PRO-PAC PACKAGING LIMITED (PPG)

COMMENTARY ON ASX APPENDIX 4E FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

INTRODUCTION

The Directors of Pro-Pac Packaging Limited (ASX: PPG) are pleased to provide this commentary on the performance of the Company for the financial year ended 30 June 2006.

Revenue for the year of $24.1 million represented an increase of over 12% from the previous corresponding year's normalised (12 month) result and by over 30% from the revenues achieved in the year ended 30 June 2004. Revenue growth reflected organic and acquisitive growth from acquisitions made prior to commencement of the 2005/06 financial year.

In accordance with the guidance provided to the market in July 2006, PPG realised a profit before tax (PBT) of $1.52 million for the year ended 30 June 2006. Earnings for the period were adversely impacted by additional costs incurred in implementing the Company's new CRM and IT accounting system and consequential additional overhead costs incurred in administration, logistics and procurement caused by deficiencies in the new system. Following a decision to migrate to a new IT system during the 2007 financial year, the residual carrying value of the existing IT system of $112,964 has been written off as at 30 June 2006.

Notwithstanding the adverse impact on PBT, net cash flows from operations improved to $2.71 million. Overall cash improved by $1.39 million for the year to $2.20 million as at 30 June 2006.

Income tax expense of $0.46 million was incurred during the period resulting in a net after tax profit of $1.06 million being declared by the Company for the financial year ended 30 June 2006.

DIVIDENDS

The Company has declared a fully franked final dividend of 1 cent per share. The record date for determining entitlement to the dividend is 29 September 2006 and the dividend will be paid on 16 October 2006. As with the interim dividend, the Company's Dividend Reinvestment Plan will apply to this dividend. A discount of 3% to the volume weighted average sale price per share during the four trading days up to and including the Record Date for determining entitlements will apply to shareholders who elect to participate in the Company's Dividend Reinvestment Plan.

OUTLOOK

Under the direction of the Company's new Managing Director, Mr Trevor Morrow, who assumed responsibility for PPG in April 2006, management has embarked on a profit improvement program with an emphasis on enhanced sales management, improved procurement, streamlined logistics, and overhead cost savings. The Company has also devoted considerable energy and resources to identifying and evaluating suitable acquisition targets in conformity with its announced acquisitive growth strategy. When combined with anticipated continuing revenue growth, the Company is forecasting improved revenues and profitability in the 2006/07 financial year.

John Read
Chairman
30 August 2006

Appendix 4E

Preliminary Final Report
Results for announcement to the market

Pro-Pac Packaging Limited
for the year ended 30 June 2006

Results

Revenues from ordinary activities	up	514%	to	$ 24,175,806
Profit from ordinary activities after tax attributable to members	up	280%	to	$ 1,062,032
Net profit for the year attributable to members	up	280%	to	$ 1,062,032

Dividends (distributions)

	Amount per security	Franked amount per security
Final Dividend	1.00¢	1.00 ¢
Interim Dividend	1.25¢	1.25 ¢

Information on Dividends:

The Company has declared a fully franked final dividend of 1 cent per share which will be paid on 16 October 2006.

As with the interim dividend, the Company's Dividend Reinvestment Plan will apply to this dividend. A discount of 3% to the volume weighted average sale price per share during the four trading days up to and including the record date for determining entitlements will apply to shareholders who elect to participate in the Company's Dividend Reinvestment Plan.

Record date for determining entitlements to the final dividend	29 September 2006
Last date for elections to participate in the Dividend Reinvestment Plan	29 September 2006

Commentary

Brief explanation of any of the figures reported above:

The Company acquired Pro-Pac Group Limited and the Pro-Pac packaging businesses on 28 April 2005. Accordingly the comparative results for the prior period only include trading operations for the period from 28 April to 30 June 2005.

The Company was incorporated on 16 February 2005 and as a result, the report for the period ending 30 June 2005 was required to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards.

Please refer to the attached commentary for a more detailed review of the Group and the ongoing operations and expectations for the future of the underlying Pro-Pac packaging business.

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)

INCOME STATEMENT

FOR THE YEAR TO 30 JUNE 2006 (WITH THE COMPARATIVE FOR THE PERIOD 28 APRIL TO 30 JUNE 2005)

	Notes	Consolidated 2006 $	Consolidated 2005 $
Revenue from sale of goods		24,062,784	3,921,183
Interest income		102,274	17,446
Other income		10,748	-
Total Revenues From Ordinary Activities		24,175,806	3,938,629
Expenses			
Amortisation of pre paid royalty		264,792	-
Cost of goods sold		14,917,231	2,437,216
Depreciation expense		340,515	19,086
Distribution, consumables and royalty costs		694,986	163,634
Employee expenses		4,209,803	588,437
Financing costs		191,656	1,779
Rental expenses		337,450	119,357
Other expenses from ordinary activities		1,585,703	198,995
Write off of residual carrying value of IT system		112,964	-
Profit from Ordinary Activities Before Related Income Tax Expense		1,520,706	410,125
Income tax expense	5	458,674	130,340
Net Profit	13	1,062,032	279,785

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)

BALANCE SHEET

AS AT 30 JUNE 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $
CURRENT ASSETS			
Cash and cash equivalents	14	2,198,093	807,886
Trade and other receivables	6	3,548,222	4,128,601
Inventories	7	1,487,134	1,550,430
Prepayments		311,568	114,563
Tax Receivable		331,268	-
Total Current Assets		7,876,285	6,601,480
NON-CURRENT ASSETS			
Receivables	6	1,199,565	775,405
Property, plant and equipment	8	1,289,541	1,207,652
Intangible assets	9	13,412,687	13,366,689
Deferred tax assets		478,778	527,785
Prepayments		2,575,983	-
Other assets		12,674	16,819
Total Non-Current Assets		18,969,228	15,894,350
TOTAL ASSETS		26,845,513	22,495,830
CURRENT LIABILITIES			
Trade and other payables	10	3,049,369	2,472,123
Interest bearing borrowings		164,918	47,244
Provisions	11	359,447	314,480
Current tax liabilities		-	162,699
Total Current Liabilities		3,573,734	2,996,546
NON-CURRENT LIABILITIES			
Provisions	11	59,872	36,813
Interest bearing borrowings		2,813,259	207,966
Total Non-Current Liabilities		2,873,131	244,779
TOTAL LIABILITIES		6,446,865	3,241,325
NET ASSETS		20,398,648	19,254,505
EQUITY			
Contributed equity	12	19,565,838	18,974,720
Retained profits	13	832,810	279,785
TOTAL EQUITY		20,398,648	19,254,505

PRO-PAC PACKAGING LIMITED

(AND ITS CONTROLLED ENTITIES)

STATEMENT OF CASH FLOWS

FOR THE YEAR TO 30 JUNE 2006 (WITH THE COMPARATIVE FOR THE PERIOD 28 APRIL TO 30 JUNE 2005)

	Notes	Consolidated 2006 $	Consolidated 2005 $
Cash flows from operating activities			
Receipts from customers		24,643,163	3,676,473
Payments to suppliers and employees		(20,947,537)	(3,840,080)
Interest received		102,274	17,446
Interest paid		(191,656)	(1,779)
Income tax paid		(900,356)	-
Net Cash flows from (used in) operating activities	14	2,705,888	(147,940)
Cash flows from investing activities			
Payments for property, plant and equipment		(562,687)	(26,773)
Proceeds from sale of property, plant and equipment		28,875	20,862
Royalty prepaid		(3,113,511)	-
Payments for controlled entity net of cash acquired		-	(8,752,235)
Balance of payment for unincorporated business net of cash acquired		(45,998)	(1,004,127)
Net Cash flows from (Used in) Investing Activities		(3,693,321)	(9,762,273)
Cash flows from financing activities			
Payment of finance lease liabilities		(24,979)	(28,632)
Proceeds from borrowings		2,747,946	-
Proceeds from issue of shares		174,609	11,952,163
Dividends paid		(509,007)	-
Costs of issue of shares		(10,929)	(1,205,432)
Net cash flows provided by financing activities		2,377,640	10,718,099
Net Increase in Cash and cash equivalents		1,390,207	807,886
Cash and cash equivalents at beginning of the financial year		807,886	-
Cash and cash equivalents at end of financial year	14	2,198,093	807,886

PRO-PAC PACKAGING LIMITED

(AND ITS CONTROLLED ENTITIES)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 JUNE 2006

	Issued Capital $	Retained Earnings $	Total Equity $
Issue of shares on incorporation	2	-	2
Issue of shares for executive long term incentive plan	775,405	-	775,405
Issue of shares initial public offering	11,952,163	-	11,952,163
Cost of raising shares in initial public offering	(1,205,432)		(1,205,432)
Future income tax benefit associate with cost of raising shares in initial public offering	361,629	-	361,629
Issue of shares for acquisition of Pro-Pac Group Limited	7,090,953	-	7,090,953
Profit for the period		279,785	279,785
Balance as at 1 July 2005	**18,974,720**	**279,785**	**19,254,505**
Issue of shares for executive long term incentive plan	424,160	-	424,160
Cost of raising shares	(10,929)	-	(10,929)
Future income tax benefit associated with costs of raising shares in initial public offering	3,278	-	3,278
Issue of shares for dividend re-investment plan	174,609	-	174,609
Profit for the year	-	1,062,032	1,062,032
Dividend paid	-	(509,007)	(509,007)
At 30 June 2006	**19,565,838**	**832,810**	**20,398,648**

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)
NOTES TO THE PRELIMINARY FINAL REPORT

NOTE 1: AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This financial report is prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"). As the Company has never prepared financial reports under the previous accounting standards it is not required to reconcile its reported figures to those under the old standards. However, the key differences between these results and those that would have been reported under the old standards are as follows:

Impairment of Assets – AASB 136 Impairment of Assets and AASB 138 Intangible Assets do not allow for the amortisation of goodwill or intangibles with indefinite useful lives. Previous accounting standards require goodwill to be amortised over not more than a 20 year period. AASB 136 requires an annual impairment test to be performed each period and the amount of goodwill or intangible not considered recoverable to be expensed in the period that loss of value has been incurred. The intangible assets disclosed in the statement of financial position relate to goodwill. The Company has determined that the goodwill has not been impaired in the period to 30 June 2006 and as such, no amortisation has been recorded.

Income Tax – AASB 112 Income Taxes alters the measurement of tax assets and liabilities in accordance with the revised AASB 1020. This method recognises deferred tax balances when there is a difference between the carrying amount of an asset or liability, and its tax base. A future income tax benefit has been taken up in relation to the costs of the ASX listing in April 2005.

The company acquired the Pro-Pac packaging business on 28 April 2005. Accordingly the comparative results for the prior period only include trading results for the period from 28 April to 30 June 2005.

NOTE 2: EARNINGS PER SHARE

	Consolidated Year Ended 30 Jun 06	Consolidated Period Ended 30 Jun 05
	Cents	Cents
Basic and diluted earnings per share	2.60	1.44
Reconciliation of earnings used in calculation of earnings per share:		
	$	$
Profit after income tax	1,062,032	279,785
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of earnings per share	40,812,218	19,490,333

NOTE 3: DIVIDENDS

The company has declared a fully franked dividend of 1 cent per share. The company has determined a Record date of 29 September 2006 and a Payment date of 16 October 2006.

As with the interim dividend, the Company Dividend Reinvestment Plan will apply to this dividend. A discount of 3% to the volume weighted average sale price per share during the four days up to and including the record date for determining entitlements will apply to shareholders who elect to participate in the Company Dividend Reinvestment Plan.

NOTE 4: NET TANGIBLE ASSETS PER SECURITY

	Cents	Cents
Net tangible assets per security	10.04	14.78
Net assets per security	49.50	48.33

Royalty of $2.85 million pre paid during the year ended 30 June 2006, has been classified an intangible asset. This represents 6.91 cents per security.

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)
NOTES TO THE PRELIMINARY FINAL REPORT

	Year Ended 30 June 2006 $	Period Ended 30 June 2005 $
NOTE 5: TAXATION		
a) Income Tax Expense:	**458,674**	**130,340**
Income Tax Expense:		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	**456,212**	**123,038**
Increase in Income Tax Expense due to:		
Sundry items	**2,462**	**7,302**
Income Tax Expense attributable to Profit from Ordinary Activities	**458,674**	**130,340**
b) Current Tax Liabilities/(Receivable)		
Income tax payable/(receivable)	**(331,268)**	**162,699**
c) Non-Current Tax Assets:		
Deferred tax asset	**478,778**	**527,785**

The income tax calculations are based on the assumption that the Group will be consolidated for income tax purposes with effect from 01 July 2005.

	Year Ended 30 June 2006 $	Period Ended 30 June 2005 $
NOTE 6: RECEIVABLES		
Current		
Trade receivables	**3,600,783**	**4,141,889**
Provision for doubtful debts	**(54,012)**	**(58,814)**
	3,546,771	**4,083,075**
Other debtors	**1,451**	**45,526**
Total Current Receivables	**3,548,222**	**4,128,601**
Non-Current		
Employee share purchase plan receivables	**1,199,565**	**775,405**

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)
NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2006 $	Consolidated Period Ended 30 June 2005 $
NOTE 7: INVENTORIES		
Current		
Raw materials and work in progress	141,868	167,607
Finished goods	1,377,675	1,382,823
Provision for obsolescence	(32,409)	-
Total Inventories	1,487,134	1,550,430
Note 8: PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
At cost	1,594,620	1,226,738
Accumulated depreciation	(305,079)	(19,086)
Total plant and equipment	1,289,541	1,207,652
Note 9: INTANGIBLE ASSETS		
Goodwill	13,412,687	13,366,689
Reconciliation		
Carrying amount at beginning of the year	13,366,689	-
Acquisition of controlled entity – Pro-Pac Group Limited	-	12,366,859
Balance of payment for acquisition of unincorporated business	45,998	999,830
Total goodwill	13,412,687	13,366,689

PRO-PAC PACKAGING LIMITED

(AND ITS CONTROLLED ENTITIES)

NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2006 $	Consolidated Period Ended 30 June 2005 $
NOTE 10: PAYABLES		
Current		
Trade creditors	2,358,560	1,783,418
Royalties payable	46,494	105,767
GST payable	168,737	128,418
Other tax payable	152,669	111,542
Sundry creditors and accruals	322,909	342,978
	3,049,369	2,472,123
NOTE 11: PROVISIONS		
Current		
Employee entitlements	359,447	314,480
Non-Current		
Employee entitlements	59,872	36,813
	419,319	351,293

NOTE 12: CONTRIBUTED EQUITY

2006	**Number**	**$**
Issued and Paid-Up Share Capital		
Fully paid ordinary shares:	41,212,300	19,565,838
Movements during the period:		
Balance at beginning of year	39,840,546	18,974,720
Issue of shares for executive long term incentive plan	980,000	472,360
Cancellation of shares for executive long term incentive plan	(100,000)	(48,200)
Costs of raising shares	-	(10,929)
Future income tax benefit associated with costs of raising shares in initial public offering	-	3,278
Issue of shares for dividend re-investment plan	491,754	174,609
	41,212,300	19,565,838

2005	**Number**	**$**
Issued and Paid-Up Share Capital		
Fully paid ordinary shares:	39,840,546	18,974,720
Movements during the period:		
Balance on incorporation	2	2
Issue of shares for executive long term incentive plan	1,754,311	775,405
Issue of shares in initial public offering	23,904,326	11,952,163
Cost of raising shares in initial public offering		(1,205,432)
Future income tax benefit associated with costs of raising shares in initial public offering		361,629
Issue of shares for acquisition of Pro-Pac Group Limited	14,181,907	7,090,953
	39,840,546	18,974,720

All shares are quoted on the Australian Stock Exchange Limited.

Shares issued under executive long term incentive plan are subject to restrictions until June 2008 in accordance with the terms of the plan.

Shares issued for the acquisition of Pro-Pac Group Limited were subject to a voluntary escrow until 30 June 2006.

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)
NOTES TO THE PRELIMINARY FINAL REPORT

	Consolidated Year Ended 30 June 2006 $	Consolidated Period Ended 30 June 2005 $

NOTE 13: RETAINED PROFITS

Retained profits at the beginning of the year	279,785	-
Net profit attributable to members of the company	1,062,032	279,785
Dividend paid	(509,007)	-
Retained Profits at the End of the Period	832,810	279,785

NOTE 14: NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

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

Cash Assets	**2,198,093**	**807,886**

b) Reconciliation of Profit from Ordinary Activities after Income tax to the Net Cash Provided by Operating Activities:

Profit from Ordinary Activities after Income Tax	**1,062,032**	**279,785**
Add/(Less) Non-Cash Items:		
Depreciation and amortisation of plant and equipment	**340,515**	**19,086**
Amortisation of pre paid royalty	**264,792**	**-**
Loss on disposal of assets	**111,407**	**4,567**
Movement in income tax provision	**(493,967)**	**144,911**
Movement in deferred tax assets & liabilities	**52,285**	**(14,573)**
Movement in provision for bad debts	**(4,802)**	**33,309**
Changes in Assets and Liabilities:		
Receivables	**585,180**	**(678,398)**
Inventories	**30,887**	**(287,535)**
Payables	**609,576**	**330,037**
Provisions	**68,026**	**(14,173)**
Prepayments	**75,732**	**51,943**
Other Assets	**4,225**	**(16,899)**
Net Cash flows from (used in) operating activities	**2,705,888**	**(147,940)**

PRO-PAC PACKAGING LIMITED

(AND ITS CONTROLLED ENTITIES)

NOTES TO THE PRELIMINARY FINAL REPORT

NOTE 15: CONTROLLED ENTITIES

a) Particulars in Relation to Controlled Entities

The consolidated entity includes the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia.

	Parent Company Interest Held
Direct Controlled Entities:	
Pro-Pac Group Limited	100%
Controlled Entities owned 100% by Pro-Pac Group Limited	
Pro-Pac Packaging (Aust) Pty Ltd	100%
Pro-Pac Manufacturing (GLP) Pty Ltd	100%
Controlled Entities owned 100% by Pro-Pac Packaging (Aust) Pty Ltd	
Pro-Pac Packaging Manufacturing (Syd) Pty Ltd	100%
Pro-Pac Packaging Manufacturing (Melb) Pty Ltd	100%
Pro-Pac Packaging Manufacturing (Bris) Pty Ltd	100%

NOTE 16: SEGMENT REPORTING

The consolidated entity operates solely as a distributor and manufacturer of packaging materials within Australia.

NOTE 17: AUDIT REVIEW STATUS

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

Attachment

PRO-PAC PACKAGING LIMITED

PRO-FORMA SUMMARY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Year Ended 30-Jun-06	Consolidated Year Ended 30-Jun-05
Revenue		
Sale of goods	24,062,784	21,338,447
Interest income	102,274	83,729
Other income	10,748	-
Total revenue	24,175,806	21,422,176
Expenses		
Amortisation of pre paid royalty	264,792	-
Cost of goods sold	14,917,231	12,362,689
Depreciation	340,515	237,508
Distribution, consumables and royalty costs	694,986	960,280
Employee expenses	4,209,803	3,445,356
Financing costs	191,656	-
Rental expenses	337,450	420,398
Other expenses from ordinary activities	1,585,703	1,441,390
Write off of residual carrying value of IT system	112,964	-
Profit from ordinary activities before related income tax expense	1,520,706	2,554,555
Income tax expense	458,674	752,059
Profit after tax	1,062,032	1,802,496

This Summary Income statement for Pro-Pac Packaging Limited and its wholly owned subsidiaries does not form part of the Appendix 4E but is included as an attachment to the announcement to provide Shareholders with information as to the performance of the underlying trading of the Pro-Pac packaging business for the past year (12 months) relative to that of the previous year (12 months).

PRO-PAC PACKAGING LIMITED
(AND ITS CONTROLLED ENTITIES)

Compliance statement

1. This preliminary report has been prepared in accordance with Australian Accounting Standards which includes Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS). The preliminary report is also in accordance with other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2. This preliminary report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This preliminary report does give a true and fair view of the matters disclosed.

4. The accounts are in the process of being audited, no audit report is attached.

5. The entity has a formally constituted audit committee.

Sign here: (Director) Date: 30 August 2006

Print Name: Trevor Morrow