PRO-PAC Packaging Limited

PRO-PAC PACKAGING LIMITED ("PPG")
RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

1. Introduction

The directors of PPG are pleased to present this commentary on the performance of the Company for the six months ended 31 December 2007.

2. Commentary

Supported by the 1 July 2007 acquisition of Plastic Bottles Pty Limited, net profit after tax increased by 169% over the previous corresponding period to $2.09 million. The strong growth in after tax profits was underpinned by a 181% increase in revenues for the six months to $38 million.

In line with the Company's acquisitive growth strategy, during the half year under review, the Company completed the acquisitions of the Melbourne business of niche packaging distributor, Tape and Industrial Packaging Supplies and Sydney based injection moulder, Ctech Closures Pty Limited. The Company is continuing to actively evaluate a pipeline of acquisition opportunities.

3. Dividends

PPG today declared a fully franked interim dividend of one (1c) cent per share. The record date for determining entitlements to the dividend is 14 March 2008. The dividend will be paid on 11 April 2008. The Company's Dividend Reinvestment Plan will apply to this interim dividend at a discount of 2.5%.

4. Outlook

Based on the first half result the Company anticipates that its full 2008 financial year revenues will be approximately $75m with EBITDA in the order of $8m.

JOHN D READ
CHAIRMAN
27 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 2007**	**31 December 2006**

Results

Revenue	Up	181%	to	$38,053,032
Profit before tax	Up	161%	to	$2,893,786
Profit after tax attributable to shareholders	Up	169%	to	$2,089,546
Net profit attributable to shareholders	Up	169%	to	$2,089,546

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	1.00¢	1.00¢
Prior year interim dividend	1.00¢	1.00¢

Information on dividends:

The Company will pay an interim dividend of 1.00 cent per share on 11 April 2008.

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 2.50% 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	14 March 2008
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	14 March 2008

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 2007

PRO-PAC PACKAGING LIMITED
DIRECTORS' REPORT

Your Directors submit their report of the consolidated group for the half year ended 31 December 2007.

DIRECTORS
The names of the company's Directors in office during the half year 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)

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

Hadrian Morrall (Executive Director – appointed 16 August 2007)

Brandon Penn (Non-Executive Director – appointed 16 August 2007)
BCom

REVIEW AND RESULTS OF OPERATIONS
The Directors are pleased to announce,that supported by the 1 July 2007 acquisition of Plastic Bottles Pty Limited, net profit after tax increased by 169% over the previous corresponding period to $2.09 million. The strong growth in after tax profits was underpinned by a 181% increase in revenues for the six months to $38 million.

In line with the Company's acquisitive growth strategy, during the half year under review, the Company also completed the acquisitions of the Melbourne business of niche packaging distributor, Tape and Industrial Packaging Supplies and Sydney based injection moulder, Ctech Closures Pty Limited. The Company is continuing to actively evaluate a pipeline of acquisition opportunities.

The Directors have declared a fully franked interim dividend of one (1c) cent per share. The record date for determining entitlements to the dividend is 14 March 2008. The dividend will be paid on 11 April 2008. The Company's Dividend Reinvestment Plan will apply to this interim dividend at a discount of 2.5%.

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
Director
Sydney 27 February 2007

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 2007 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.

UHY Haines Norton

Mark Nicholaeff
Partner

UHY Haines Norton
Chartered Accountants

27 February 2008
Sydney, Australia

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PRO-PAC PACKAGING LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR TO 31 DECEMBER 2007

	Consolidated 2007 $	Consolidated 2006 $
Continuing operations		
Revenue from continuing operations		
Sale of goods	38,053,032	13,530,151
Interest income	82,785	61,589
Total Revenue	38,135,817	13,591,740
Expenses		
Depreciation and amortisation expense	768,714	265,102
Distribution & royalty expense	1,055,078	236,484
Employee benefits expense	6,490,719	2,358,032
Finance costs	341,403	105,793
Occupancy costs	1,148,353	298,311
Other expenses from ordinary activities	3,199,732	672,239
Raw material & consumables used	22,238,032	8,545,411
Total Expenses	35,242,031	12,481,372
Profit before income tax	2,893,786	1,110,368
Income tax expense	804,240	334,033
Profit after tax from continuing operations	2,089,546	776,335
Profit for the period attributable to shareholders	2,089,546	776,335
Earnings per share (cents per share)		
- basic and diluted for profit for the year	2.16	2.00
- basic and diluted for profit from continuing operations	2.16	2.00

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

PRO-PAC PACKAGING LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Consolidated December 2007 $	Consolidated June 2007 $
Assets		
Current Assets		
Cash and cash equivalents	1,301,579	1,677,490
Trade and other receivables	14,174,694	4,302,104
Inventories	6,562,164	1,964,557
Prepayments	1,143,563	381,563
Total Current Assets	23,182,000	8,325,714
Non-Current Assets		
Prepayments	2,136,243	2,303,247
Property, plant and equipment	8,826,883	1,813,360
Intangible assets	36,620,719	14,369,928
Deferred tax assets	631,704	358,845
Other assets	9,857	12,674
Total Non-Current Assets	48,225,406	18,858,054
TOTAL ASSETS	71,407,406	27,183,768
Liabilities		
Current liabilities		
Bank overdraft	172,855	-
Trade and other payables	9,759,547	3,620,635
Interest bearing borrowings	1,274,020	289,017
Provisions	2,347,348	364,592
Current tax liabilities	589,885	90,788
Total Current Liabilities	14,143,655	4,365,032
Non-current liabilities		
Provisions	340,722	64,804
Other loans	45,950	-
Interest bearing borrowings	6,875,969	2,790,933
Total Non-Current Liabilities	7,262,641	2,855,737
TOTAL LIABILITIES	21,406,296	7,220,769
NET ASSETS	50,001,110	19,962,999
EQUITY		
Contributed equity	47,092,079	18,729,203
Other reserves	11,300	11,300
Retained earnings	2,897,731	1,222,496
TOTAL EQUITY	50,001,110	19,962,999

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 2007

	Consolidated 2007 $	Consolidated 2006 $
Cash flows from operating activities		
Receipts from customers	35,575,397	12,137,851
Payments to suppliers & employees	(34,239,684)	(11,598,852)
Interest received	87,479	61,589
Interest paid	(434,970)	(105,793)
Income tax paid	(298,903)	(410,525)
Net cash flows from operating activities	689,319	84,270
Cash flows from investing activities		
Payments for property, plant and equipment	(1,019,678)	(118,115)
Proceeds from sale of property, plant and equipment	69,436	11,438
Payment for controlled entities net of cash	(12,871,692)	-
Payment for unincorporated business	(179,492)	(962,999)
Net cash flows used in investing activities	(14,001,426)	(1,069,676)
Cash flows from financing activities		
Payment of finance lease liabilities	(747,479)	(25,542)
Finance lease raised	440,495	-
Proceeds from borrowings	2,938,807	-
Bank bills repaid	(6,630,000)	-
Proceed from issue of shares	17,200,000	-
Dividend paid	(228,520)	(241,063)
Costs of issue of shares	(37,107)	-
Net cash flows generated by / (used in) financing activities	12,936,196	(266,605)
Net decrease in cash and cash equivalents	(375,911)	(1,252,011)
Cash & cash equivalents at beginning	1,677,490	2,198,093
Cash & cash equivalents at end of period	1,301,579	946,082

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 2007

	Issued capital $	Other reserves $	Retained earnings $	Total equity $
Consolidated				
Balance as at 1 July 2006	18,366,273	-	832,810	19,199,083
Issue of shares for Dividend re-investment plan	171,060	-	-	171,060
Dividends	-	-	(412,122)	(412,122)
Profit for the period	-	-	776,335	776,335
Balance as at 1 January 2007	18,537,333	-	1,197,023	19,734,356
Issue of shares for Dividend re-investment plan	191,870	-	-	191,870
Dividends	-	-	(427,225)	(427,225)
Recognition of share based payments	-	11,300	-	11,300
Profit for the period	-	-	452,698	452,698
Balance as at 1 July 2007	18,729,203	11,300	1,222,496	19,962,999
Issue of shares for Dividend re-investment plan	185,791	-	-	185,791
Dividends	-	-	(414,311)	(414,311)
Shares issued to Plastic Bottle Group shareholders	11,003,060	-	-	11,003,060
Share issued under share placement	17,200,000	-	-	17,200,000
Costs of raising shares	(37,107)	-	-	(37,107)
Future income tax benefit associated with costs of raising shares	11,132	-	-	11,132
Profit for the period	-	-	2,089,546	2,089,546
At 31 December 2007	47,092,079	11,300	2,897,731	50,001,110

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, which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001.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 also been prepared on an accruals basis and is based on historical cost. The half-year financial report is presented in Australian dollars.

The accounting policies and methods of computation are the same as compared with the most recent financial report.

The half-year financial report covers the economic entity of Pro-Pac Packaging Limited and controlled entities, and Pro-Pac Packaging Limited an individual parent entity.

(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 2007.

The financial statements of subsidiaries are prepared for the reporting period ended 31 December 2007 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 unrealised profits or losses 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 4 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 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 16 to the June 2007 annual report.

Shares are allocated to employees at either the value of shares as detailed in the latest disclosure document issued by the Company or the 5-day weighted average price immediately prior to the offer being made to employee.

The Company may provide loans to participants to acquire shares under the ESPP. As security for the loans, Participants will pledge the shares acquired under the ESPP to the Company at the time the loans are provided and will grant a charge over any benefits attributable to the Shares, including bonus shares, rights, and dividends. Any dividends paid on the shares by Pro-Pac Packaging Limited are treated as interest on the loan.

The term of the loans and the vesting period for the shares from the date of issue of the ESPP is 3 years.

The Shares will be registered in the names of the Participants from allotment, but will remain subject to restrictions on dealing while they are pledged as security for a loan or subject to performance hurdles specified.

If the employee leaves the employment of the Group, the loan balance must be repaid in full or the shares would be surrendered in full settlement of the outstanding loan balance.

The fair value of the employee benefit provided under the ESPP plan is estimated at the date of grant using the binomial model, and the following assumptions:

Expected volatility (%)
Risk-free interest rate (%)
Expected life of option (years)
Share price ($)
Dividend yield (%)
Probability of achievement (%)

No other features of the benefit provided (including vesting conditions) were incorporated into the measurement of fair value.

Under AIFRS, shares issued to executives under the Long Term Executive Incentive Plan are now considered to be options granted. As such, the contributed equity (share capital) as well as the related receivable are not recognised on the balance sheet and do not form part of the asset base in the calculation of the basic net assets and basic net tangible assets per security. Comparative figures for the prior financial year have been adjusted accordingly.

(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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 interim period income tax expense is based on the profit for the half year ended adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that would be applicable to expected total annual earnings.

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

- 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income tax calculations are based on the premises that the Group has been 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.

(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.

(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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivate financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(t) Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the income statements.

NOTE 2: SEGMENT INFORMATION

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

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 2007	Consolidated 2006
Net profit attributable to equity holders ($)	**2,089,546**	**776,335**
Weighted average number of ordinary shares for basic earnings per share	**96,906,091**	**38,814,795**
Basic earnings per share (cents per share) *	**2.16**	**2.00**
Diluted earnings per share (cents per share) *	**2.16**	**2.00**

* 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 1.00 cent per share in respect of the half year ended 31 December 2007. The Company has determined a record date of 14 March 2008 and a payment date of 11 April 2008. 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 2007 annual report, 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 2007 and 30 June 2006. As such franking credits arising from the other Group companies totalling $2,945,870 will be available to the parent entity.

NOTE 5: CONTRIBUTED EQUITY

	Consolidated 2007 $	Consolidated 2006 $
Ordinary shares		
Issued and fully paid	47,092,079	18,537,333

Movement in ordinary shares on issue	Number	$	Number	$
Balance at beginning of the half year	**43,255,437**	**18,729,203**	**41,212,300**	**18,366,273**
Shares issued under the dividend re-investment plan	387,027	185,791	570,203	171,060
Issue of shares for Executive Long Term Incentive Plan	625,000			
Cancellation of shares for Executive Long Term Incentive Plan	(2,044,311)			
Cost of raising shares		(37,107)		
Future Income Tax Benefit associated with costs of raising shares		11,132		
Shares issued to Plastic Bottle Group shareholders	29,738,000	11,003,060		
Shares issued under share placement	46,486,486	17,200,000		
Balance at the end of the half year	**118,447,639**	**47,092,079**	**41,782,503**	**18,537,333**

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 16 of the June 2007 annual report).

NOTE 6: ASSETS PER SECURITY

	Consolidated 2007 Cents	Consolidated 2006 cents
Net assets per share	**43.00**	**50.41**
Net tangible assets per share	**8.87**	7.74

NOTE 7: SIGNIFICANT EVENTS DURING THE PERIOD

Acquisition of businesses

As stated in Note 27 of the June 2007 Annual Report, on 14 August 2007, Pro-Pac Packaging shareholders approved the acquisition of Plastic Bottles Pty Limited for approximately $21.2 million, to be satisfied by way of $10,197,000 in cash and the issue of 29,738,000 new fully paid PPG shares to the vendors at an issued price of $0.37. A further possible amount of $ 2 million will be paid in cash, if certain earnings targets are met.

Subsequent to balance date, the Company issued 29,738,000 shares to the vendors of the Plastic Bottles Group. The Company also raised an additional $17,200,000 through the issue of 46,486,486 shares under a share purchase plan and a share placement approved by the Shareholders.

Effective 1 October 2007, Pro-Pac Packaging (Aust) Pty Ltd, a wholly owned subsidiary, acquired the business and assets of the complimentary Melbourne based niche general packaging distributor, Tape and Industrial Packaging Supplier Pty Ltd.

Effective 1 December 2007, Plastic Bottle Pty Ltd, a wholly owned subsidiary, acquired the shares of Ctech Closures Pty Ltd

The effect of the above transactions can be summarised as follows:

NET ASSETS ACQUIRED

	$
Assets	
Current Assets	
Cash and cash equivalents	751,645
Trade and other receivables	7,598,116
Inventories	3,276,948
Tax receivables	10,094
Other assets	439,964
Total Current Assets	**12,076,767**
Non-Current Assets	
Property, plant and equipment	6,857,544
Intangible assets	4,621,608
Deferred tax assets	257,871
Total Non-Current Assets	**11,737,023**
Total assets	**23,813,790**
Liabilities	
Current liabilities	
Trade and other payables	6,760,293
Interest bearing borrowings	1,564,971
Total Current Liabilities	**8,325,264**
Non-current liabilities	
Interest bearing borrowings	7,822,600
Other liabilities	489,219
Total Non-Current Liabilities	**8,311,819**
Total liabilities	**16,637,083**
NET ASSETS	**7,176,707**

NOTE 7: SIGNIFICANT EVENTS DURING THE PERIOD (CONTINUED)

CONSIDERATION PAID	
Cash	13,802,830
Shares	11,003,060
Total	**24,805,890**
GOODWILL	**17,629,183**

NOTE 8: CONTINGENT LIABILITIES

Contingent liabilities of $2.5m arose from the acquisition of subsidiaries and the potential payment of earn out amounts based on the achievement of profit targets within 12 months of these acquisitions.

As at balance sheet date the company had commitments for future capital expenditure totalling $367,906.

NOTE 9: 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 2007 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
Director

Sydney 27 February 2008

Independent review report to the members of Pro-Pac Packaging Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Pro-Pac Packaging Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors declaration for the Pro-Pac Packaging Limited (the consolidated entity). The consolidated entity comprises both Pro-Pac Packaging Limited (the company) and the entities it controlled during that 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that 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 an Interim 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 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 2007 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, 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

UHY Haines Norton
Chartered Accountants
Incorporating Saidman Levy & Associates

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pro-Pac Packaging Limited is not in according with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

M Nicholaeff

M. D. Nicholaeff
Partner

UHY Haines Norton

UHY Haines Norton
Chartered Accountants

Signed on 27 February 2008

At Sydney