PRO-PAC Packaging Limited

ASX ANNOUNCEMENT

26 FEBRUARY 2007

PPG DELIVERS SOLID PERFORMANCE

1. INTRODUCTION

The directors of Pro-Pac Packaging Limited (PPG) are pleased to present this commentary on the performance of the Company for the six months ended 31 December 2006.

2. COMMENTARY

During the period under review, PPG delivered a solid performance across a range of key outcomes. The underlying strength in the results for the period have allowed the directors to declare an increased fully franked interim dividend of one (1¢) cent per share up 33% over the previous corresponding half year.

Revenue for the six month period grew by 5% over the previous corresponding period to a record $13.6 million. In part the improved revenues reflected the integration of Gaine Packaging Materials (Gaine), a Melbourne based niche distributor of industrial packaging, acquired during the period.

PPG realised profit before tax (PBT) of $1.1 million in the six months ended 31 December 2006. The PBT for the six month period represented 72% of the entire PBT realised in the 12 month period ended 30 June 2006. After providing for seasonality, management is forecasting that PBT for the financial year ending 30 June 2007 will exceed that realised in the 2006 financial year by more than 25%.

Expansion of the business and year end seasonal factors resulted in cash generated from operations being deployed in additional working capital, primarily in the form of additional debtors and inventory. The Gaine acquisition was also financed entirely from the Company's own cash resources. Subsequent to balance date, management has focused on debtor collection and inventory management with improved cashflow projected for the current six month period.

Income tax expense of $334,033 was incurred during the six month period resulting in a net after tax profit of $776,335 being declared by PPG for the six months ended 31 December 2006.

3. ACQUISITIONS

With effect from 1 September 2006, PPG acquired Gaine, a Melbourne based distributor of industrial packaging. In the four month period to 31 December 2006, Gaine made a positive contribution to group PBT, exceeding budgeted expectations.

PPG's growth strategy reflects contributions from organic and acquisitive streams. As at the date of this report, PPG has identified a number of potential acquisitions which the Company continues to actively evaluate.

4. DIVIDENDS

PPG has declared a fully franked interim dividend of one (1¢) cent per share, an increase of 33% over the previous corresponding period. The Record Date for determining entitlement to the dividend is 16 March 2007 with a Payment Date of 11 April 2007. As with PPG's previous dividends, the Company's Dividend Reinvestment Plan (DRP) 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 DRP.

5. OUTLOOK

The balance of the 2006/07 financial year has been dedicated to enhanced performance from the Company's core operations augmented by earnings accretive acquisitions. This combined strategy is anticipated to generate year on year growth of more than 25% in PBT for the year ending 30 June 2007.

JOHN D. READ
CHAIRMAN

TREVOR MORROW
MANAGING DIRECTOR

26th February 2007

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 2006**	**31 December 2005**

Results

Revenue	Up	5%	to	$13,591,740
Profit before tax	Down	6%	to	$1,110,368
Profit after tax attributable to shareholders	Down	6%	to	$776,335
Net profit attributable to shareholders	Down	6%	to	$776,335

Dividends (distributions)

	Amount per security	**Franked amount per security**
Interim dividend	1.00¢	1.00¢
Prior year interim dividend (excluding the special dividend of 0.5¢)	0.75¢	0.75¢

Information on dividends:

The Company will pay an interim dividend of 1.00 cent per share on 11 April 2007.

The Company's Dividend Reinvestment Plan has been activated and will be sent to shareholders. Under the Plan, shareholders can acquire shares in the Company at a 3% discount to the volume weighted average sale price per share during the four trading days up to and including the Record Date for determining entitlements.

Record Date for determining entitlements to the dividend	16 March 2007
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	11 April 2007

Commentary

Brief explanation of any of the figures reported above:

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

PRO-PAC PACKAGING LIMITED

ACN 112 971 874

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2006

PRO-PAC PACKAGING LIMITED
DIRECTORS' REPORT

Your Directors submit their report for the half year ended 31 December 2006.

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

John Read (Chairman and Non Executive Director- appointed 23 August 2005)
BSc. (Hons) (Cant.), MBA (AGSM), FAICD

Trevor Morrow (Managing Director – appointed 10 July 2006)
BBS (Hons), MBS (Hons)

Jonathan Kahn (Non Executive Director - appointed 16 February 2005)
BCom

Peter Frampton (Non Executive Director- appointed 21 March 2005, resigned 28 November 2006)
MA (Oxon), MAICD

Elliott Kaplan (Non Executive Director- appointed 16 February 2005)
BAcc, CA

REVIEW AND RESULTS OF OPERATIONS

Revenue for the six month period grew by 5% over the previous corresponding period to a record $13.6 million.

PPG realised profit before tax (PBT) of $1.1 million in the six months ended 31 December 2006. The PBT for the six month period represented 72% of the entire PBT realised in the 12 month period ended 30 June 2006.

Income tax expense of $334,033 was incurred during the six month period resulting in a net after tax profit of $776,335 being declared by PPG for the six months ended 31 December 2006.

The Directors have declared an interim dividend of 1.00 cent per share in respect of the half year ended 31 December 2006. The Company has determined a record date of 16 March 2007 and a payment date of 11 April 2007. Shareholders may elect to participate in the Company's Dividend Reinvestment Plan in respect of this dividend.

ADOPTION OF AUSTRALIAN EQUIVALENTS OF IFRS
This interim financial report has been prepared under Australian Equivalents to IFRS. This is consistent with the June 2006 Financial Report.

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.

Trevor Morrow
Managing Director
Sydney 26th February 2007

PRO-PAC PACKAGING LIMITED

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 2006 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Signed at Sydney on 26th February 2007

PRO-PAC PACKAGING LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR TO 31 DECEMBER 2006

	Consolidated 2006 $	Consolidated 2005 $
Continuing operations		
Revenue from continuing operations		
Sale of goods	13,530,151	12,908,336
Interest income	61,589	29,653
Total Revenue	13,591,740	12,937,989
Expenses		
Raw material & consumables used	8,545,411	7,928,081
Depreciation and amortisation expense	151,462	161,239
Distribution & royalty expense	350,124	419,006
Employee benefits expense	2,197,145	2,116,187
Finance costs	105,793	94,542
Occupancy costs	298,311	245,867
Other expenses from ordinary activities	833,126	791,624
Total Expenses	12,481,372	11,756,546
Profit before income tax	1,110,368	1,181,443
Income tax expense	334,033	355,685
Profit after tax from continuing operations	776,335	825,758
Profit for the period attributable to shareholders	776,335	825,758
Earnings per share (cents per share)		
- basic and diluted for profit for the year	1.87	2.03
- basic and diluted for profit from continuing operations	1.87	2.03

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

PRO-PAC PACKAGING LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	Consolidated December 2006 $	Consolidated June 2006 $
Assets		
Current Assets		
Cash and cash equivalents	946,082	2,198,093
Trade and other receivables	4,931,847	3,548,222
Inventories	2,085,340	1,487,134
Prepayments	463,944	311,568
Tax receivable	453,494	331,268
Total Current Assets	8,880,707	7,876,285
Non-Current Assets		
Receivables	1,199,565	1,199,565
Prepayments	2,439,615	2,575,983
Property, plant and equipment	1,483,012	1,289,541
Intangible assets	13,831,716	13,412,687
Deferred tax assets	433,045	478,778
Other assets	12,674	12,674
Total Non-Current Assets	19,399,627	18,969,228
TOTAL ASSETS	28,280,334	26,845,513
Liabilities		
Current liabilities		
Trade and other payables	4,020,328	3,049,369
Interest bearing borrowings	318,905	164,918
Provisions	315,967	359,447
Current tax liabilities		
Total Current Liabilities	4,655,200	3,573,734
Non-current liabilities		
Provisions	57,483	59,872
Interest bearing borrowings	2,633,730	2,813,259
Total Non-Current Liabilities	2,691,213	2,873,131
TOTAL LIABILITIES	7,346,413	6,446,865
NET ASSETS	20,933,921	20,398,648
EQUITY		
Contributed equity	19,736,898	19,565,838
Retained earnings	1,197,023	832,810
TOTAL EQUITY	20,933,921	20,398,648

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

PRO-PAC PACKAGING LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR TO 31 DECEMBER 2006

	Consolidated 2006 $	Consolidated 2005 $
Cash flows from operating activities		
Receipts from customers	12,137,851	12,000,612
Payments to suppliers & employees	(11,598,852)	(10,485,389)
Interest received	61,589	29,653
Interest paid	(105,793)	(94,542)
Income tax paid	(410,525)	(440,361)
Net cash flows from operating activities	84,270	1,009,973
Cash flows from investing activities		
Payments for property, plant and equipment	(118,115)	(507,408)
Proceeds from sale of property, plant and equipment	11,438	28,877
Royalty prepaid	-	(3,113,511)
Payments for unincorporated business	(962,999)	(45,998)
Net cash flows from /(used in) investing activities	(1,069,675)	(3,638,040)
Cash flows from financing activities		
Payment of finance lease liabilities	(25,542)	(24,979)
Proceeds from borrowings		2,781,990
Dividend paid	(241,063)	
Costs of issue of shares		(10,929)
Net cash flows from / (used in) financing activities	(266,605)	2,746,082
Net increase / (decrease) in cash and cash equivalents	(1,252,011)	118,015
Cash & cash equivalents at beginning	2,198,093	807,886
Cash & cash equivalents at end of period	946,082	925,901

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

PRO-PAC PACKAGING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR TO 31 DECEMBER 2006

Consolidated	Issued capital	Retained earnings	Total equity
Balance as at 1 January 2006	**19,391,229**	**1,105,543**	**20,496,772**
Issue of shares for Dividend re-investment plan	174,609		174,609
Dividends		(509,007)	(509,007)
Profit for the period		236,274	236,274
Balance as at 1 July 2006	**19,565,838**	**832,810**	**20,398,648**
Dividends		(412,122)	(412,122)
Shares issued under the dividend re-investment plan	171,060		171,060
Profit for the period		776,335	776,335
At 31 December 2006	**19,736,898**	**1,197,023**	**20,933,921**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial report is a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 'Interim Financial Reporting' Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the most recent annual financial report and any public announcements made by Pro-Pac Packaging Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars.

The accounting policies applied are consistent with those applied in the June 2006 annual report as both reports were prepared under Australian equivalents to IFRS.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pro-Pac Packaging Limited and its subsidiaries as at 31 December 2006.

The financial statements of subsidiaries are prepared for the reporting period ended 31 December 2006 using accounting policies consistent with the parent entity.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including recognised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Pro-Pac Packaging Limited had control.

(d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Plant and Equipment is depreciated using the straight line and diminishing value methods over the estimated useful lives.

The current depreciation rates are over 3 to 15 years.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(g) Recoverable amount of assets

At each reporting date, the Group (Pro-Pac Packaging Limited and its subsidiaries) assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share-based Payment

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). These benefits are provided under the Executive Long Term Incentive Plan (ESPP), which is described in note 17 to the June 2006 annual report.

(n) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased property.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(p) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

The Group was consolidated for Income Tax purposes with effect from 1 July 2005. Each entity in the Group recognizes its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement.

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Employee benefit expenses and revenues arise in respect of the following categories:

- wages and salaries, monetary and non-monetary benefits, annual leave, long service leave and other leave benefits.

- other types of employee benefits are recognised against profits on a net basis in their respective categories.

NOTE 2: SEGMENT INFORMATION

The Group operates solely as a distributor and manufacturer of packaging materials within Australia. As such there is only one business and geographical segment.

NOTE 3: 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 2006. The Company has determined a record date of 16 March 2007 and a payment date of 11 April 2007. Shareholders may elect to participate in the Company's Dividend Reinvestment Plan in respect of this dividend.

Franking credit balance

As indicated in note 5 of the June 2006 annual report, the 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 2006. As such franking credits arising from the other Group companies totalling $3,289,472 will be available to the parent entity.

NOTE 4: CONTRIBUTED EQUITY

	Consolidated 2006 $	Consolidated 2005 $
Ordinary shares		
Issued and fully paid	**19,736,898**	**19,391,229**

Movement in ordinary shares on issue	**Number**	**$**	**Number**	**$**
Balance at beginning of half year	**41,212,300**	**19,565,838**	**39,840,546**	**18,974,720**
Shares issued under the dividend re-investment plan	570,203	171,060		
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)
Cost of raising shares			-	(10,929)

NOTE 4: CONTRIBUTED EQUITY (CONTINUED)

Movement in ordinary shares on issue (continued)	Number	$	Number	$
Future Income Tax Benefit associated with costs of raising shares in initial public offering			-	3,278
Balance as at 1 July 2006	**41,782,503**	**19,736,898**	**40,720,556**	**19,391,229**

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 (refer note 17 of the June 2006 annual report).

NOTE 5: ASSETS PER SECURITY

	Consolidated 2006 cents	Consolidated 2005 cents
Net assets per share	**50.10**	**50.34**
Net tangible assets per share	**10.12**	**9.36**

NOTE 6: SIGNIFICANT EVENT DURING THE PERIOD

Acquisition of business
Effective 1 September 2006, the company acquired the business and assets of the complimentary Melbourne based niche general packaging distributor, Gaine Packaging.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after balance sheet date.

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 2006 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

Trevor Morrow
Managing Director

Sydney 26th February 2007

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF PRO-PAC PACKAGING LIMITED

Scope

We have reviewed the financial report of Pro-Pac Packaging Limited for the half-year ended 31 December 2006 as set out on pages 4 to 15. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements 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. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the economic entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out on page 3 of the financial reports has not changed as at the date of providing our review opinion.

Statement

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:

a. the Corporations Act 2001, including:

   i. giving a true and fair view of the economic entity's financial position as at 31 December 2006 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; and

b. other mandatory professional reporting requirements in Australia.

Mark Nicholaeff
Partner

UHY Haines Norton
Chartered Accountants

26^{th} February 2007
Sydney, Australia