

PRO-PAC PACKAGING LIMITED

(ASX: PPG)

Commentary on Results for the Six Months Ended 31 December 2011

Despite the continuing soft non-resource related economic environment, the Company continues to grow with a very positive performance for the six month period ending 31 December 2011.

When compared to the previous corresponding period, revenue for the half year was up 11.3% to \$65.2 million, EBITDA was up 13.8% to \$7 million and net profit after tax was up 16.2% to \$3.5 million. Leaving aside the impact of the acquisitions made during the period, it is also pleasing to note that, in difficult trading conditions, solid top and bottom line organic growth was achieved. The majority of the growth has been generated by the strongly performing Industrial Packaging division. Earnings per share for the half-year of approximately 2.5 cents were up 11% on the previous corresponding period.

The Company's balance sheet remains sound with a relatively conservative gearing ratio (net interest bearing debt/shareholders' equity plus interest bearing debt) at 21%.

In line with its acquisition growth strategy, the Company completed four strategic acquisitions during the half which, together with the Hills acquisition announced earlier this month, will contribute to earnings in the second half of this financial year and beyond.

As previously announced, during the second half of the current financial year the company will be undertaking the consolidation of its Queensland Industrial Packaging division businesses into one new site at Yatala.

The Company has some significant organic growth opportunities and also has a current pipeline of significant and strategic acquisition opportunities, some of which are in advanced stages of negotiation. In order to fund these growth opportunities, the Board has resolved to seek to raise approximately \$50 million, \$22 million by way of increased debt facilities from the Company's bankers and \$28 million by way of a capital raising, details of which will be announced separately.

While the first half has traditionally been the stronger half, some recent significant new account wins and organic growth initiatives coupled with the contributions from our acquisition activity should result in continued earnings growth and an even stronger second half.

The Company has today declared a fully franked interim dividend of one cent per share. The shares will go ex-dividend on 22 February 2012. The record date for determining entitlement to the dividend will be 27 February 2012 and the dividend will be paid on 3 April 2012. The Company's Dividend Reinvestment Plan (DRP) will apply to this dividend with a zero discount.

Enquires

For further information please contact Mr. Brandon Penn 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.

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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 2011	31 December 2010

Results

			\$ 000
Revenue from continuing operations	Up	11.3 % to	65,192
Profit before tax from continuing operations	Up	16.8 % to	5,080
Profit from continuing operations after tax attributable to shareholders	Up	16.2 % to	3,527
Net profit attributable to shareholders	Up	16.2 % to	3,527

Dividends (distributions)

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

Information on dividends:

The Company will pay an interim dividend of one cent per share on 3 April 2012.

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

Record Date for determining entitlements to the dividend

27 February 2012

Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan

27 February 2012

Commentary

Brief explanation of any of the figures reported above:

Please refer to the attached Half Year Report for a detailed review.

NAT backing

	Reporting Period	Previous corresponding period
Net tangible asset backing per ordinary security	10.37 cents	8.60 cents

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PRO-PAC PACKAGING LIMITED

ACN 112 971 874

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2011

PRO-PAC PACKAGING LIMITED
DIRECTORS' REPORT

Your Directors submit their report of the consolidated group for the half year ended 31 December 2011.

DIRECTORS

The names of the company's Directors in office during the half year and until the date of this report are as below.

Elliott Kaplan (Non Executive Director)
BAcc, CA

Hadrian Morrall (Executive Director)

Brandon Penn (Executive Director)
BCom

REVIEW AND RESULTS OF OPERATIONS

Revenue for the six months ended 31 December 2011 of \$65m was 11% up on the previous corresponding period and after tax profits were 16% higher at \$3.5m. EBITDA was \$7m for the half as compared to \$6m for the previous corresponding period. Earnings per share for the half were 2.53c.

The Directors declared a fully franked interim dividend of one (1c) cent per share. The Record Date for determining entitlements to the dividend is 27 February 2012. The dividend will be paid on 3 April 2012. The Company's Dividend Reinvestment Plan (DRP) will apply to this interim dividend at a zero discount.

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. This declaration is included on page 3 of this Half Year Report.

This report is signed in accordance with a resolution of the Board of Directors.



Brandon Penn
Director

Sydney
17 February 2012

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, during the half year ended 31 December 2011 there has been:

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



Franco Giannuzzi
Partner



UHY Haines Norton
Chartered Accountants

Sydney
17 February 2012

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PRO-PAC PACKAGING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR TO 31 DECEMBER 2011

	Consolidated 2011 \$ 000	Consolidated 2010 \$ 000
Revenue		
Sales of goods and services	65,192	58,572
Interest income	37	47
Reversal of deferred acquisition consideration	-	247
Total Revenue	65,229	58,866
Expenses		
Amortisation and depreciation expense	1,309	1,285
Distribution costs	1,190	815
Employee benefits expense	10,400	9,750
Finance costs	695	601
Occupancy costs	2,263	1,872
Other expenses from ordinary activities	5,158	5,641
Purchases, materials and consumables	39,134	34,250
Relocation and rationalisation costs	-	301
Total Expenses	60,149	54,515
Profit before income tax from continuing operations	5,080	4,351
Income tax expense	1,553	1,317
Profit after tax from continuing operations	3,527	3,034
Other comprehensive income	-	-
Total comprehensive income for the period	3,527	3,034
Earnings per share (cents per share)		
- Basic earnings per share	2.53	2.27
- Diluted earnings per share	2.53	2.27

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

PRO-PAC PACKAGING LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Consolidated December 2011 \$ 000	Consolidated June 2011 \$ 000
Assets		
Current Assets		
Cash and cash equivalents	940	1,461
Trade and other receivables	23,189	19,852
Inventories	15,091	13,057
Prepayments	1,684	1,172
Total Current Assets	40,904	35,542
Non-Current Assets		
Property, plant and equipment	13,621	13,099
Intangible assets	49,334	46,758
Deferred tax assets	1,115	962
Prepayments	833	994
Total Non-Current Assets	64,903	61,813
TOTAL ASSETS	105,807	97,355
Liabilities		
Current liabilities		
Trade and other payables	17,215	14,344
Interest bearing borrowings	1,782	1,670
Provisions	2,642	2,212
Current tax liabilities	957	918
Total Current Liabilities	22,596	19,144
Non-current liabilities		
Provisions	491	395
Interest bearing borrowings	17,089	15,657
Total Non-Current Liabilities	17,580	16,052
TOTAL LIABILITIES	40,176	35,196
NET ASSETS	65,631	62,159
EQUITY		
Issued capital	55,343	54,005
Reserves	44	44
Retained earnings	10,244	8,110
TOTAL EQUITY	65,631	62,159

The accompanying notes form part of these financial statements.

PRO-PAC PACKAGING LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR TO 31 DECEMBER 2011**

	Consolidated 2011 \$ 000	Consolidated 2010 \$ 000
Cash flows from operating activities		
Receipts from customers	63,019	54,339
Payments to suppliers & employees	(58,922)	(49,605)
Interest received	37	47
Interest paid	(706)	(633)
Income tax paid	(1,666)	(1,911)
Net cash flows provided by operating activities	1,762	2,237
Cash flows from investing activities		
Payments for property, plant and equipment	(1,627)	(2,327)
Proceeds from sale of property, plant and equipment	196	68
Payment for unincorporated business	(1,952)	(1,982)
Net cash flows used in investing activities	(3,383)	(4,241)
Cash flows from financing activities		
Payment of finance lease liabilities	(1,072)	(1,055)
Hire purchase and finance leases raised	820	1,082
Proceeds from borrowings	1,809	2,583
Dividend paid	(450)	(373)
Cost of issue of shares	(7)	-
Net cash flows provided by / (used in) financing activities	1,100	2,237
Net increase / (decrease) in cash and cash equivalents	(521)	233
Cash & cash equivalents at beginning of period	1,461	2,071
Cash & cash equivalents at end of period	940	2,304
 Non-cash financing transactions		
Issue of shares for dividend re-investment plan	943	964

The accompanying notes form part of these financial statements.

PRO-PAC PACKAGING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR TO 31 DECEMBER 2011

	Issued capital \$ 000	Other reserves \$ 000	Retained earnings \$ 000	Total equity \$ 000
Consolidated				
Balance as at 1 July 2011	54,005	44	8,110	62,159
Issue of shares for dividend re-investment plan	943	-	-	943
Shares issued to Medirite vendors	335	-	-	335
Shares issued to Heron vendors	30	-	-	30
Shares issued to Stanli Packaging vendors	30	-	-	30
Prior year adjustment			4	4
Dividends	-	-	(1,397)	(1,397)
Total comprehensive income for the period	-	-	3,527	3,527
At 31 December 2011	55,343	44	10,244	65,631

	Issued capital \$ 000	Other reserves \$ 000	Retained earnings \$ 000	Total equity \$ 000
Consolidated				
Balance as at 1 July 2010	52,057	30	5,767	57,854
Issue of shares for dividend re-investment plan	964	-	-	964
Dividends	-	-	(1,338)	(1,338)
Total comprehensive income for the period	-	-	3,034	3,034
At 31 December 2010	53,021	30	7,463	60,514

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including 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 financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity:

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required and when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures

The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

The consolidated entity has applied AASB 2011-5 amendments from 1 July 2011. These amendments extended relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applied not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia.

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 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. This policy represents a departure from that applied to the statutory financial statements.

NOTE 2: SEGMENT INFORMATION (continued)

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.

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NOTE 2: SEGMENT INFORMATION (continued)

	Rigid packaging \$ 000	Industrial packaging \$ 000	Total \$ 000	Rigid packaging \$ 000	Industrial packaging \$ 000	Total \$ 000
(i) Segment performance						
Six months ended 31 December						
	2011			2010		
Revenue						
External sales	24,844	40,348	65,192	24,800	33,772	58,572
Inter-segment sales	3,563	3,594	7,157	3,256	2,363	5,619
Total segment revenue	<u>28,407</u>	<u>43,942</u>	<u>72,349</u>	<u>28,056</u>	<u>36,135</u>	<u>64,191</u>
<i>Reconciliation of segment revenue to group revenue</i>						
Interest Income			37			47
Inter-segment elimination			(7,157)			(5,619)
Total group revenue			<u>65,229</u>			<u>58,619</u>
Segment net profit before tax	<u>2,865</u>	<u>3,824</u>	<u>6,689</u>	<u>3,010</u>	<u>2,949</u>	<u>5,959</u>
<i>Reconciliation of segment result to group net profit before tax</i>						
Amounts not included in segment result but reviewed by the Board:						
Unallocated items:						
* Corporate and finance charges			(756)			(684)
* Head office costs			(774)			(1,167)
* Inter-segment elimination			(79)			(4)
Net profit before tax from continuing operations			<u>5,080</u>			<u>4,104</u>
(ii) Segment assets						
As at 31 December (2011: 30 June)						
	Dec-11			Jun-11		
Segment assets	22,012	33,379	55,391	20,680	27,749	48,429
<i>Reconciliation of segment assets to group assets</i>						
Inter -segment eliminations			(1,832)			(1,253)
Unallocated assets			52,248			50,179
* Deferred tax assets			1,115			962
* Intangibles			49,334			46,758
* Other			1,799			2,459
Total group assets from continuing operations			<u>105,807</u>			<u>97,355</u>
(iii) Segment liabilities						
As at 31 December (2011: 30 June)						
	Dec-11			Jun-11		
Segment liabilities	10,947	14,742	25,689	10,740	11,376	22,116
<i>Reconciliation of segment liabilities to group liabilities</i>						
Inter -segment eliminations			(1,538)			(1,038)
Unallocated liabilities			16,025			14,118
* Deferred tax liabilities			-			-
* Other liabilities			16,025			14,118
Total group liabilities from continuing operations			<u>40,176</u>			<u>35,196</u>

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 2011	Consolidated 2010
Net profit attributable to equity holders (\$000)	3,527	3,034
Weighted average number of ordinary shares for basic earnings per share	139,643,997	133,549,962
Basic earnings per share (cents per share) *	2.53	2.27
Diluted earnings per share (cents per share) *	2.53	2.27

* 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 the average exercise price of the options was higher than the average market price per share during both the current and prior years, the options would not have been exercised and therefore no dilution has occurred.

NOTE 4: DIVIDENDS PAID AND PROPOSED

The Directors have declared an interim dividend of 1.0 cent per share in respect of the half year ended 31 December 2011. The company has determined a record date of 27 February 2012 and a payment date of 3 April 2012. Shareholders may elect to participate in the Company's Dividend Reinvestment Plan in respect of this dividend.

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 2011 and 30 June 2010. As such franking credits arising from the other Group companies totalling \$11,667,621 will be available to the parent entity.

NOTE 5: CONTRIBUTED EQUITY

	Consolidated 2011 \$000		Consolidated 2010 \$000	
Ordinary shares				
Issued and fully paid	55,343		53,021	
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$ 000</i>	<i>Number</i>	<i>\$ 000</i>
Balance at beginning of the half year	139,735,576	54,005	133,143,012	52,057
Shares issued under the dividend re-investment plan	2,860,951	943	2,828,527	964
Shares issued to Medirite vendors	750,000	335	-	-
Shares issued to Heron vendors	66,667	30	-	-
Shares issued to Stanli vendors	66,667	30	-	-
Issue of shares for Executive Long Term Incentive Plan	-	-	1,325,000	-
Cancellation of shares for Executive Long Term Incentive Plan	-	-	(675,000)	-
Balance at the end of the half year	143,479,861	55,343	136,621,539	53,021

NOTE 5: CONTRIBUTED EQUITY (continued)

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 6: SIGNIFICANT EVENTS DURING THE PERIOD

Business Combinations

Acquisition of business

Effective 1 September 2011, Pro-Pac Packaging (Aust) Pty Ltd, a wholly owned subsidiary, acquired the business and assets of Medirite Australia Pty Ltd, a Sydney based importer and distributor of personal protection equipment and safety products. Effective 10 October 2011, Pro-Pac Packaging Manufacturing (Sydney) Pty Ltd, a wholly owned subsidiary, acquired the business and assets of Space Pac, a Sydney based niche void-fill business. Effective 1 November 2011, Pro-Pac Packaging (Aust) Pty Ltd acquired the business and assets of Heron Professional products, a Perth based distributor of industrial packaging products, personal protection equipment and safety products. Effective 1 December 2011, Pro-Pac Packaging (Aust) Pty Ltd acquired the business and assets of Stanli Packaging, an Adelaide based niche distributor of general industrial packaging and safety products.

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Fair Value

\$000

Assets

Currents Assets

Inventories 1,053

Total Current Assets 1,053

Non-Current Assets

Property, plant and equipment 281

Total Non-Current Assets 281

Total Assets 1,334

Liabilities

Current Liabilities

Provision for AL 48

Other Liabilities 54

Total Current Liabilities 102

Non-Current Liabilities

Provision for LSL 47

Total Non-Current Liabilities 47

Total Liabilities 149

NET ASSETS 1,185

CONSIDERATION PAID

Cash 1,952

Vendor Loan 1,053

Shares 395

Deferred Payment 360

Total 3,760

GOODWILL 2,575

Deferred payments represent deferred earn outs in the acquisition of Heron Professional Products and Stanli Packaging based on meeting profit targets.

NOTE 6: SIGNIFICANT EVENTS DURING THE PERIOD (continued)**Contribution of revenue and profits from acquired entities**

Name of entities	Medirite	Heron	Stanli
Date acquired	1/09/2011	1/11/2011	1/12/2011
	\$000	\$000	\$000
Total revenue to 31/12/2011	2,433	355	146
Profit after tax to 31/12/2011	218	11	7
Total revenue to 31/12/2011 if acquired at 1/7/11	3,650	1,065	876
Profit after tax to 31/12/2011 if acquired at 1/7/11	327	33	42

The acquisition accounting for Space Pac Pty Ltd has been determined provisionally as at 31 December 2011. The fair value of property, plant and equipment is to be determined in order for the final acquisition accounting to be complete.

Revenue and profit after tax contributed from Space Pac are included in the consolidated results and are not deemed material for separate disclosure for the half year financial report.

NOTE 7: CONTINGENT LIABILITIES AND COMMITMENTS

As at statement of financial position date the company had commitments for future capital expenditure totalling \$342,000.

As at statement of financial position date, the company issued security deposit guarantees to the landlords of rented premises to the value of \$789,702 and standby letters of credit to suppliers to the value of \$1,639,702.

NOTE 8: EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 1 January 2012, Pro-Pac Packaging (Aust) Pty Ltd, a wholly owned subsidiary company, purchased the business and assets of Hills Industrial Packaging Pty Ltd, a Sydney based distributor of industrial packaging, safety and warehouse products with an annualised turnover of approximately \$7.5M.

The acquisition accounting for this business combination is yet to be finalized at the time when the half year financial report was approved for issue.

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 view of the financial position as at 31 December 2011 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; 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.

On behalf of the Board



Brandon Penn
Director

Sydney
17 February 2012

Independent auditor's review report

To the members of Pro-Pac Packaging Limited

Report on the condensed half-year financial report

We have reviewed the accompanying half-year financial report of Pro-Pac Packaging Limited, which comprises the consolidated statement of financial position as at 31 December 2011 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 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 2011 and its performance for the half-year ended on that date; and complying with 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. . We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.


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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.


Franco Giannuzzi
Partner

Sydney
17 February 2012


UHY Haines Norton
Chartered Accountants