OUTLOOK

We have recently seen some improvement in trading conditions in some of the Company's key customer sectors and this, combined with recent new business wins, product development and ongoing cost reduction initiatives, should result in higher earnings in the second half of FY17 relative to the comparative prior year period. This assumes no unexpected adverse events.

The Company has a healthy pipeline of new business opportunities and continues to evaluate a number of potential accretive acquisitions.

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 9 March 2017 and the dividend will be paid on 18 May 2017. The Company's Dividend Reinvestment Plan will not apply to this dividend.

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

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 2016**	**31 December 2015**

Results

				$000's
Revenue from ordinary activities	Down	8.3 %	to	116,286
Profit from ordinary activities after tax attributable to shareholders	Down	23.1 %	to	3,476
Net profit attributable to shareholders	Down	23.1 %	to	3,476

Dividends (distributions)

	Amount per security	**Franked amount per security**
Interim dividend	1.00¢	1.00¢
Prior year interim dividend	1.25¢	1.25¢
Final dividend for year ended 30 June 2016 paid on 22 September 2016	1.50¢	1.50¢

Information on dividends:

The Company will pay an interim dividend of 1.00 cent per share on 18 May 2017.

The Company's Dividend Reinvestment Plan will not apply to this dividend.

Record Date for determining entitlements to the dividend	9 March 2017
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	N/A

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 2016.

The Group has no associates or joint venture entities.

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

The financial statements included in the half year report are not subject to audit dispute or qualification.
The information set out above and in the attached half year report is provided to ASX in accordance with a resolution of the Directors.

Commentary

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

NTA	**Reporting Period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	17.30 cents	16.25 cents

PRO-PAC PACKAGING LIMITED

ACN 112 971 874

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2016

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 2016.

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

Ahmed Fahour (Non Executive Director)
BEcon, MBA

Elliott Kaplan (Non Executive Director)
BAcc, CA

Brandon Penn (Executive Director)
BCom

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

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

The Company experienced weaker than normal market conditions during the first half of FY17.

Sales for the six months to 31 December 2016 were down by 8.3% at $116.3m relative to the prior year with reduced volumes reflecting weaker demand experienced by our customers in the current environment. This is particularly relevant in the nutraceutical, red meat, beverage and retail markets where tough conditions prevail.

Despite contribution margins as a percentage of sales being maintained and overheads trimmed by circa $0.6m (2%) relative to the prior comparative period, the loss of contribution dollars from the decline in volumes resulted in profit before tax decreasing to $5.0m.

The Company maintained its robust balance sheet with a low gearing ratio (net interest bearing debt / (net interest bearing debts plus shareholders' equity) of 13.3% and cash in the bank of $11.0m at the end of the period. Cash flow from operating activities was $3.0m for the period.

Basic earnings per share decreased from 1.97c to 1.47c 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 9 March 2017. The dividend will be paid on 18 May 2017.

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 4 of this Half Year Financial Report**.**

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

Brandon Penn
Director
Sydney
17 February 2017

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

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 2016, 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: 17 February 2017

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 2016

	Notes	Consolidated 31 December 2016 $000's	Consolidated 31 December 2015 $000's
Revenue			
Sales of goods		**116,286**	**126,828**
Interest income		**88**	**63**
Total Revenue		**116,374**	**126,891**
Expenses			
Raw materials and consumables used		**77,419**	**86,156**
Employee benefits expense		**16,622**	**16,738**
Other expenses from ordinary activities		**6,255**	**6,193**
Distribution costs		**5,055**	**5,092**
Occupancy costs		**3,599**	**3,561**
Depreciation and amortisation expense		**1,575**	**1,628**
Finance costs		**714**	**673**
Acquisition, rationalisation and relocation expenses		**124**	**276**
Amortisation of prepaid royalty		**-**	**28**
Total Expenses		**111,363**	**120,345**
Profit before income tax from continuing operations		**5,011**	**6,546**
Income tax expense		**1,535**	**2,025**
Profit after income tax expense for the half year		**3,476**	**4,521**
Other comprehensive income			
Items that will be subsequently recycled through profit & loss			
Cash flow hedges			
Gain / (loss) taken to equity		**1,429**	**(950)**
Total comprehensive income for the half year		**4,905**	**3,571**
Earnings per share (cents per share)			
- Basic earnings per share	**3**	**1.47**	**1.97**
- Diluted earnings per share	**3**	**1.43**	**1.93**

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 2016

	Notes	Consolidated 31 December 2016 $000's	Consolidated 30 June 2016 $000's
Assets			
Current assets			
Cash and cash equivalents	5	10,996	15,345
Trade and other receivables		38,482	36,772
Inventories		36,178	33,112
Other assets		5,857	4,332
Derivative financial asset		925	-
Current tax assets		-	80
Total current assets		92,438	89,641
Non-current assets			
Property, plant and equipment		15,726	15,831
Intangible assets	6	71,281	70,721
Deferred tax assets		1,986	2,068
Total non-current assets		88,993	88,620
TOTAL ASSETS		181,431	178,261
Liabilities			
Current liabilities			
Trade and other payables		32,545	29,509
Derivative financial liability		-	504
Interest bearing trade finance		-	3,000
Borrowings		1,271	1,156
Provisions		4,007	3,941
Current tax liabilities		99	-
Total current liabilities		37,922	38,110
Non-current liabilities			
Borrowings		27,241	27,104
Provisions		1,681	1,683
Total non-current liabilities		28,922	28,787
TOTAL LIABILITIES		66,844	66,897
NET ASSETS		114,587	111,364
EQUITY			
Issued capital		98,194	96,304
Reserves		1,087	(343)
Retained earnings		15,306	15,403
TOTAL EQUITY		114,587	111,364

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 2016

	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 2015		**92,726**	**14,839**	**120**	**710**	**108,395**
Profit after income tax expense for the half-year		**-**	**4,521**	**-**	**-**	**4,521**
Other comprehensive income for the half-year, net of tax		**-**	**-**	**-**	**(950)**	**(950)**
Total comprehensive income for the half-year		**-**	**4,521**	**-**	**(950)**	**3,571**
Transactions with owners in their capacity as owners:						
Dividends paid		**-**	**(3,428)**	**-**	**-**	**(3,428)**
Issue of shares for DRP		**1,920**				**1,920**
At 31 December 2015	**7**	**94,646**	**15,932**	**120**	**(240)**	**110,458**

	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	**7**	**98,194**	**15,306**	**162**	**925**	**114,587**

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 2016

	Notes	Consolidated 31 December 2016 $000's	Consolidated 31 December 2015 $000's
Cash flows from operating activities			
Receipts from customers		**114,922**	**123,827**
Payments to suppliers & employees		**(109,924)**	**(117,280)**
Interest received		**88**	**63**
Interest paid		**(714)**	**(673)**
Income tax paid		**(1,272)**	**(1,638)**
Relocation, restructuring and business combination costs		**(124)**	**(276)**
Net cash flows provided by operating activities	**8**	**2,976**	**4,023**
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,605)**	**(977)**
Proceeds from sale of property, plant and equipment		**151**	**123**
Payment for unincorporated businesses		**(1,442)**	**(502)**
Working capital for businesses acquired		**-**	**(75)**
Net cash flows (used) in investing activities		**(2,896)**	**(1,431)**
Cash flows from financing activities			
Payment of finance lease liabilities		**(696)**	**(798)**
Hire purchase and finance leases raised		**949**	**964**
Proceeds from borrowings / (Repayments)		**(3,000)**	**2,082**
Dividend paid		**(1,682)**	**(1,508)**
Net cash flows provided by financing activities		**(4,429)**	**740**
Net increase / (decrease) in cash and cash equivalents		**(4,349)**	**3,332**
Cash & cash equivalents at beginning of the half year		**15,345**	**6,120**
Cash & cash equivalents at end of half year	**5**	**10,996**	**9,452**

Hire purchase and finance leases raised	**949**	**964**
Issue of shares for dividend re-investment plan	**1,890**	**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 2016 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 2016, 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 2016, 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 2016	Industrial packaging $000's 2016	Intersegment eliminations / unallocated $000's 2016	Total $000's 2016	Rigid packaging $000's 2015	Industrial packaging $000's 2015	Intersegment eliminations / unallocated $000's 2015	Total $000's 2015
(i) Segment performance								
Six months ended 31 December								
Revenue								
External sales	30,499	85,787	-	116,286	34,675	92,153	-	126,828
Inter-segment sales	3,890	3,931	(7,821)	-	4,621	4,269	(8,890)	-
Total segment revenue	34,389	89,718	(7,821)	116,286	39,296	96,422	(8,890)	126,828
EBITDA	3,728	5,600	(2,116)	7,212	4,619	6,343	(2,150)	8,812
Depreciation and amortisation				(1,575)				(1,656)
Interest revenue				88				63
Finance costs				(714)				(673)
Profit before income tax				5,011				6,546
Income tax expense				(1,535)				(2,025)
Profit after income tax				3,476				4,521
(ii) Segment assets								
As at 31 December (2016: 30 June)								
Segment assets	46,716	123,405	-	170,121	46,844	115,788	-	162,632
Reconciliation of segment assets to group assets								
Inter -segment eliminations				(1,745)				(1,870)
Unallocated assets				13,055				17,499
* Deferred tax assets				1,986				2,068
* Other				11,069				15,431
Total group assets from continuing operations				181,431				178,261

NOTE 2: SEGMENT INFORMATION (continued)

	Rigid packaging $000's 2016	Industrial packaging $000's 2016	Intersegment eliminations / unallocated $000's 2016	Total $000's 2016	Rigid packaging $000's 2015	Industrial packaging $000's 2015	Intersegment eliminations / unallocated $000's 2015	Total $000's 2015
(iii) Segment liabilities								
As at 31 December (2016: 30 June)								
Segment liablities	13,006	29,709	-	42,715	13,216	29,356	-	42,572
Reconciliation of segment liablities to group liabilities								
Inter -segment eliminations				(1,843)				(1,866)
Unallocated liabilities				25,972				26,191
* Deferred tax liabilities				-				-
* Other liabilities				25,972				26,191
Total group liabilities from continuing operations				66,844				66,897

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

NOTE 3: EARNINGS PER SHARES

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

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

	Consolidated 31 December 2016	Consolidated 31 December 2015
Net profit attributable to equity holders ($000)	**3,476**	**4,521**
Weighted average number of ordinary shares for basic earnings per share	**237,098,421**	**228,939,658**
Weighted average number of ordinary shares for diluted earnings per share	**243,203,503**	**234,164,330**
Basic earnings per share (cents per share) *	**1.47**	**1.97**
Diluted earnings per share (cents per share) *	**1.43**	**1.93**

* 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 1.00 cent per share in respect of the half year ended 31 December 2016 (2015: 1.25 cents per share). The Company has determined a record date of 9 March 2017 and a payment date of 18 May 2017.

	31 December 2016 $000's	31 December 2015 $000's
Paid during the half year:		
Final dividend for 2016 – 1.5 cents per ordinary share (2015 – 1.5 cents per ordinary share)	**3,573**	**3,428**

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 2016 and 30 June 2015. As such franking credits arising from the other Group companies totalling $15,133,200 will be available to the parent entity.

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated 31 Dec 2016 $000's	Consolidated 30 Jun 2016 $000's
Cash at bank and in hand	**10,996**	**15,345**
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	**10,996**	**15,345**

NOTE 6: INTANGIBLE ASSETS

	Consolidated 31 Dec 2016 $000's	Consolidated 30 Jun 2016 $000's
Goodwill		
Carrying amount at beginning of the year	**70,721**	**70,337**
Acquisition through business combinations	**560**	**384**
Closing value	**71,281**	**70,721**
Balance as at		
At cost	**71,281**	**70,721**
Accumulated impairment losses	**-**	**-**
Net carrying value	**71,281**	**70,721**

NOTE 7: CONTRIBUTED EQUITY

		Consolidated 31 Dec 2016 $000's		Consolidated 30 Jun 2016 $000's
Ordinary shares				
Issued and fully paid		**98,194**		**96,304**
Movement in ordinary shares on issue	**Number**	**$000's**	**Number**	**$000's**
Balance at beginning of the half year	**240,428,193**	**96,304**	**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	**(2,430,000)**	**-**	**(575,000)**	**-**
Issue of shares under the dividend re-investment plan	**3,773,626**	**1,890**	**8,629,936**	**3,578**
Balance at the end of the half year	**241,771,819**	**98,194**	**240,428,193**	**96,304**

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

	Consolidated 31 December 2016 $000's	Consolidated 31 December 2015 $000's
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit after tax	**3,476**	**4,521**
Add/(Less) non-cash items:		
Depreciation and amortisation of plant and equipment	**1,575**	**1,628**
Amortisation of pre-paid royalty	**-**	**28**
(Profit) / Loss on disposal of assets	**(16)**	**16**
Movement in income tax provision	**179**	**38**
Movement in deferred tax assets & liabilities	**82**	**345**
Movement in provision for bad debts	**29**	**(196)**
Changes in assets and liabilities:		
Receivables	**(1,740)**	**(2,759)**
Inventories	**(2,174)**	**(4,729)**
Payables	**2,985**	**7,391**
Provisions	**55**	**(561)**
Prepayments	**(1,475)**	**(1,699)**
Net cash flows from operating activities	**2,976**	**4,023**

NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS

As at statement of financial position date the Company had commitments for future capital expenditure of $163,950.

As at statement of financial position date, the Company issued security deposit guarantees and standby letters of credit to the value of $1,987,118.

As at statement of financial position date, the Company is defending a claim of $1.5m 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 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

Consolidated 31 December 2016	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Assets				
Derivative asset	-	925	-	925
Total assets	-	925	-	925

Consolidated 30 June 2016	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Liabilities				
Derivative liability	-	504	-	504
Total liabilities	-	504	-	504

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 2016 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 2016 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

Brandon Penn
Director

Sydney
17 February 2017

Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhn.com.au
www.uhyhnsydney.com.au

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 2016, 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 2016 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*.

UHY Haines Norton
Chartered Accountants

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 2016 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*.

Mark Nicholaeff	**UHY Haines Norton**
Partner	Chartered Accountants

Sydney

Date: 17 February 2017