PRO-PAC GROUP LIMITED

AND ITS CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

For the half-year ended
31 December 2004

ACN 104 805 361

COMPANY PARTICULARS

PRO-PAC GROUP LIMITED
ACN 104 805 361

DIRECTORS
Alexander D H Beard
Vanda R Gould
Elliott G Kaplan
Jonathan R Kahn

SECRETARY
Michael J Bower

REGISTERED OFFICE
Level 42, AAP Centre, 259 George Street
SYDNEY, NSW 2000, AUSTRALIA
Telephone: (02) 9087 8000
Facsimile: (02) 9087 8088

AUDITORS
HLB Mann Judd (NSW Partnership)
Chartered Accountants
Level 19, 207 Kent Street
SYDNEY, NSW 2000, AUSTRALIA

BANKERS
Westpac Banking Corporation Limited
St. George Bank Limited

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31st December 2004 and the auditors' review thereon.

Directors

The Directors of the Company during or since the end of the half-year are:

Alexander Damien Harry Beard
Vanda Russell Gould
Elliott Grant Kaplan
Jonathan R. Kahn (appointed: 13 January 2005)

Review of Operations

During the six months ended 31st December 2004, the consolidated entity continued to grow its industrial packaging manufacturing and distribution businesses, both organically and through acquisition. During the period, two additional small industrial packaging distribution businesses were acquired, one based in Sydney and one based in Melbourne.

Operating Results

The profit after tax of the consolidated entity for the period amounted to $791,885.

Dividends

No dividends were paid during the period.

The Directors expect to announce a dividend in respect of the financial period in due course.

Auditor's Independence Declaration

A copy of the Independence Declaration given to the Directors by the lead auditor for the review undertaken by HLB Mann Judd (NSW Partnership) is included on page 13.

Signed and dated at Sydney this 4th day of March 2005 in accordance with a Resolution of Directors.

ELLIOTT G KAPLAN	**JONATHAN R KAHN**
Director	**Director**

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	Consolidated	
		31 Dec 2004	31 Dec 2003
		$	$
Revenue from Sale of Goods		11,109,120	9,360,494
Interest Income – Other Parties		40,790	24,993
Total Revenues From Ordinary Activities		11,149,910	9,385,487
Expenses			
Audit Fees		15,006	26,000
Amortisation of Goodwill		227,494	207,978
Bad Debts Expense on Trade Receivables	2	54,140	9,034
Borrowing Costs Expense		12,855	-
Distribution, Consumables & Royalty Costs		488,355	404,063
Cost of Goods Sold		6,357,795	5,035,255
Depreciation Expense		92,831	62,850
Employee Expenses		1,749,076	1,561,922
Equipment Operating Lease Payments		54,495	94,456
Rental Expenses		184,653	159,005
Other Expenses from Ordinary Activities		677,987	728,687
Profit from Ordinary Activities Before Related Income Tax Expense		1,235,223	1,096,237
Income Tax Expense	3	443,338	333,367
Net Profit	12	791,885	762,870
Net Profit Attributable to Outside Equity Interests		200,037	196,272
Net Profit Attributable to Members of the Parent Entity	11	591,848	566,598
Total Changes in Equity Attributable to Members of the Parent Entity other than those arising from transactions with Owners as Owners:		591,848	566,958

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Notes	Consolidated	
		31 Dec 2004	30 Jun 2004
		$	$
CURRENT ASSETS			
Cash Assets	12	1,964,748	2,201,884
Receivables	5	3,892,640	3,236,872
Inventories	6	1,533,355	1,139,521
Current Tax Assets		86	86
Other Assets		153,448	73,424
Total Current Assets		7,544,277	6,651,787
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	1,240,342	670,692
Intangible Assets	8	7,174,278	5,162,720
Deferred Tax Assets		155,964	139,700
Total Non-Current Assets		8,570,584	5,973,112
TOTAL ASSETS		16,114,861	12,624,899
CURRENT LIABILITIES			
Payables	9	3,065,005	2,810,237
Interest Bearing Liabilities		183,830	-
Provisions		335,099	267,589
Current Tax Liabilities		458,573	390,392
Total Current Liabilities		4,042,507	3,468,218
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities		120,657	-
Provisions		39,901	84,447
Total Non-Current Liabilities		160,558	84,447
TOTAL LIABILITIES		4,203,065	3,552,665
NET ASSETS		11,911,796	9,072,234
EQUITY			
Contributed Equity	10	10,042,009	6,941,989
Retained Profits	11	1,869,787	1,277,939
Total Parent Entity Interest		11,911,796	8,219,928
Outside Equity Interest		-	852,306
TOTAL EQUITY		11,911,796	9,072,234

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	Consolidated	
		31 Dec 2004	31 Dec 2003
		$	$
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Cash Receipts in the Course of Operations		11,503,317	9,360,596
Cash Payments in the Course of Operations		(10,843,943)	(8,644,920)
Interest Received		40,790	24,907
Interest Paid		(12,855)	(48)
Income Taxes Paid		(391,421)	(266,888)
Other		-	-
Net Cash Provided by Operating Activities	12	295,888	473,647
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment		(362,104)	(109,545)
Proceeds from Sale of Property, Plant and Equipment		20,455	-
Payments for Controlled Entities and Businesses net of Cash Acquired		(236,574)	(1,743,261)
Refund of Payments for Controlled Entities		45,199	-
Net Cash Used in Investing Activities		(533,024)	(1,852,806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		-	107,975
Issue of Shares		-	1,581,887
Cash Provided by Financing Activities		-	1,689,862
Net (Decrease)/ Increase in Cash Held		(237,136)	310,703
Cash at the Beginning of the Period		2,201,884	908,932
CASH AT THE END OF THE PERIOD	12	1,964,748	1,219,635

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE HALF YEARLY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Australian Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004.

The accounting policies adopted are consistent with those of the previous financial year.

NOTE 2: BAD DEBTS EXPENSE ON TRADE RECEIVABLES

Included in Bad Debts Expense on Trade Receivables is an individually significant amount of $46,552 relating to the write-off of a trade debt owing by TVSN Limited, a public listed company, that was put into receivership during the period.

	Consolidated	
	31 Dec 2004	31 Dec 2003
	$	$
NOTE 3: TAXATION		
Income Tax Expense:		
Prima facie Income Tax Expense calculated at 30% (2003: 30%) on the Profit from Ordinary Activities	370,567	328,871
Increase in Income Tax Expense due to:		
Sundry Items	4,341	4,139
Amortisation of Goodwill	68,248	62,393
Future Tax Assets Not Recognised	332	3,154
	443,488	398,557
Prior Year Over Provision	(150)	(65,190)
Income Tax Expense attributable to Profit from Ordinary Activities	443,338	333,367

NOTE 4: DIVIDENDS

No dividends were paid during the period.

The Directors expect to announce a dividend in respect of the financial period in due course.

	Consolidated	
	31 Dec 2004	30 Jun 2004
	$	$
NOTE 5: RECEIVABLES		
Current		
Trade Debtors	3,853,550	3,136,836
Other Debtors	39,090	100,036
Total Current Receivables	3,892,640	3,236,872

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE HALF YEARLY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

	Consolidated	
	31 Dec 2004	30 Jun 2004
	$	$
NOTE 6: INVENTORIES		
Current		
Raw materials and work in progress	95,003	213,824
Finished Goods – at Cost	1,438,352	925,697
Total Inventories	1,533,355	1,139,521
NOTE 7: PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
At cost	2,418,691	1,508,695
Accumulated depreciation	(1,178,349)	(838,003)
Total Plant and Equipment	1,240,342	670,692
Total Property, Plant & Equipment	1,240,342	670,692
Reconciliation:		
Carrying amount at beginning of year	670,692	617,178
Additions	682,936	177,387
Disposals	(20,455)	(2,694)
Depreciation	(92,831)	(121,179)
Total Property, Plant & Equipment	1,240,342	670,692
NOTE 8: INTANGIBLE ASSETS		
Goodwill	7,934,712	5,695,660
Accumulated Amortisation	(760,434)	(532,940)
	7,174,278	5,162,720

Goodwill is amortised on a straight-line basis over the periods during which benefits are expected to be received. The periods in use during the half year range from 10 to 13 years.

	31 Dec 2004	30 Jun 2004
NOTE 9: PAYABLES		
Current		
Trade Creditors	2,341,966	2,091,345
Loans from Parent Entity	14,997	56,067
Royalties Payable	114,925	77,140
GST Payable	120,741	162,407
Other Taxes Payable	135,539	141,444
Sundry Creditors and Accruals	336,837	281,834
Total Current Accounts Payable	3,065,005	2,810,237

NOTE 10: CONTRIBUTED EQUITY

Issued and Paid-Up Share Capital:

	Half Year to 31 Dec 2004	
	Number	**$**
Fully Paid Ordinary Shares		
Balance at Beginning of Period	6,941,989	6,941,989
Shares Issued During the Period	1,735,498	3,100,020
Balance at End of Period	8,677,487	10,042,009

NOTE 11: RETAINED PROFITS

Retained Profits at the Beginning of the Period	1,277,939
Net Profit Attributable to Members of the Parent Company	591,848
Retained Profits at the End of the Period	1,869,787

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

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

	Consolidated	
	31 Dec 2004 $	30 Jun 2004 $
Cash Assets	1,964,748	2,201,884

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

	Consolidated	
	31 Dec 2004 $	31 Dec 2003 $
Profit from Ordinary Activities after Income Tax	791,885	762,870
Add/(Less) Non-Cash Items:		
Depreciation and Amortisation of Property, Plant and Equipment	92,831	62,850
Amortisation of Goodwill	227,494	207,978
Movement in Income Tax Provision	68,181	164,758
Movement in Deferred Tax Assets & Liabilities	(16,264)	(98,365)
Changes in Assets and Liabilities:		
Receivables	(655,768)	(863,531)
Inventories	(393,834)	(140,987)
Payables	254,768	389,550
Provisions	22,964	25,317
Other Assets & Liabilities	(96,369)	(36,793)
Net Cash Provided By Operating Activities	295,888	473,647

NOTE 13: SEGMENT REPORTING

The Consolidated Entity operates solely in the packaging industry within Australia.

NOTE 14: CONTROL GAINED OVER ENTITIES HAVING MATERIAL EFFECT

There were no new entities having material effect over which control was acquired during the current period.

During the period the Company increased its interests in Pro-Pac Packaging (Aust) Pty Ltd, and its controlled entities, and Pro-Pac (GLP) Pty Ltd from 80% to 100%. The shareholdings of Pro-Pac Packaging (Aust) Pty Ltd and Pro-Pac (GLP) Pty Ltd not previously held by the Company were cancelled in consideration for 1,735,498 shares in the Company, at a valuation of $3,100,020. As a result of the change, outside equity interests of $1,052,343 were acquired and there was an increase in intangible assets in the consolidated entity of $2,047,677.

During the period the consolidated entity acquired 2 unincorporated businesses for a total consideration and costs of $236,574, with a corresponding increase in intangible assets.

At 31 December 2004, all entities within the consolidated entity are held 100%.

NOTE 15: CONTINGENT ASSETS & LIABILITIES

The Consolidated Entity has a licence agreement with Green Light Packaging Limited, "the Licensor", for the manufacture and sale of bio-degradable loose fill packaging and pays royalties based on the sales value of those products. In accordance with the licence agreement, in the event of a change in control of Pro-Pac (GLP) Pty Limited, a wholly owned subsidiary of the Company, the Licensor has the right to demand a lump sum payment from the Consolidated Entity, in lieu of the royalties that would otherwise have been payable for the remaining period of the licence.

The lump sum payment would be calculated on the basis of the greater of:

- the average of the previous 2 years royalties multiplied by the number of years remaining until expiry of the Licence; or
- the aggregate of the annual minimum royalties for each year remaining until the expiry of the Licence.

The amount so calculated will be discounted to present value by the then 30 day bank bill rate capped at 6.5%.

The lump sum that would have been payable if a change of control had occurred at the date of this report would have been approximately $3.1 million.

Should any lump sum be payable it is expected that for financial reporting it would be treated as an asset of the Consolidated Entity to be amortised over the remaining period of the licence.

NOTE 16: SUBSEQUENT EVENTS

Other than as disclosed in this report, there were no significant events between 31st December 2004 and the date of this report.

NOTE 17: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In July 2004, as part of the process to harmonise Australian Accounting Standards with IFRSs, the Australian Accounting Standards Board issued a suite of new and revised Australian Accounting Standards. Following the issue of the standards the Company commenced a formal process of assessing the impacts of the new standards on the Company and controlled entities and in particular to determine:

- those changes that are expected to have material financial reporting effects on the Company and controlled entities; and
- the impacts on the statement of financial position, 'balance sheet', of the Company and controlled entities at 30 June 2004.

As a result of the preliminary work the Company identified a number of areas where differences in accounting policies are expected to arise from adopting the new accounting standards and these were analysed in the Company's 30 June 2004 financial report.

As at the date of this report, it is expected that the key difference arising in respect of the adoption of the new standards will arise in relation to Intangible assets. Currently the consolidated entity amortises goodwill arising on business acquisitions. The new accounting standard *"AASB 138 – Intangible Asset"* requires that goodwill arising on acquisitions be subjected to testing at each reporting date for impairment instead of being amortised. In reporting periods in which goodwill is not considered to have suffered impairment in value this will increase reported results compared to the current accounting policy. In the current financial period, $227,494 was charged against consolidated results for goodwill amortisation.

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
HALF YEARLY REPORT

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the financial statements and associated notes comply with Accounting Standard 1029: Interim Financial Reporting;

(b) the financial statements and notes give a true and fair view of the financial position as at 31 December 2004 and performance as represented by the results of its operation and cash flows of the consolidated entity for the half-year then ended; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable.

This statement has been made in accordance with a resolution of directors.

Signed at Sydney this 4th day of March 2005.

ELLIOTT G. KAPLAN
Director

JONATHAN R. KAHN
Director

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
HALF YEARLY REPORT

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Pro-Pac Group Limited:

As lead auditor for the review of Pro-Pac Group Limited for the half year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;

and

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

Signed at Sydney this 4th day of March 2005.

P. Meade

P B Meade
Partner
HLB Mann Judd
HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

PRO-PAC GROUP LIMITED & CONTROLLED ENTITIES
HALF YEARLY REPORT

INDEPENDENT REVIEW REPORT

To the members of Pro-Pac Group Limited (ACN 104 805 361)

Scope

We have reviewed the financial report of Pro-Pac Group Limited for the half-year ended 31 December 2004 as set out on pages 4 to 12. The financial report includes the consolidated financial statements of the consolidated entity comprising Pro-Pac Group Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

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

Independence

In conducting our review we followed applicable independence requirements of Australian professional ethical pronouncements.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that causes us to believe that the half-year financial report of Pro-Pac Group Limited is not in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, and other mandatory professional reporting requirements in Australia, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.

HLB Mann Judd

HLB Mann Judd
(NSW Partnership)
Chartered Accountants

P Meade

P B Meade
Partner

Sydney, 4th March 2005