

PRO-PAC PACKAGING LIMITED

(ASX: PPG)

COMMENTARY ON RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Revenue of \$46m was 22% up on the previous corresponding period and after tax profits were up 248% at \$3m. EBITDA was \$5.6m for the half as compared to \$2.6m for the previous corresponding period. Earnings per share for the half were approximately 2.5c.

Strong performances were recorded by both the industrial and rigid packaging divisions, both of which exceeded budget expectations for the half year.

Revenue growth and margin enhancement during the period under review were in large part driven by management's focus on winning and supporting key quality national corporate clients and offering a more diverse, integrated and cost effective packaging solution. The results for the period also reflect management's focus throughout calendar 2009 on improved customer support, procurement and logistics. A return to more stable input costs and a stronger Australian dollar were also positive contributors.

Cash flow generated from operating activities was positive \$2.8m for the period. During the period the Company continued to invest significantly in additional working capital to support its strong organic growth.

The Company's balance sheet remains robust with shareholders' equity growing to \$53.5m and total assets increasing during the six month period by \$5.6m to \$79m as at 31 December 2009. Net interest bearing debt was \$6.8m resulting in a conservative gearing ratio of 13% (net interest bearing debt/shareholders' equity).

In light of the strong result, the Company today declared a fully franked interim dividend of one (1c) cent per share. The Record Date for determining entitlements to the dividend is 12 March 2010. The dividend will be paid on 9 April 2010. The Company's Dividend Reinvestment Plan (DRP) will apply to this interim dividend at a discount of 3%.

The Company is actively considering a number of strategic earnings accretive acquisition opportunities. The quality of acquisition opportunities has improved over the reporting period as capital and credit markets for small to medium sized business enterprises remain difficult. Going forward the Company will continue to build enhanced shareholder returns through both revenue and acquisitive growth.

Traditionally revenue and profitability have been stronger in the first half of a financial year reflecting the run up to the peak Christmas trading period. Whilst this underlying trend is likely to continue, the Company is cautiously optimistic and is forecasting solid revenue and profitability for the second half of the financial year.

Enquires

For further information please contact Mr. John Read Chairman, Pro-Pac Packaging Limited on Tel (02) 9087 8000.

About PPG

Pro-Pac Packaging Limited is a diversified manufacturing and distribution company, providing innovative, flexible and rigid packaging solutions for a broad group of clients. PPG is headquartered in Sydney with operations in Adelaide, Brisbane and Melbourne. PPG's securities are listed and quoted on the ASX. For further information on PPG visit www.pro-pac.com.au.

Appendix 4D

Half Yearly Report

Results for announcement to the market

Pro-Pac Packaging Limited		
ACN	Half Year ended (‘Reporting Period’)	Previous Half Year ended (‘Corresponding period’)
112 971 874	31 December 2009	31 December 2008

Results

Revenue	Up	22 %	to	\$45,964,060
Profit before tax	Up	248 %	to	\$4,242,916
Profit after tax attributable to shareholders	Up	248 %	to	\$2,970,041
Net profit attributable to shareholders	Up	248 %	to	\$2,970,041

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	1.0¢	1.0¢
Prior year interim dividend	NIL	NIL
Information on dividends: The Company will pay an interim dividend of one cent per share on 9 April 2010. The Company’s Dividend Reinvestment Plan has been activated. 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	12 March 2010	
Last date for receipt of election notices for participation in the Pro-Pac Packaging Limited Dividend Reinvestment Plan	12 March 2010	

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 2009

PRO-PAC PACKAGING LIMITED
DIRECTORS' REPORT

Your Directors submit their report of the consolidated group for the half year ended 31 December 2009.

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

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

On 8 February 2010 David Herlihy BA (UNSW), was appointed as a Non Executive Director.

REVIEW AND RESULTS OF OPERATIONS

Revenue for the six months ended 31 December 2009 of \$46m was 22% up on the previous corresponding period and after tax profits were up 248% at \$3m. EBITDA was \$5.6m for the half as compared to \$2.6m for the previous corresponding period. Earnings per share for the half were 2.47c

Cash flow generated from operating activities was positive \$2.8m for the period.

The Company's balance sheet reflects shareholders' equity of \$53.5m with total assets increasing during the six month period by \$5.6m to \$79m at 31 December 2009. Net interest bearing debt was \$6.8m resulting in a gearing ratio of 13% (net interest bearing debt/shareholders' equity).

The Directors declared a fully franked interim dividend of one (1c) cent per share. The Record Date for determining entitlements to the dividend is 12 March 2010. The dividend will be paid on 9 April 2010. The Company's Dividend Reinvestment Plan (DRP) will apply to this interim dividend at a discount of 3%.

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.



John Read
Director

Sydney
24 February 2010

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
PRO-PAC PACKAGING LIMITED**

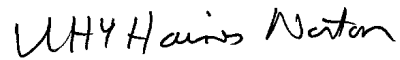
I declare that, to the best of my knowledge and belief, during the six month period ended 31 December 2009 there have been:

- (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.



Mark Nicholaeff
Partner

Sydney
Date: 24 February 2010



UHY Haines Norton
Chartered Accountants

PRO-PAC PACKAGING LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 DECEMBER 2009

	Consolidated 2009 \$	Consolidated 2008 \$
Revenue		
Sales of goods and services	45,964,060	37,729,575
Interest income	18,313	59,561
Total Revenue	45,982,373	37,789,136
Expenses		
Amortisation of prepaid royalty	161,040	161,042
Depreciation expense	904,629	815,018
Distribution expense	690,047	725,860
Employee benefits expense	7,306,883	6,541,961
Finance costs	293,421	402,237
Occupancy costs	1,319,618	1,141,369
Other expenses from ordinary activities	4,496,982	4,128,526
Purchases, materials and consumables	26,566,837	22,653,540
Total Expenses	41,739,457	36,569,553
Profit before income tax	4,242,916	1,219,583
Income tax expense	1,272,875	365,875
Profit after tax from continuing operations	2,970,041	853,708
Other comprehensive income	-	-
Total comprehensive income	2,970,041	853,708
Profit for the period attributable to shareholders	2,970,041	853,708
Earnings per share (cents per share)		
- basic and diluted for profit for the year	2.47	0.72
- basic and diluted for profit from continuing operations	2.47	0.72

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

PRO-PAC PACKAGING LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Consolidated December 2009 \$	Consolidated June 2009 \$
Assets		
Current Assets		
Cash and cash equivalents	3,519,371	2,174,457
Trade and other receivables	15,187,126	12,547,094
Inventories	8,588,327	7,622,320
Prepayments	1,329,084	766,234
Total Current Assets	28,623,908	23,110,105
Non-Current Assets		
Prepayments	1,477,619	1,638,658
Property, plant and equipment	10,036,587	9,845,985
Intangible assets	38,195,247	38,195,247
Deferred tax assets	643,241	634,690
Total Non-Current Assets	50,352,694	50,314,580
TOTAL ASSETS	78,976,602	73,424,685
Liabilities		
Current liabilities		
Trade and other payables	12,143,609	9,933,254
Interest bearing borrowings	1,700,600	1,568,225
Provisions	1,658,417	1,547,302
Current tax liabilities	1,068,680	315,089
Total Current Liabilities	16,571,306	13,363,870
Non-current liabilities		
Provisions	294,293	403,602
Interest bearing borrowings	8,602,324	8,963,668
Total Non-Current Liabilities	8,896,617	9,367,270
TOTAL LIABILITIES	25,467,923	22,731,140
NET ASSETS	53,508,679	50,693,545
EQUITY		
Issued capital	48,599,761	48,153,866
Reserves	20,116	20,116
Retained earnings	4,888,802	2,519,563
TOTAL EQUITY	53,508,679	50,693,545

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

PRO-PAC PACKAGING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF YEAR TO 31 DECEMBER 2009

	Consolidated 2009 \$	Consolidated 2008 \$
Cash flows from operating activities		
Receipts from customers	43,950,298	36,430,296
Payments to suppliers & employees	(40,320,705)	(34,822,678)
Interest received	18,313	59,561
Interest paid	(292,665)	(392,198)
Income tax paid	(527,835)	(588,222)
Net cash flows from operating activities	2,827,406	686,759
Cash flows from investing activities		
Payments for property, plant and equipment	(1,224,853)	(1,107,514)
Proceeds from sale of property, plant and equipment	126,993	67,727
Payment for unincorporated business	-	(1,320,525)
Net cash flows used in investing activities	(1,097,860)	(2,360,312)
Cash flows from financing activities		
Payment of finance lease liabilities	(1,293,003)	(772,215)
Finance leases raised	949,335	1,019,540
Proceeds from borrowings	113,943	1,262,737
Dividend paid	(154,907)	(637,291)
Net cash flows generated by / (used in) financing activities	(384,632)	872,771
Net increase / (decrease) in cash and cash equivalents	1,344,914	(800,782)
Cash & cash equivalents at beginning of period	2,174,457	2,562,730
Cash & cash equivalents at end of period	3,519,371	1,761,948

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 2009

	Issued capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Consolidated				
Balance as at 1 July 2009	48,153,866	20,116	2,519,563	50,693,545
Issue of shares for dividend re-investment plan	445,895	-	-	445,895
Dividends	-	-	(600,802)	(600,802)
Total comprehensive income for the period	-	-	2,970,041	2,970,041
At 31 December 2009	48,599,761	20,116	4,888,802	53,508,679

	Issued capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Consolidated				
Balance as at 1 July 2008	47,605,676	8,884	1,441,822	49,056,382
Issue of shares for dividend re-investment plan	548,190	-	-	548,190
Dividends	-	-	(1,185,480)	(1,185,480)
Total comprehensive income for the period	-	-	853,708	853,708
At 31 December 2008	48,153,866	8,884	1,110,050	49,272,800

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Pro-Pac Packaging Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. The half year financial report does not include full disclosures of the type normally included in an annual report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Account Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim periods. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the single statement approach to the presentation of of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8 certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at the acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All deferred tax assets subsequently recognised are accounted for through profit or loss.
- If the Group holds less than 100% of the equity interests in an acquiree and the business combination results in goodwill being recognised, the Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net asset ('proportionate interest method'). The Group elects which method to adopt for each acquisition.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pro-Pac Packaging Limited and its subsidiaries as at 31 December 2009.

The financial statements of subsidiaries are prepared for the reporting period ended 31 December 2009 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) **Business combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(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 20 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.

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**

The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The company has no borrowing costs associated with any qualifying assets and as such the amendments are not expected to have any impact on the company's financial report.

All other borrowing costs are recognised as an expense when incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(m) **Equity-settled compensation**

AASB 2009- 8 Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions effective 1 July 2009

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter whether the transaction is settled in shares or cash. The company adopted this amendment as of 1 July 2009 and has amended its accounting policy accordingly.

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase in an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income tax expense (revenue) for the interim period comprises current income tax (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in the deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets are expected to be recovered or settled.

The income tax calculations are based on the premise that the Group has been consolidated for income tax purposes. 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.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(u) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates – Impairment.

No impairment is considered necessary in respect of goodwill based on key estimates used in assessing recoverable amounts.

NOTE 2: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The manufacturing process;

NOTE 2: OPERATING SEGMENTS (CONTINUED)

Types of products and services by segment

Industrial packaging

The Industrial packaging division manufactures, sources and distributes industrial packaging materials and related products and services. All products produced or distributed are aggregated as one reportable segment as the products are similar in nature and are distributed to similar types of customers. The industrial packaging segment also installs, supports and maintains packaging machines.

Rigid packaging

The Rigid packaging division manufactures, sources and distributes containers and closures and related products and services. All products produced or distributed are aggregated as one reportable segment as the products are similar in nature and are manufactured and distributed to similar types of customers.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the assets role, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment Liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain borrowings.

Unallocated items

The following items of revenue, expenses, asset and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

NOTE 2: OPERATING SEGMENTS (CONTINUED)

- impairment of assets and other non-recurring revenue or expenses;
- income tax expense;
- deferred tax asset and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Rigid packaging	Industrial packaging	Total
Six months ended 31.12.2009			
Revenue			
External sales	24,443,533	21,520,527	45,964,060
Inter-segment sales	3,819,251	-	3,819,251
Total segment revenue	28,262,784	21,520,527	49,783,311
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(3,819,251)
Total group revenue			45,964,060
Segment net profit before tax			
	3,207,390	2,231,914	5,439,304
<i>Reconciliation of segment result to group net profit before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
* Corporate and finance charges			(501,425)
* Head office costs			(662,467)
* Inter-segment elimination			(32,496)
Net profit before tax from continuing operations			4,242,916

	Rigid packaging	Industrial packaging	Total
Six months ended 31.12.2008			
Revenue			
External sales	22,923,688	14,805,887	37,729,575
Inter-segment sales	2,502,243	-	2,502,243
Total segment revenue	25,425,931	14,805,887	40,231,818
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			(2,502,243)
Total group revenue			37,729,575
<i>Reconciliation of segment result to group net profit before tax</i>			
Segment net profit before tax	2,071,852	288,763	2,360,615

Reconciliation of segment result to group net profit before tax

Amounts not included in segment result but reviewed by the Board:

Unallocated items:

* Corporate and finance charges	(646,702)
* Head office costs	(551,595)
* Inter-segment elimination	57,265

Net profit before tax from continuing operations	1,219,583
---	------------------

(ii) Segment assets

	Rigid packaging	Industrial packaging	Total
As at 31.12.2009			
Segment assets	15,223,196	21,549,201	36,772,397
<i>Reconciliation of segment assets to group assets</i>			
Inter -segment eliminations			(1,659,541)
Unallocated assets			43,863,746
* Deferred tax assets			643,241
* Intangibles			38,195,247
* Other			5,025,258
Total group assets from continuing operations			78,976,602

	Rigid packaging	Industrial packaging	Total
As at 30.06.2009			
Segment assets	13,604,917	19,643,386	33,248,303
<i>Reconciliation of segment assets to group assets</i>			
Inter -segment eliminations			(2,476,762)
Unallocated assets			42,653,144
* Deferred tax assets			634,690
* Intangibles			38,195,247
* Other			3,823,207
Total group assets from continuing operations			73,424,685

(iii) Segment liabilities

	Rigid packaging	Industrial packaging	Total
As at 31.12.2009			
Segment liabilities	7,473,583	10,940,303	18,413,886
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter -segment eliminations			(1,557,455)
Unallocated liabilities			8,611,492
* Deferred tax liabilities			-
* Other liabilities			8,611,492
Total group liabilities from continuing operations			25,467,923

As at 30.06.2009			
Segment liabilities	7,124,187	10,298,521	17,422,708
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter -segment eliminations			(2,407,172)
Unallocated liabilities			7,715,604
* Deferred tax liabilities			-
* Other liabilities			7,715,604
Total group liabilities from continuing operations			22,731,140

(iv) The Group operates solely within Australia. As such there is only one 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 2009	Consolidated 2008
Net profit attributable to equity holders (\$)	2,970,041	853,708
Weighted average number of ordinary shares for basic earnings per share	120,154,894	118,542,581
Basic earnings per share (cents per share) *	2.47	0.72
Diluted earnings per share (cents per share) *	2.47	0.72

* The difference between basic and diluted shares on issue represents the PPG Executive Long Term Incentive Plan shares on issue which are treated as an option grant. As the average exercise price of the options was higher than the average market price per share during both the current and prior years, the options would not have been exercised and therefore no dilution has occurred.

NOTE 4: DIVIDENDS PAID AND PROPOSED

The Directors have declared an interim dividend of 1.0 cent per share in respect of the half year ended 31 December 2009. The company has determined a record date of 12 March 2010 and a payment date of 9 April 2010. Shareholders may elect to participate in the Company's Dividend Reinvestment Plan in respect of this dividend.

Franking credit balance

The half-year financial report has been prepared on the basis that the Group has adopted the provisions of the tax consolidation regime for the year ending 30 June 2009 and 30 June 2008. As such franking credits arising from the other Group companies totalling \$8,855,944 will be available to the parent entity.

NOTE 5: CONTRIBUTED EQUITY

	Consolidated 2009 \$		Consolidated 2008 \$	
Ordinary shares				
Issued and fully paid	<u>48,599,761</u>		<u>48,153,866</u>	
<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$</i>	<i>Number</i>	<i>\$</i>
Balance at beginning of the half year	120,160,298	48,153,866	120,027,989	47,605,676
Shares issued under the dividend re-investment plan	2,858,405	445,895	1,612,311	548,190
Cancellation of shares for Executive Long Term Incentive Plan	-	-	(1,480,000)	-
Balance at the end of the half year	123,018,703	48,599,761	120,160,300	48,153,866

There was no par value for the shares issued. The company has an Executive Long Term Incentive Plan under which the company's shares have been granted.

NOTE 6: ASSETS PER SECURITY

	Consolidated 2009 Cents	Consolidated 2008 cents
Net assets per share	44.19	41.24
Net tangible assets per share	10.63	6.91

NOTE 7: SIGNIFICANT EVENTS DURING THE PERIOD

There were no significant events during the period.

NOTE 8: CONTINGENT LIABILITIES AND COMMITMENTS

As at balance sheet date the company had commitments for future capital expenditure totalling \$477,874.

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 2009 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



John Read
Director

Sydney
24 February 2010

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 and controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

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 company's and the consolidated entity's financial position as at 31 December 2009 and their 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. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

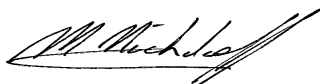
Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of their 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. D. Nicholaeff

Partner
Sydney

Dated: 24 February 2010



UHY Haines Norton

Chartered Accountants