

APPENDIX 4E

PRELIMINARY FINAL REPORT

PLASPAK GROUP LIMITED

ABN 65 003 964 181

FINANCIAL YEAR ENDED 30 JUNE 2004

HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

(figures are in A\$000s)

REVENUES FROM ORDINARY ACTIVITIES	DOWN	11.2% TO	75,094
OPERATING PROFIT FROM ORDINARY ACTIVITIES EXCLUDING INDIVIDUALLY SIGNIFICANT ITEMS	UP	17.2% TO	6,956
OPERATING PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	UP	218% TO	6,652
PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS	UP	332% TO	6,909

RESULT AFFECTED BY THE FOLLOWING INDIVIDUALLY SIGNIFICANT ITEMS

* SALE OF ADELAIDE THERMOFORMING BUSINESS	(146)
* ANTI-DUMPING DUTY LEVIED ON PVC MATERIAL IMPORTS	(352)
* RESTRUCTURING & RELOCATION COSTS	(414)
* SALE OF MORDIALLOC BUILDING SURPLUS AFTER PLANT CLOSURE LAST YEAR	<u>608</u>
	<u>(304)</u>

PROFIT AFTER TAX SIGNIFICANTLY AFFECTED BY TAX CREDIT FROM INCOME TAX CONSOLIDATION EFFECTIVE 1 JULY 2003.	1,885
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2004 FULLY FRANKED FINAL DIVIDEND PER SHARE	3.75c
2003 FULLY FRANKED FINAL DIVIDEND PER SHARE	3.5c
RECORD DATE FOR DETERMINING ENTITLEMENT TO DIVIDEND	1-Nov-04

COMMENTARY ON RESULTS

The rationalisation of underperforming businesses during the prior year and the implementation of further efficiency initiatives has contributed to improved results by Plaspak during the current reporting period.

In addition this year's after tax results were positively affected by a one off reduction in income tax expense as a result of implementation of tax consolidation for the Group. This has resulted in a Profit after Tax of \$6.909 million which represents an increase of \$4.828 million (332%) on prior year. EPS for the year are 10.3 cents up from 3.2 cents in the prior year.

Pre-Tax Operating Profit from ordinary activities of \$6.956 million (excluding individually significant items) represents an increase of 17.2% on the corresponding period last year.

This was achieved after allowing for:

- significant, unexpected and sustained plastic raw material price increases at various stages during the 2004 year;
- carrying costs of \$438,000 on both the Mordialloc, Victoria property (sale not settled until 22 June 2004) and the new Kirrawee, New South Wales property (purchased in January 2004 but not occupied until late July, 2004); and
- sales revenue down 12.2% on the corresponding period last year attributable to the closure of the Adelaide business in August 2003.

The Company's stronger balance sheet continues to provide the Company with the opportunity of considering larger potential acquisitions. Plaspak has substantial holdings in land and buildings which are recorded in the balance sheet at a historical cost of \$23.9 million. Most recent estimates of value support a net realisable value of approximately \$36 million (after charges and taxes). This would result in an increase in the NTA backing per share from 65.8 cents to 83.7 cents.

Plaspak therefore is well positioned to pursue acquisitions in plastics or other manufacturing industries which offer synergies or good value.

In recognition of the improved performance of Plaspak during the 2004 year, the Board have increased the final dividend from 3.5 cents to 3.75 cents per share. With the increased interim dividend this provides shareholders with a total fully franked dividend for the year of 6.5 cents per share up 0.5 cents per share (8%) over the previous year.

The previously announced rationalisation initiatives for the 2005 year and strategic growth objectives will see a continuation of the improvement in pre-tax operating profit achieved during this reporting period. However this will be subject to Plaspak's ability to fully recover continuing increases in plastic raw material prices and continuation of a favourable economic environment.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	CURRENT YEAR	PRIOR YEAR
	\$000s	\$000s
Revenues from ordinary activities		
Sales Revenue	73,817	84,120
Interest Revenue	100	65
Profit on sale of assets	692	-
Foreign exchange gains	9	37
Other revenue	476	414
	<u>75,094</u>	<u>84,636</u>
Expenses from ordinary activities		
Cost of sales	54,550	66,324
Loss on sale of assets	-	260
Warehouse & Distribution expenses	4,316	4,552
Selling Expenses	1,710	1,584
Administration Expenses	5,803	6,629
Borrowing costs	2,063	2,239
	<u>68,442</u>	<u>81,588</u>
Profit from ordinary activities before tax	<u>6,652</u>	<u>3,048</u>
Income Tax (Credit) / expense	(257)	967
Net Profit After tax attributable to members	<u><u>6,909</u></u>	<u><u>2,081</u></u>
Earnings per share	10.3 cents	3.2 cents
Diluted Earnings per share	10.3 cents	3.1 cents
INDIVIDUALLY SIGNIFICANT ITEMS		
Unsuccessful acquisition costs	-	(309)
Writedown of assets & provision for redundancies on sale of Adelaide thermoforming business	(146)	(1,820)
Closure of Mordialloc manufacturing facility in Melbourne	-	(758)
Sale of surplus Mordialloc manufacturing building in Melbourne	608	-
Anti-dumping duty on PVC material imports	(352)	-
Relocation & Restructuring costs	(414)	-
	<u>(304)</u>	<u>(2,887)</u>
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING INDIVIDUALLY SIGNIFICANT ITEMS		
Cost of sales	53,784	64,643
Loss / (Profit) on sale of assets	-	(52)
Warehouse & Distribution expenses	4,316	4,530
Selling Expenses	1,710	1,478
Administration Expenses	5,803	5,863
Borrowing costs	2,063	2,239
	<u>67,676</u>	<u>78,701</u>
DEPRECIATION AND AMORTISATION COSTS		
Depreciation & amortisation of property, plant & equipment	5,540	7,228
Amortisation of goodwill	171	403
Amortisation of other intangibles	60	48
	<u>5,771</u>	<u>7,679</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30-Jun-04 \$000s	30-Jun-03 \$000s	31-Dec-03 \$000s
Current Assets			
Cash	123	35	157
Receivables	14,440	14,625	14,724
Inventories	11,094	12,524	10,208
Prop. Plant & Equip held for sale	2,226	6,625	4,665
Other	753	839	490
Total Current Assets	28,636	34,648	30,244
Non Current Assets			
Investments	4,932	4,932	4,932
Property Plant & Equipment	52,389	48,740	46,470
Intangibles	2,412	2,496	2,516
Tax Assets	979	1,408	990
Other	1,341	876	1,225
Total non current assets	62,053	58,452	56,133
TOTAL ASSETS	90,689	93,100	86,377
Current Liabilities			
Payables	10,621	10,603	8,708
Borrowings	6,287	7,734	8,368
Tax Liabilities	-	-	-
Provisions	1,233	1,964	1,131
Other	30	6	16
Total Current Liabilities	18,171	20,307	18,223
Non Current liabilities			
Borrowings	23,361	25,038	19,789
Payables	-	-	269
Tax Liabilities	747	2,736	2,643
Provisions	1,319	1,790	1,340
Other	246	-	33
Total Non Current liabilities	25,673	29,564	24,074
TOTAL LIABILITIES	43,844	49,871	42,297
NET ASSETS	46,845	43,229	44,080
Equity			
Contributed equity	38,475	37,581	38,250
Reserves	47	40	41
Retained profits	8,172	5,457	5,638
Equity attributable to members of the parent entity	46,694	43,078	43,929
Outside equity interests	151	151	151
TOTAL EQUITY	46,845	43,229	44,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30-Jun-04 \$000s	Year Ended 30-Jun-03 \$000s
Cash flows related to operating activities		
Receipts from customers	82,643	94,125
Payments to suppliers and employees	(66,708)	(79,679)
Other Revenue	457	380
Interest Revenue	100	65
Income taxes paid	(1,303)	(2,000)
Other	(1,582)	(1,735)
Net Operating Cash Flows	13,607	11,156
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(7,436)	(1,931)
Proceeds from sale of property, plant and equipment	7,077	290
Payment for purchases of equity investments	-	-
Other	(160)	(41)
Net Investing cash flows	(519)	(1,682)
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc)	233	84
Proceeds from borrowings	7,000	2,700
Repayment of borrowings	(14,619)	(7,357)
Dividends paid	(3,614)	(3,187)
Interest and costs of borrowings	(2,068)	(2,239)
Net financing cash flows	(13,068)	(9,999)
Net increase (decrease) in cash held	20	(525)
Cash at beginning of period	(805)	(280)
Cash at end of period	(785)	(805)
Reconciliation of cash		
Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
Cash on hand and at bank	123	35
Bank Overdraft	(908)	(840)
Total cash at end of period	(785)	(805)

Non Cash Financing and Investing Activities

\$000s

Value of shares issued under Dividend Reinvestment Plan	580
Employee share loans for exercise of options under Plaspak Executive Incentive Scheme	81
Addition to Plant & Equipment under finance leases and hire purchase agreements.	3,691

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB

1027: Earnings per share are as follows:

	<u>2004</u>	<u>2003</u>
Earnings used in the calculation of basis EPS	6,909,000	2,081,000
Earnings used in the calculation of diluted EPS	6,909,000	2,081,000

Weighted average number of ordinary shares outstanding

During the year used in the calculation of:

Basic EPS	67,135,293	65,805,444
Diluted EPS	67,301,761	66,212,715

Basic EPS - Cents	10.3	3.2
Diluted EPS - Cents	10.3	3.1

NTA Backing	Current period	Previous corresponding period
Net tangible asset backing per share	65.8 cents	61.3 cents

DIVIDENDS

Final dividend resolved to be paid	3.75 cents / share fully franked
Date dividend is payable	12 November 2004
Record date	1 November 2004

	<u>Current Year</u>	<u>Previous Year</u>
Interim Dividend	2.75 cents	2.5 cents
Final Dividend	<u>3.75 cents</u>	<u>3.5 cents</u>
	6.5 cents	6.0 cents

The amount of retained profits and reserves that could be distributed as fully franked dividends from franking credits that exist or will arise after payment of income tax in the next year in respect to the 2004 year is \$10,329,256. We anticipate that dividends will be fully franked for the foreseeable future.

	<u>Current Year \$000s</u>	<u>Prior Year \$000s</u>
Amount of final dividend payable - fully franked	2,533	2,327

Both current and prior year dividends were fully franked.

CONSOLIDATED RETAINED PROFITS	Current Year \$000s	Prior Year \$000s
Retained profits at the beginning of the financial year	5,457	7,660
Net profit attributable to members	6,909	2,081
Net effect of changes in accounting policies	-	(333)
Dividends paid	<u>(4,194)</u>	<u>(3,951)</u>
Retained profits at the end of the financial year	<u>8,172</u>	<u>5,457</u>

ORDINARY SHARES ON ISSUE	NUMBER
Number of securities on issue at beginning of year	66,499,254
Shares issued in November 2003 under Dividend Reinvestment Plan at issue price of \$0.94 per share	376,695
Shares issued in April 2004 under Dividend Reinvestment Plan at issue price of \$0.952 per share	237,156
Shares issued through exercise of options granted to employees under the Plaspak Executive Incentive Schemes at an average price of \$0.6959	445,000
	<u>67,558,105</u>

OPTIONS

There were 2,320,000 options outstanding as at balance date.

These consisted of:

- 920,000 executive share options with exercise prices ranging from 65 cents to \$1.21;
- 900,000 non-executive director options granted during the current year at an exercise price of \$1.65; and
- 300,000 executive director options granted to the Managing Director, David Hoff, in prior years with exercise prices ranging from \$0.76 cents to \$1.86.
- 200,000 executive director options granted to the Managing Director, David Hoff, in November 2003 with an exercise price of \$1.40.

445,000 executive options were exercised during the year at an average exercise price of \$0.67.

POST BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the period which significantly affected the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent periods.

AUDIT STATUS

The accounts are currently in the process of being audited.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

For years ending on or after 30 June 2006, all general purpose financial reports prepared in accordance with the requirements of Chapter 2M of the Corporations Act will be required to comply with Australian equivalents to International Financial Reporting Standards (IFRSs) instead of Australian Accounting Standards presently on issue. Comparative financial statements must also be presented in accordance with Australian equivalents to IFRSs for the year ending 30 June 2005.

Plaspak's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage Plaspak's transition to IFRS. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in Plaspak's accounting policies which will arise from the adoption of IFRS are:

i) Impairment of Assets

The group currently assesses the amount of impairment of assets by determining the recoverable amount on the basis of undiscounted cash flows. Under Australian equivalents to IFRSs, the group will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). It is likely that this change in policy and basis for calculation could lead to some more impairment losses being recognised. Initially, it should lead to a small improvement in earnings as a result of goodwill no longer being required to be amortised under IFRS. It is also likely that when discounting is initially applied on transition at 1 July 2004, impairment losses may need to be recognised on some assets (primarily goodwill), resulting in a negative impact on opening balances of retained earnings at that date. However, this effect will be immaterial and primarily related to the carried value of goodwill.

ii) Property, Plant and Equipment

The group currently measures land and buildings at cost and will continue to do so under Australian equivalents to IFRSs. However, under AASB 116 Property, Plant and Equipment, on transition, i.e. 1 July 2004, the group may elect to use the fair value as deemed cost exemption whereby the fair value of land and buildings will be determined at that date, and used as deemed cost thereafter. The group has not yet determined whether it will apply the deemed cost exemption, however, if the exemption is applied it is estimated that it will result in an increase in net assets of the group and an increase in retained earnings at 1 July 2004 under Australian equivalents to IFRSs. These increases could have a negative impact on future earnings in the form of increased depreciation charges within the group.

iii) Hedging

All derivatives contracts, predominantly hedging instruments, will be carried at fair value on the group's statement of financial position. It is expected that the group's hedging instruments will be classified as either fair value or cash flow hedges. The accounting for these hedges can only be considered where effectiveness tests are met.

Ineffectiveness outside the prescribed range precludes the use of hedge accounting and may result in some volatility in the statements of financial performance. The group expects to predominantly use cash flow hedging in respect of its interest rate risk hedges, which could create volatility in equity reserve balances.

The hedging rules will impact the way the group accounts for hedges of its funding and the treatment of hedges in its statement of financial position. This could result in new assets and liabilities being recognised, increased volatility in future earnings and will have an initial impact on operating retained earnings at 1 July 2004. However, it is likely this will have minimal effect on the Plaspak group.

iv) Share-Based Payments

The group does not currently recognise an expense for options issued to staff, under the Plaspak Executive Incentive Scheme. On adoption of Australian equivalents to IFRSs, the group will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses being recorded and therefore lower earnings. There will be an initial negative impact on opening balances of retained earnings at 1 July 2004 when retrospective adjustments are made for options that have not vested by 1 January 2005. However, as relatively few options have been granted in recent years this should have an immaterial effect.

v) Revenue on Disposal of Property, Plant and Equipment

Currently the group includes gross revenue received on disposal of property, plant and equipment as revenue. Under Australian equivalents to IFRSs, gains and losses on sale of assets will be recognised on a net basis in revenue, resulting in lower revenue being recorded by the group. However, this will have no earnings impact.