

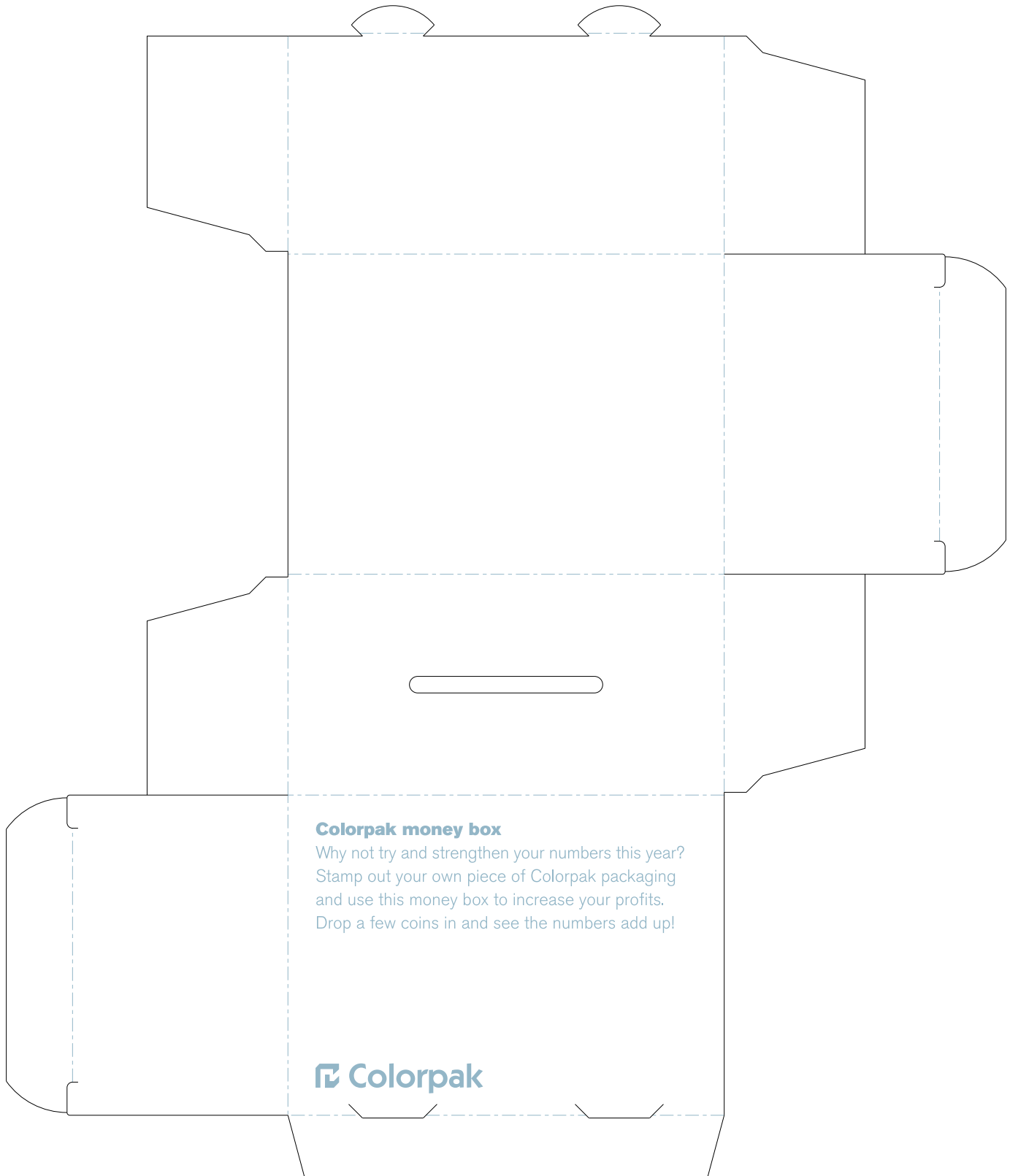


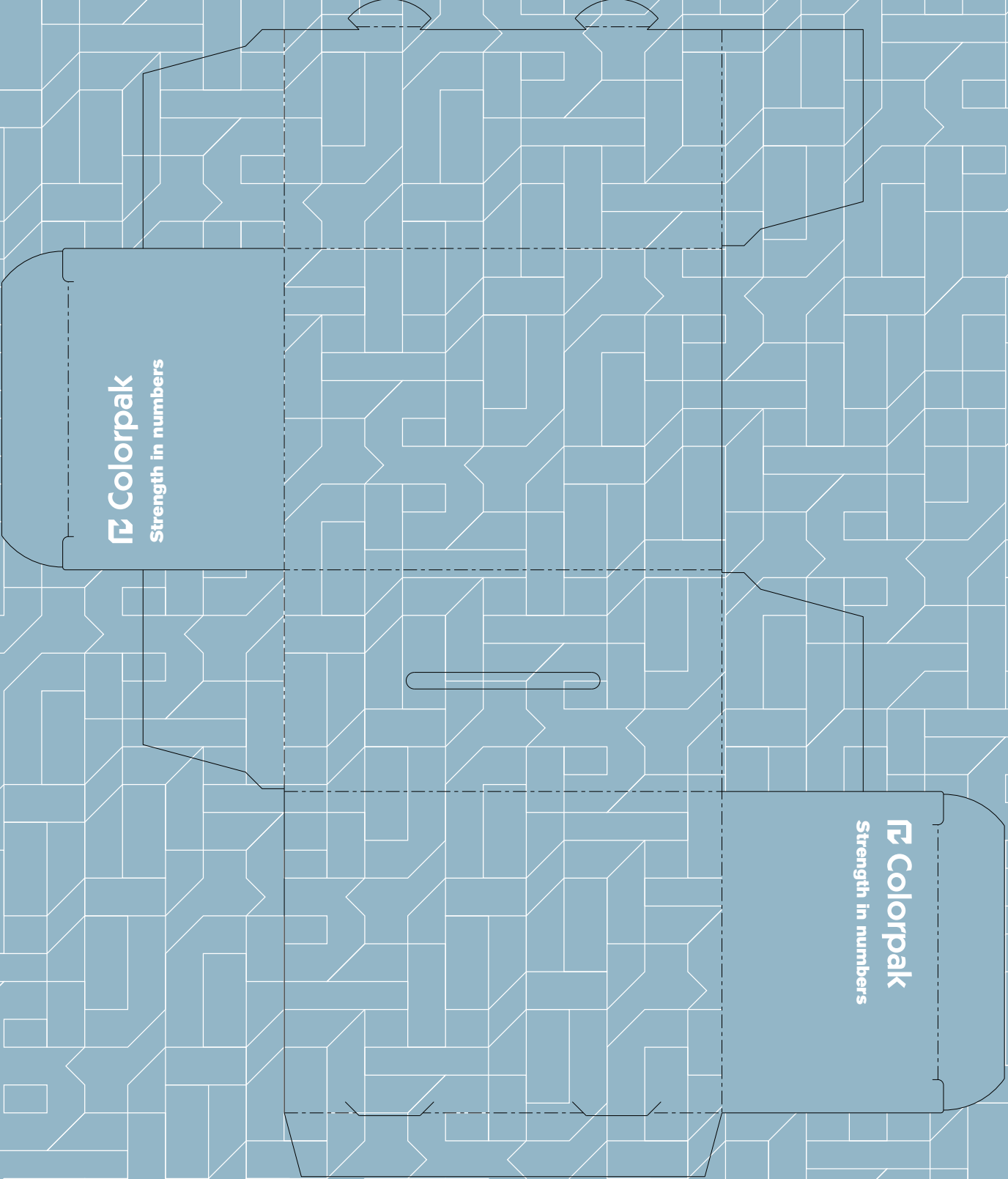
 **Colorpak** Strength in numbers



Contents

| | |
|--------------------------------|----|
| Chairman's Report | 3 |
| Managing Director's Report | 6 |
| Board of Directors & Secretary | 10 |
| Corporate Governance Statement | 13 |
| Financial Statements | 17 |
| ASX Additional Information | 72 |





 **Colorpak**
Strength in numbers

 **Colorpak**
Strength in numbers

The Colorpak history

The Colorpak business dates back to the 1950s and has grown in strength to become a prominent participant in the folding carton segment of the paper and board packaging industry in Australia.

Colorpak services a customer base comprising national and international companies from its purpose-built manufacturing facilities in Melbourne and Sydney.

Colorpak specialises in the structural design and production of innovative folding cartons, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point of sale displays and other value-added paperboard packaging products for specific end-use markets.

These include pharmaceutical and healthcare; premium branded products comprising beverage, confectioneries, cosmetics and fragrances; food and household; personal care; premium wine; and technology.

Colorpak listed on the ASX in 2004.

Colorpak Limited

Annual General Meeting

The Annual General Meeting of Colorpak Limited will be held at:

Mercure Hotel Melbourne Conference Centre,
13 Spring Street Melbourne VIC 3000 on Friday,
24 October 2008 at 11.00 am, where this report
will be presented.

A separate notice of meeting and proxy will be provided.

Directors

G Willis
Chairman and Non-executive Director

A Commins
Managing Director

P Commins
Executive Director

T Dynon
Non-executive Director

D Heaney
Non-executive Director

Company Secretary

S Nicholls

Registered Office

63 – 73 Woodlands Drive
Braeside Vic 3195
Telephone: 61 3 9587 8333
Facsimile: 61 3 9587 8162

Auditors

Ernst & Young

Solicitors

Freehills

Bankers

National Australia Bank Limited
Australia and New Zealand Banking Group Limited

Share Register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: 1300 554 474

Internet Address

www.colorpak.com.au

The numbers tell the Colorpak story for 2008; strengthened profit, record growth and increased dividends for shareholders.

Behind strong numbers are solid foundations, sound judgement and good people.

The numbers consolidate over ten years of annual growth and set the scene for future opportunities.

We invite you to read on and let the numbers speak for themselves.



**We strengthened
our profit by 23%
on the previous year**

A productive year delivers strength in numbers.

On behalf of the Board of Directors and the management it is my pleasure to present Colorpak's Annual Report for the year ended 30th June 2008. We are pleased to report a record net profit after tax for the year ended 30th June 2008 of \$6.21million, generating earnings per share of 7.72 cents which is an improvement of 23% on the previous year.

We are also pleased that this level of profit improvement has afforded the company the ability to reward shareholders with fully franked dividends in respect of the 2008 year amounting to 3.0 cents and provide for a further fully franked special dividend of 1.0 cent per share. Additionally, Shareholders have also been provided with opportunity to reinvest in the company with the introduction of a dividend reinvestment plan.

The result for the 2008 year was built on the investment decisions of the past few years together with the management initiatives to capture the rewards of this investment through increased sales and improved efficiencies. The Managing Director's Report on 2008 provides the operational highlights and areas of advancement in greater detail. Save for me to say that since listing in 2004 we have continually grown and broadened the product mix and we now have two world class manufacturing facilities underpinning that market position.

The past year has demonstrated that sound financial planning is central to sustainable business development. Colorpak has taken measured development steps over the past few years and I am pleased to report that at 30th June 2008 the company is well within the prudential guidelines agreed with lenders and that the gearing at 34.9% debt to debt and equity is at the lowest level since listing. Further, the company's active management of the debt position has resulted in interest savings in 2008 and a well structured debt portfolio going forward. Retained earnings will again underpin the capital program for the 2009 year and the balance sheet will be further strengthened.

The membership of the Board and the senior management team remained unchanged throughout the year and we continue to work together very systematically to develop the business. Colorpak's governance practices have guided the development and it is notable that the company was fully compliant with the Corporate Governance Council's principles and recommendations through-out the year.

I would like to thank all Colorpak's staff for their dedication to customer service. We consider that this attention to customer service and our willingness to invest in meeting our customer's needs is the way to build shareholder wealth.



G.L. Willis
Chairman

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75
77
79
81



**We achieved record growth
running with a net profit**



growth for the second year after tax of \$6.21 million

Our debt was reduced by over \$3 million for the year, the lowest point since listing.

The 2008 year started well and the momentum continued consistently throughout the period. Organic sales growth was a healthy 9.5% despite the highly competitive arena in which we operate. Even more pleasing was that the company was able to extract a 22.9% NPAT growth from this turnover.

We were able to focus on driving more efficiency into our operations in particular in our new Regents Park facility where the significant investment made in the previous couple of years are starting to pay off. We have been very pleased with the customer response to this new world class production facility.

Highlights of the year

- Capital expenditure was maintained within the forecast band of less than \$2 million for the year;
- Debt reduction of over \$3 million for the year saw our gearing (debt to debt and equity) drop to 35%, the lowest point since listing;
- Our net debt of \$29.5 million is financed under facilities with two of Australia's big four banks. We have bill facilities in place which see some 90% of our debt fixed out until 2010-2012 at below the current prevailing interest rates;
- Our proprietary system for the pharmaceutical and healthcare sectors, PharmaKit, has continued to produce strong growth opportunities for both our flexibles and carton divisions;
- We have won additional work from blue chip pharmaceutical customers for foil and self adhesive labels and this increased volume will continue to flow into the 2009 results;
- Our penetration into the large scale beverage sector continues;
- We commissioned a new MIS system in the Regents Park carton division which now gives us a homogeneous operating system platform right throughout the group;
- We signed off a three year enterprise agreement in the Braeside division which underpins a stable industrial environment;
- A new gluer for Regents Park was installed in November 2007 to expand beverage capacity;
- Our upgrade of the Braeside waste extraction system was completed in January 2008;
- A new slitter/rewinder for the flexibles division was commissioned in June 2008; and
- A major upgrade of the IT infrastructure is in progress and is expected to be completed by February 2009.

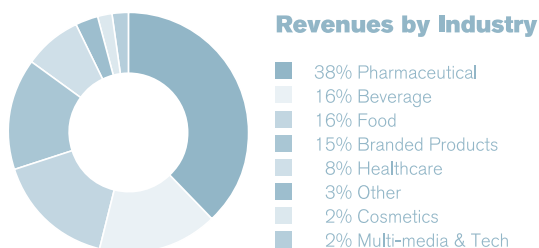
Colorpak to formalise environmental initiatives

For many years Colorpak has been an early adopter of new technologies such as digital proofing and computer to plate, each of which had positive impacts for the environment compared to previous technologies utilized. During the year we established an environmental committee to review our impact on the environment and to identify where we can make improvements to our carbon footprint. To that end, we are well down the track of being certified for ISO 14001, the Environmental management standard which is independently certified by a third party. We expect that certification will be in place by November 2008.

We recently became the first carton printer to be certified as members of the Waterless Printing Association and have been a signatory to the industry's self regulated Packaging Covenant since 2002.

Global Packaging Alliance

January 2008 saw the annual general meeting of the GPA (Global Packaging Alliance) held in South Africa. Members from countries represented included Germany, USA, Australia, Brazil, Indian and Russia. Three major business reviews were conducted and the end result was the induction of a new partner into the alliance, Masterpack of Harlotdale, Johannesburg. Masterpack is one of South Africa's premier packaging and print companies, producing high-end folding cartons, package inserts, and point-of-sale items for the pharmaceutical, cosmetic, and confectionery markets. Our association with the Alliance partners continues to enrich our international experience and customer focus and we are confident that the addition of Masterpack to the team will be another positive step.



Flexible division invests

After its successful integration into the Regents Park site the flexibles division has commissioned a new slitter/rewinder. This technology enables us to more efficiently process reels of foil post the printing process. We expect this investment to deliver its full financial benefits during 2009 as volume increases and a full year of operation of the new machine is realized.

A more modest year for capex

In 2008 net capital expenditure amounted to \$1.6 million which was deliberately quite modest in comparison to previous years. This enabled operations to be more settled during the year and allowed us to retire some additional debt. Major items of capex included the new MIS system, a new gluer and new slitter rewinder for Regents Park and the upgrade to the waste extraction system at Braeside.

In response to some excellent growth prospects at Regents park we have now identified the opportunity to enhance capacity there and as a result capex will be in the order of \$5 million for the 2009 year.

The balance sheet strengthens

As mentioned in the highlights we have reduced our gearing in terms of debt to debt and equity to a new low of 34.9%. We have ample headroom in our facilities with our two banks to give us reasonable flexibility to manage and grow our business. In 2009 we are forecasting another year of top and bottom line growth. Therefore, exclusive of any acquisitions and with reasonable capital expenditure activity forecast, we can expect further strengthening to the balance sheet.

Market position and performance

For the eighth consecutive year we are pleased to report we have ranked as one of the industries leading performers as measured by BIS Shrapnel – Paperboard and Packaging Survey, 2007-2008. A culture of uncompromising quality and service has led to this consistent result and it is a record of which we are very proud.

Colorpak is now the third largest manufacturer in the Australian folding carton market with approximately 11.2% market share with only Carter Holt Harvey and Amcor holding higher shares.

We have been able to grow at a CAGR (compound annual growth rate) of 15% for the last ten consecutive years despite the impact of losing volume in the order of \$5.5 million from international companies which have closed their manufacturing operations in Australia and relocated offshore during the last four years.

Customer base continues to broaden

A little over 50% of our revenues are derived from the pharmaceutical/healthcare sector. This sector remains our key focus and fits well within our core expertise. Other major areas of exposure include FMCG, beverage, food, cosmetics and technology and multimedia. Strongest growth this year and last has come out of the beverage sector as a result of industry consolidation within the carton industry. We are working diligently to continue to achieve a balanced growth across all sectors.

Summary

The entire team at Colorpak is very pleased to have put another solid year of sales and profit growth on the record. Our focus is to be crucial supplier partners to our customers and this is what drives our actions and decisions everyday. Accordingly, it is satisfying to see results like these flow after a concerted investment phase to build a world class platform. We are well placed for future growth and ready to capitalise on further opportunities as they present during the ongoing consolidation of this industry.

I would like to thank all our suppliers who collaborate with us to provide commercial solutions to our customers. I would like to thank the board for their input and wisdom. And finally, a big thank you to every employee for their efforts in 2008. We look forward to another exciting year in 2009 with the goal to drive increased shareholder and stakeholder value.

Alex Commins
Managing Director




\$5

\$68.6m 2006

\$71.0m 2007

\$77.8m 2008



**We have
been able to
improve at
a compound
annual growth
rate of 15%
for the last
ten years**

58.3m 2005

\$49.1m

Board of Directors and Secretary

The names and details of the company's directors and secretary in office during the financial year and until the date of this report are as follows. Directors and secretary were in office for this entire period unless otherwise indicated.

Mr Geoff Willis, 60

B.Comm, MBA, CPA, AICD
Chairman; Member, Audit and Risk Management Committee; Member, Nomination & Remuneration Committee

Geoff has a strong commercial and industrial background and has undertaken a number of senior management roles during the past decade. He has been Chairman of Colorpak since 12 January 2004.

Geoff was the CEO of Hydro Tasmania from 1999 to 2007 and prior to that appointment he was a member of the Amcor senior management team from 1982 to 1998. Geoff was directly involved in Amcor's move into the corrugated box industry, in the initial moves to internationalise the packaging operations and in the integration of APPM into the Amcor Group, culminating in his appointment as Managing Director of the Amcor Paper Group in 1995.

Geoff is currently Chair of the Forest Practices Authority, a director of Aurora Energy Pty Ltd, Chair of the Tasmanian Symphony Orchestra, a Trustee of the Tasmanian Museum & Art Gallery and a Council member of the University of Tasmania.

Mr Alex Commins, 41

B.Bus (Acc)
Managing Director

Alex joined Colorpak in 1992 after starting his career in auditing and accounting.

Since then Alex has worked in all areas of Colorpak with particular emphasis on expanding existing customer business relationships and new business development. Alex has played a major role in Colorpak's acquisition negotiations and has been responsible for Colorpak's entry into and continued involvement in its global alliances. Alex is currently the secretary of the Global Packaging Alliance.

Alex has been the Managing Director since January 2003. He maintains direct responsibility for Colorpak's customer relationships, business development and to drive growth and innovation throughout the business.

Mr Paul Commins, 47

B.Bus (Acc)
Executive Director

Paul joined Colorpak in 1993 after managing his own screen printing business.

Paul implemented the ISO 9001:2000 quality standard and played a key role in the integration of Pemara Corporation's folding carton division into Colorpak's Braeside operations in 2001. Paul's expertise in systems saw him oversee the implementation of the Colorpak management information system in 1996 which provides the company with the ability to closely monitor its manufacturing data and capture its costs in real time.

Since 1999 Paul has led Colorpak's drive to maintain cutting edge computer-to-plate technology. Colorpak was the first Australian folding carton company to install this cutting edge digital equipment.

Between 1999 and December 2002 Paul was Managing Director of the Colorpak business. Paul's primary focus continues to be seeking productivity efficiencies for the business by the adoption of new technologies and modern work practices and business processes.

In addition to these operational duties Paul also has responsibility for a number of Colorpak's key customer relationships.



Mr Geoff Mills



Mr Alex Commins



Mr Paul Commins

Mr Tony Dynon, 55

Dip. Bus (Acctg), CPA
Non-executive Director; Chairman, Audit and Risk Management Committee; Member, Nomination & Remuneration Committee

Tony, who joined Colorpak on 12 January 2004, has had over 20 years corporate experience in senior general management and finance roles. The majority of Tony's career was with the HJ Heinz Company where he was Chief Financial Officer for Heinz Australia for six years and then Managing Director of Heinz Diversified Businesses (Greenseas Tuna, Weight Watchers, Heinz Foodservice businesses), a major trading division of Heinz Australia. More recently he has been Managing Director of Farm Pride Foods Limited, CEO of Teangi Stockfeed (owned by Myer Family interests), CEO of Palm Springs Limited and currently is CEO of James & Son (Aust) Pty Ltd, an international stockfeed business.

He has also consulted to a number of organisations specialising in strategic planning, business restructuring and interim management. He is a Certified Practising Accountant with a wide range of management, marketing and financial skills gained both in Australia and overseas.

Mr David Heaney, 64

Non-executive Director; Chairman, Nomination & Remuneration Committee; Member, Audit and Risk Management Committee

David brings strong banking and finance skills, together with corporate governance experience to the company. He joined Colorpak on 12 January 2004 and has more than 38 years experience in banking and corporate finance gained with the National Australia Bank and subsidiary companies. David held several senior management positions in Australia and the United States.

He is currently an executive director of Thompson Partners, a consulting partnership, and a Director of several private companies. David also serves as a director of the listed companies, Mariner Financial Limited and Cyclopharm Limited.

Mr Harry Commins, 45

Alternate Director

Harry is the company's National Production Manager and is an alternate director for both Alex Commins and Paul Commins.

Harry joined Colorpak in 1992 after starting his career with a large printing company. Harry oversees production, maintenance, crewing levels, and is a key driver on the Quality Assurance and Occupational Health & Safety committees. He plays a major role in Colorpak's assessment and development of new technologies. Harry is also an integral part of the sales team in a technical capacity with new product development, promotional activities and as co-ordinator of capacity utilisation between the plants. Harry also has direct responsibility for the beverage sector.

Company Secretary

Mr Stephen Nicholls, 52

BA (Economic & Financial Studies), ACA, ACIS, FAICD

Stephen joined Colorpak in January 2004 as CFO and Secretary. Prior to holding this position he had a successful career in senior financial positions with medium and large commercial organisations in the IT and service industries. Stephen has been a Chartered Accountant for over 25 years.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75
77
79
81



Mr Tony Dynon



Mr David Heaney



Mr Henry Commins



Mr Stephen Nicholls

We have established a number of initiatives to help us minimise our environmental impact



The Board of Directors of Colorpak Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of Colorpak Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board has adopted the following policies and practices, establishing a framework for the Board to fulfill its duties and obligations on behalf of shareholders. The company's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

| Principle | Recommendation |
|-----------|--|
| 1. | Lay solid foundations for management and oversight |
| 2. | Structure the Board to add value |
| 3. | Promote ethical and responsible decision making |
| 4. | Safeguard integrity in financial reporting |
| 5. | Make timely and balanced disclosure |
| 6. | Respect the rights of shareholders |
| 7. | Recognise and manage risk |
| 8. | Encourage enhanced performance |
| 9. | Remunerate fairly and responsibly |
| 10. | Recognise the legitimate interests of stakeholders |

Colorpak Limited's corporate governance practices were in place from 1 July 2007 to 30 June 2008 and were fully compliant with the Council's best practice recommendations.

For further information on corporate governance policies adopted by Colorpak Limited, refer to our website, www.colorpak.com.au.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report is included on pages 10 & 11 of this Annual Report. Directors of Colorpak Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Colorpak Limited are considered to be independent:

| Name | Position |
|----------|------------------------|
| G Willis | Chairman |
| T Dynon | Non-executive director |
| D Heaney | Non-executive director |

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

1
3
5
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75
77
79
81

The term in office held by each director at the date of this report is as follows:

| Name | Term in Office |
|-----------|----------------|
| G Willis | 56 months |
| A Commins | 57 months |
| P Commins | 57 months |
| T Dynon | 56 months |
| D Heaney | 56 months |

Audit and Risk Management Committee

The Board has established an audit and risk management committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators. The Board has delegated the responsibility of the establishment and maintenance of a framework of internal control and ethical standards for the management of the company to the audit and risk management committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the committee are non-executive directors.

The committee comprises Mr T. Dynon (Chairman), Mr D. Heaney and Mr G. Willis. The Managing Director and Chief Financial Officer regularly attend meetings by invitation. The Audit and Risk Management Committee has appropriate financial expertise and all members have a working knowledge of the industry in which the company operates.

The qualifications of committee members is set out on pages 10 & 11 of this Annual Report.

For additional details regarding the committee, please refer to our website.

Nomination and Remuneration Committee

The Board has established a nomination and remuneration committee, which operates under a charter approved by the Board. The committee has been established to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The committee comprises Mr D. Heaney (Chairman), Mr T. Dynon and Mr G. Willis.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of executive directors' and officers' emoluments is linked to the company's financial and operational performance. The expected outcome of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to the company; and
- performance incentives which allow executives to share rewards of the success of Colorpak Limited.

For details of the amount of remuneration and all monetary and non-monetary components for each of the specified (non-director) executives during the period and for all directors, refer to the Remuneration Report within the Directors Report of the Financial Statements. In relation to the payment of bonuses and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Colorpak Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Strength has also come from having a stable management team committed to the company.

The committee advises the Board on compensation arrangements for the directors, the Managing Director and the executive team.

For additional details regarding the committee, please refer to our website.

Committee Attendance

For details on the number of meetings of the committee's of the Board held during the period and the attendees at those meetings, refer to page 28 of this Annual Report.

External Auditors

The company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 22 to the Financial Statements.

Performance

It is the company's intention that the performance of the Board is reviewed at least once in every 18 months, and key executives annually, against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Colorpak Limited. A performance review for the Board was conducted in August 2007. A performance review for each of the key executives was undertaken in December 2007.

1
3
5
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75
77
79
81



Shareholders received a total dividend of 4¢ per share

Financial Statements Contents

| | |
|------------------------------------|----|
| Directors' Report | 18 |
| Income Statement | 29 |
| Balance Sheet | 30 |
| Cash Flow Statement | 31 |
| Statement of Changes in Equity | 32 |
| Notes to the Financial Statements | 33 |
| Directors' Declaration | 68 |
| Independent Audit Report | 69 |
| Auditor's Independence Declaration | 71 |
| ASX Additional Information | 72 |

Colorpak Limited

ABN 56 107 485 898

**We are pleased to present our
Financial Statements for the year
ended 30 June 2008. Uncover the
strength behind the numbers.**

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75
77
79
81

Directors' report

The directors of Colorpak Limited (hereinafter referred to as "the company") present their report together with the financial statements of the company for the year ended 30 June 2008.

Directors

The names and details of the directors of the company in office during the financial year and until the date of this report, and each director's qualifications, age, experience and special responsibilities are included on pages 10 & 11 of this Annual Report.

Secretary

Details of the secretary of the company in office during the financial year and until the date of this report, and the secretary's qualifications, age and experience are included on page 11 of this Annual Report.

Directors' interests

Relevant interests of the directors in the shares of the company as at the date of this report are:

| | Colorpak Limited Ordinary Shares |
|------------------------|----------------------------------|
| G Willis | 250,000 |
| A Commins ¹ | 26,026,936 |
| P Commins ¹ | 25,542,436 |
| T Dynon | 75,000 |
| D Heaney | 828,000 |

1. Mr A. Commins and Mr P. Commins are beneficiaries of the Walter Commins Family Trust. The trustee of this trust, Carton Services Pty Ltd, holds 25,532,436 shares in the company.

There are no contracts in existence to which directors are a party and which confer on them a right to acquire shares and options.

Principal activities

The principal activities of the company during the financial year comprised the innovative design and production of folding cartons, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point-of-sale displays and other value added paperboard packaging products for specific end-use markets.

There have been no significant changes in the nature of these activities during the year.

Earnings per share

| | Cents |
|--------------------------------------|-------|
| Basic and diluted earnings per share | 7.72 |

Dividends

| | Cents | \$000 |
|---|-------|-------|
| Final dividend recommended on ordinary shares: | 1.75 | 1,408 |
| Special dividend on ordinary shares | 1.00 | 805 |
| Interim dividend recommended paid in the year on ordinary shares: | 1.25 | 1,006 |
| Total dividend in respect of the year: | 4.00 | 3,219 |

Operating and financial review

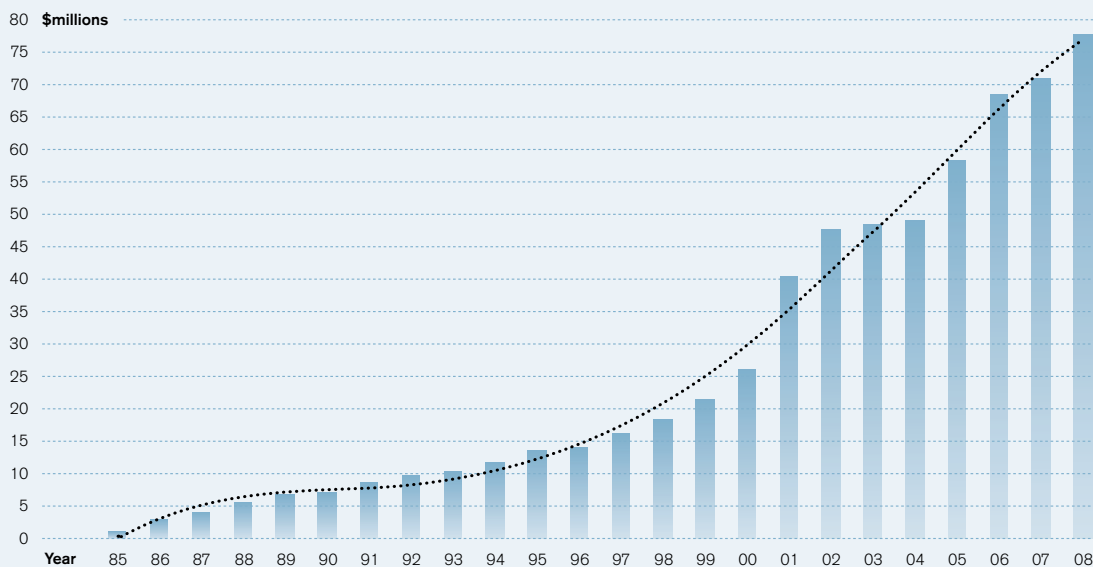
Financial Performance

The company's NPAT increased by 23% to \$6.210 million from \$5.051 million. The improvement stemmed from higher sales and greater operational efficiencies. Earnings per share also increased by 23% to 7.72 cents per share from 6.28 cents per share in the previous year. The profit improvement affords the company the ability to raise the ordinary dividend in respect of the 2008 year to 3.0 cents per share and provide for a further special dividend of 1.0 cent per share.

The business has experienced another year of solid organic sales growth, with revenues from the sale of goods and services totalling \$77.806 million, an increase of 9.5% over the prior year (\$71.034 million). The company has made considerable progress in the beverage sector over the past two years improving the overall capacity utilisation in both plants. Whilst growth has been more subdued in some of the traditional markets the company's focus on product development has met with high levels of customer satisfaction. Once again Colorpak has been independently rated at the top of the table for its overall service, quality and customer satisfaction.

Compound sales growth over the last 10 years has totalled 15.4%. Colorpak's revenue history, incorporating revenues from the Colorpak and Foilmasters' predecessor businesses, is set out in the following table:

Sales Growth



Cash Flow

Cash generation from operations for the year has continued to be very strong, with an inflow of \$7.615 million. It is notable that the cash flow result for the 2008 year has been achieved in a period of increased sales together with sales mix changes which created the need for additional working capital.

Net capital expenditure came in at the planned level of \$1.6 million following completion of the major capital program conducted in prior years. Net capital expenditure in 2009 is expected to be in the order of \$5 million with the main focus on further enhancing the Sydney production capabilities to support the strong growth being achieved and forecast in that market.

The company achieved its planned debt reduction with net debt at 30 June 2008 amounting to \$29.5 million. Gearing, as measured by net debt / net debt+equity has fallen to 34.9% and is now at the lowest level since the company listed and well below the peak of 43.9% in October 2006. Colorpak maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

Operating Activities

Colorpak's plants operated with improved efficiency and higher capacity utilisation throughout the year. Production at the Braeside plant was at an all-time high and the efficiencies of the Sydney plant improved steadily during the year.

The major production enhancements this year included a streamlined layout in the Sydney operations to include a new gluing machine and an upgrade of the waste extraction system at Braeside.

A three year enterprise agreement with all employees was agreed for the Braeside plant underpinning the flexibility which will be needed to support future development.

The company installed a new MIS system into Regents Park that has delivered improved management information and achieved standardisation of systems across the company's operations. The next steps are now taking place to upgrade the hardware and communications infrastructure which will deliver further efficiencies in operations as well as improved data security. During the year the bulk of the accounting functions were centralised to further drive efficiencies and savings.

Colorpak takes its environmental obligations very seriously and is seeking ISO 14001 Certification, targeted for November 2008. For many years, Colorpak has been taking positive steps towards reducing its impact on the environment. The company has been a signatory to the Packaging Covenant since 2002 and its early adoption of digital proofing and computer to plate technology have brought about continuous improvements. More recently the company has become a member of the Waterless Printing Association, the first in the carton industry to do so. As the 2008 year closed the company was reviewing all its actions in the context of its carbon footprint and new initiatives are being developed for 2009.

Shareholder Returns

The company has delivered the following returns to shareholders:

| | Notes | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|-------|--------------|-------|--------|------|
| Basic earnings per share (cents) | | 7.72 | 6.28 | 5.59 | 6.84 |
| Return on assets (%) | | 6.2 | 5.2 | 4.8 | 6.4 |
| Return on equity (%) | | 12.0 | 10.4 | 9.9 | 12.5 |
| Gearing (debt / debt+equity) (%) | | 34.9 | 39.3 | 40.1 | 37.7 |
| Dividend payout ratio (%) | 1. | 51.8 | 43.8 | 49.2 | 37.8 |
| Total shareholder return (%) | 2. | (7.4) | 14.8 | (22.7) | 41.3 |
| Available franking credits (\$000) | | 3,978 | 3,520 | 3,365 | 662 |

1. Includes the proposed final dividend and special dividend payable in October.

2. Excludes final dividend. Based on the share price of \$0.47 at 30 June 2008.

Directors' report

Asset and Capital Structure

| | 2008 \$000 | 2007 \$000 |
|---------------------------------------|---------------|---------------|
| Debt: | | |
| Interest bearing loans and borrowings | 30,944 | 33,355 |
| Cash and cash equivalents | (1,476) | (321) |
| Net debt | 29,468 | 33,034 |
| Total equity | 54,958 | 50,948 |
| Total capital employed | 84,426 | 83,982 |
| Gearing (debt / debt+equity) | 34.9% | 39.3% |

The company's balance sheet continues to strengthen as a consequence of strong earnings and cash flows. The company does not have a firm established policy however a long term gearing range of 30% – 50% is considered appropriate.

Treasury

A profile of the company's debt finance is as follows:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Current | | |
| Obligations under finance leases and hire purchase | 617 | 560 |
| Bank overdraft | - | - |
| Other loans | - | - |
| | 617 | 560 |
| Non-current | | |
| Obligations under finance leases and hire purchase | 1,327 | 1,945 |
| Other loans | 29,000 | 30,850 |
| | 30,327 | 32,795 |
| | 30,944 | 33,355 |

Aggregate debt has reduced substantially during the year and net debt (after deduction of cash at bank) has reduced by \$3.566 million, consistent with the company's declared focus on debt retirement.

The company had \$10.4 million in cash and immediately drawable overdraft and bill facilities at 30 June 2008. With no debt repayment requirement on these facilities and steady cash generation from the business, the company's capacity to create business development opportunities continues to improve.

90% of the company's debt was fixed at 30 June 2008 thereby eliminating the near term risk of interest rate movements. The company took the opportunity in December 2007 to restructure some of its fixed debt portfolio to establish a relatively even reduction in fixed debt exposures across the years 2010 to 2013. The company has a policy of reviewing and adjusting its level of debt that is subject to fixed interest rates periodically in response to prevailing market conditions.

Directors' report

Investments for Future Performance

The company's facilities are modern and efficient and the capital program of the past few years has substantially lifted capacity. However, sales growth in the Sydney cartons and flexibles markets has been strong and in 2009 there will be further investment to support the opportunities that exist in that market. Beyond 2009, capital expenditures are expected to more closely align with the annual depreciation charge.

Outlook

Despite the difficult general economic environment, the company expects continued growth in sales and profitability for the 2009 financial year. As a result, cash flows from operations are expected to continue to be robust, further strengthening Colorpak's Balance Sheet and enabling planned and opportunistic growth options to be pursued.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 6 October 2008. In addition, the company is also pleased to announce a special dividend of 1.00 cents per share, fully franked, which will also be paid on 6 October 2008. This special dividend is in recognition of the company's strong financial performance for the year.

This brings the full year dividend for 2008 to 4.00 cents per share, fully franked. On the share price at 30 June 2008 of 47.0 cents, this represents a dividend yield of 8.5%, fully franked.

The directors have determined that a re-investment plan will be introduced prior to the dividend payable in October 2008.

Significant changes in the state of affairs

Directors do not consider that there were any significant changes in the state of affairs of the company that occurred during the financial year, and which are reported in the financial statements, that require reporting.

Significant events after the balance date

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- the company's operations in future financial years; or
- the results of those operations in future financial years; or
- the company's state of affairs in future financial years.

Likely developments and future results

Apart from the commentary in the Outlook section above, the directors have excluded from this report any further information on the likely developments in the operations of the company and the expected results of those operations in future financial years, as directors consider that it would be likely to result in unreasonable prejudice to the company.

Environment regulation and performance

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board considers the company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

Remuneration report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company, and includes the five executives of the company receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the Managing Director, senior executives and secretary of the company.

Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- structure a significant portion of executive remuneration as variable "at risk", being dependent upon meeting pre-determined performance benchmarks; and
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and the amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was set-out in the Constitution when the shareholders approved an aggregate remuneration of \$270 thousand per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers market data on the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a single fee covering their membership of the board and the committees on which they serve. The size of the company and the board does not warrant separate fees for serving on committees.

Non-executive directors are encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company whose board he or she sits.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the period ending 30 June 2008 is detailed in the table on page 27 of this report.

Executive director and senior manager remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

Fixed term employment contracts have been entered into with the Managing Director, the Operations Director and National Production Manager. Details of these contracts are provided on page 26. All other senior managers have employment contracts with no fixed term.

Remuneration consists of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration, offered in the form of a Short Term Incentive ("STI").

The proportion of fixed remuneration and variable remuneration (potential short term incentives) is established for each senior executive by the Nomination and Remuneration Committee.

The table on page 27 details the fixed and variable components of the 5 most highly remunerated senior executives.

Fixed remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee and the process consists of a review of individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent of management.

Structure

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the 5 most highly remunerated senior executives is detailed on page 27.

Variable remuneration – Long Term Incentive (LTI)

The company does not currently have in place a LTI program.

Variable remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior executive to achieve the operational targets and such that the cost is reasonable in the circumstances.

Structure

The company has established a Senior Executive Incentive Scheme (SEIS) – comprising a Performance Rights Plan (PRP) and an Executive Incentive Plan – Cash (EIP). Incentives under the SEIS may take the form of entitlements to cash or shares, at the election of the Board. The Board has approved rules to allow the SEIS to take effect in these two forms, referred to as the PRP and the EIP. The PRP and EIP may be offered together or separately, at the Board's discretion.

Under the PRP, eligible executives identified by the Board may be granted performance rights (each being an entitlement to a share, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board. If the performance conditions are satisfied, the performance rights vest and shares will be delivered to the executive. The PRP has not been activated at the date of this report.

Under the EIP, eligible executives identified by the Board may become entitled to a cash incentive, on terms and conditions (including performance criteria) determined by the Board. If the terms and conditions are met, the executive becomes entitled to a cash incentive payment. The Board will identify senior executives who are eligible to participate in the SEIS.

Actual STI payments granted to each senior executive depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operating targets are exclusively financial, based on achievement of pre-determined earnings per share (EPS). The EPS benchmark has been used because it drives short term performance, aligning executive short term interests with our shareholders' interests. The aggregate of annual STI payments available for executives across the company is subject to approval of the Nomination and Remuneration Committee.

In respect of the grant under the EIP for the 2008 financial year, the performance condition was based on achievement of a sliding scale of pre-determined earnings per share (EPS) that commenced 4% above the actual EPS achieved in 2007 of 6.28 cents per share. In addition, a number of other subsidiary conditions were imposed. All company performance conditions were achieved in 2008 and the EIP, subject to achievement of individual performance criteria, is payable in full. In respect of the 2009 year, the performance condition is based on achievement of a pre-determined EPS that reflects a minimum target growth of 4% over the 2008 actual EPS of 7.72 cents per share. No incentive will be payable unless the performance condition is achieved. In respect of the 2007 year, the performance conditions were not achieved and no incentive was paid.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Employment contracts

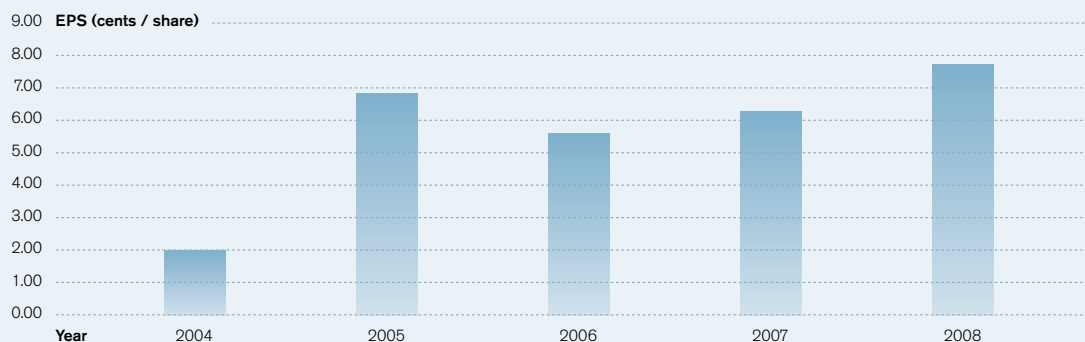
The Managing Director, Mr A. Commins, the Operations Director, Mr P. Commins, and the National Production Manager, Mr H. Commins, are each employed under contract with the company. The current employment contracts terminate on 31 December 2009, 31 December 2008 and 31 December 2009 respectively, at which time the company may choose to commence negotiation to enter into a new employment contract with the respective senior executive. Under the terms of the present contracts:

- The senior executive has agreed not to compete with the company during the period of their employment and for a period of up to five years after any cessation of their employment.
- The senior executive may resign from his position and thus terminate his contract at any time within six months of expiry of his contract by giving 6 months written notice. On resignation, subject to the board's discretion, rights to any STI where the entitlement has not then crystallised will be forfeited.
- The company may terminate the senior executive's employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of the senior executive's remuneration). Having regard to the nature of the termination, the board may in its discretion pay some or all of the STI in circumstances where the entitlement has not then crystallised.
- The company may terminate the relevant contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the senior executive is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Mr S. Nicholls, Mr D. Johnson, Mr M. Johnson, Mr P Veigel and Ms L. Bremner are each employed under open ended agreements, the terms and conditions of which are commercial relative to people holding similar positions in other organisations.

Company Performance

The company's performance is reflected in the movement of the company's EPS over time. The graph below shows the company's basic EPS history for the past five years (including the current period):



2004 was a part year, with the company commencing trading in January 2004.

Directors' report

Compensation of Key Management Personnel

| | | Short term benefits | | | Post em- | Long term | Total | Perform- ance Related % |
|--|---------------------|---------------------------|-------------------------|--------------------|-------------------------|------------------------|---------------------------|-------------------------------|
| | | Base Salary \$ | Non Monetary \$ | Cash STI \$ | ploy- ment \$ | benefits \$ | | |
| Non-executive Directors | | | | | | | | |
| G Willis (Chairman) | 2008 2007 | 20,000 34,480 | - - | - - | 55,824 35,824 | - - | 75,824 70,304 | - - |
| T Dynon | 2008 2007 | 4,298 3,978 | - - | - - | 46,296 44,693 | - - | 50,594 48,671 | - - |
| D Heaney | 2008 2007 | - - | - - | - - | 50,594 48,671 | - - | 50,594 48,671 | - - |
| Executive Directors | | | | | | | | |
| A Commins (Managing Director) | 2008 2007 | 249,598 239,050 | 41,861 40,444 | 94,443 - | 23,351 23,351 | 2,093 492 | 411,346 303,337 | 30.0 - |
| P Commins (Operations Director) | 2008 2007 | 222,603 208,337 | 39,260 38,709 | 84,324 - | 23,351 23,351 | 6,416 8,827 | 375,954 279,224 | 30.0 - |
| Executive Officers | | | | | | | | |
| H Commins (National Prodn Manager) | 2008 2007 | 223,212 203,783 | 35,896 37,856 | 82,638 - | 23,351 23,351 | 14,441 7,909 | 379,538 272,899 | 30.0 - |
| S Nicholls (Chief Financial Officer) | 2008 2007 | 147,177 153,842 | 13,442 2,285 | 59,136 - | 36,500 33,500 | 3,267 364 | 259,522 189,991 | 30.0 - |
| D Johnson (COO – NSW) | 2008 2007 | 221,641 211,221 | 37,248 37,248 | 78,134 - | 15,266 15,266 | 10,013 6,636 | 362,302 270,371 | 28.5 - |
| M Johnson (Sales Manager) | 2008 2007 | 142,873 135,616 | 22,339 22,339 | 33,371 - | 12,859 12,062 | 1,979 3,694 | 213,421 173,711 | 20.0 - |
| P. Veigel (Production Mgr NSW) | 2008 2007 | 110,997 112,831 | 18,853 18,853 | 27,464 - | 11,687 10,880 | 525 215 | 169,526 142,779 | 20.0 - |
| L Bremner ⁽¹⁾ (HR Manager) | 2008 2007 | 102,422 90,794 | 12,339 21,285 | 13,520 - | 20,440 10,087 | 301 84 | 149,022 122,250 | 10.0 - |

(1) Ms L. Bremner commenced with the company on 24 July 2006.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company.

There were no changes of the Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

Cash STI's attributable to each year are payable within 7 days of the announcement of the company's results to the market.

Directors' report

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Meetings of Committees | | |
|------------------------------|------------------------|---------------------------|-----------------------------|
| | Directors' Meetings | Audit and Risk Management | Nomination and Remuneration |
| Number of meetings held: | 12 | 4 | 3 |
| Number of meetings attended: | | | |
| G Willis | 11 | 3 | 2 |
| A Commins | 12 | – | – |
| P Commins | 11 | – | – |
| H Commins (alternate) | 1 | – | – |
| T Dynon | 12 | 4 | 3 |
| D Heaney | 12 | 4 | 3 |

The details of the functions and memberships of the committees of the Board are presented in the Corporate Governance section included on pages 13 to 15 of this Annual Report.

Indemnification and insurance of directors and officers

Since the end of the previous financial year, the company has paid insurance premiums in respect of a directors' and officers' liability insurance contract insuring against certain liabilities (subject to exclusions) all current and former officers of the company, including all directors named in this report, the company secretary and all persons concerned in, or taking part in the management of, the company, former directors and officers who have retired or relinquished their positions.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditor independence and non-audit services

Independence Declaration

The directors received an independence declaration from our auditors, Ernst & Young, which is attached immediately following the auditors' opinion.

Non-audit services

The auditor, Ernst & Young, has not provided any non-audit services during the financial year. This report has been made in accordance with a resolution of directors.

G.L. Willis
Chairman

A. Commins
Managing Director

Braeside, 27 August 2008

Income statement

for the year ended 30 June 2008

| | Notes | 2008 \$000 | 2007 \$000 |
|---|-------|-----------------|---------------|
| Revenue | 5 | 78,753 | 71,795 |
| Other income | | - | 101 |
| Changes in inventories of finished goods and work in progress | | 10 | 431 |
| Raw materials and consumables used | | (30,945) | (29,401) |
| Employee benefits expense | | (24,055) | (21,167) |
| Depreciation and amortisation | | (2,852) | (2,868) |
| Impairment of plant and equipment | 13 | (37) | (165) |
| Other indirect manufacturing costs | | (5,143) | (5,127) |
| Occupancy costs | | (2,656) | (2,282) |
| Other expenses | | (1,591) | (1,482) |
| Profit before tax and finance costs | | 11,484 | 9,835 |
| Finance costs | 5 | (2,586) | (2,623) |
| Profit before income tax | | 8,898 | 7,212 |
| Income tax expense | 6 | (2,688) | (2,161) |
| Net profit for the period attributable to members of Colorpak Limited | | 6,210 | 5,051 |
| Earnings per share (cents per share) | | | |
| Basic and diluted on profit for the year attributable to ordinary equity holders of the company | 7 | 7.72 | 6.28 |
| Dividends per share (cents per share) | 8 | 4.00 | 2.75 |

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Balance sheet

as at 30 June 2008

| | Note | 2008 \$000 | 2007 \$000 |
|---------------------------------------|------|---------------|---------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 1,476 | 321 |
| Trade and other receivables | 10 | 13,715 | 12,750 |
| Inventories | 11 | 9,564 | 8,071 |
| Derivative financial instruments | 19 | 671 | 406 |
| Other current assets | 12 | 973 | 816 |
| Total Current Assets | | 26,399 | 22,364 |
| Non-current Assets | | | |
| Property, plant and equipment | 13 | 26,960 | 28,352 |
| Goodwill | 14 | 46,134 | 46,134 |
| Total Non-current Assets | | 73,094 | 74,486 |
| Total assets | | 99,493 | 96,850 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 15 | 8,713 | 9,184 |
| Interest-bearing loans and borrowings | 16 | 617 | 560 |
| Income tax payable | | 1,120 | 254 |
| Provisions | 17 | 2,022 | 1,788 |
| Total Current Liabilities | | 12,472 | 11,786 |
| Non-current Liabilities | | | |
| Interest-bearing loans and borrowings | 16 | 30,327 | 32,795 |
| Deferred income tax liabilities | 6 | 871 | 455 |
| Provisions | 17 | 865 | 866 |
| Total Non-current Liabilities | | 32,063 | 34,116 |
| Total liabilities | | 44,535 | 45,902 |
| Net assets | | 54,958 | 50,948 |
| Equity | | | |
| Contributed equity | 18 | 38,861 | 38,861 |
| Retained profits | | 15,627 | 11,831 |
| Reserves | | 470 | 256 |
| Total equity | | 54,958 | 50,948 |

Cash flow statement

for the year ended 30 June 2008

| | Note | 2008 \$000 Inflows/ (Outflows) | 2007 \$000 Inflows/ (Outflows) |
|---|------|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 85,685 | 78,142 |
| Payments to suppliers and employees | | (74,029) | (65,380) |
| Interest received | 5 | 14 | 34 |
| Income taxes paid | | (1,498) | (1,098) |
| Borrowing costs | | (2,557) | (2,614) |
| Net cash flows from operating activities | 9 | 7,615 | 9,084 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 102 | 2,365 |
| Purchase of property, plant and equipment | | (1,736) | (10,241) |
| Net cash flows used in investing activities | | (1,634) | (7,876) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 5,000 |
| Repayment of finance lease principal | | (562) | (536) |
| Repayment of borrowings | | (1,850) | (2,250) |
| Payment of dividends | 8 | (2,414) | (2,213) |
| Net cash flows (used in) / from financing activities | | (4,826) | 1 |
| Net increase in cash and cash equivalents held | | 1,155 | 1,209 |
| Cash and cash equivalents at the beginning of the year | | 321 | (888) |
| Cash and cash equivalents at the end of the year | 9 | 1,476 | 321 |

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Statement of changes in equity

for the year ended 30 June 2008

| Attributable to equity holders of the company | | | | |
|---|--------------------|------------------|-------------------------|----------------|
| | Contributed equity | Retained profits | Cash flow hedge reserve | Total equity |
| | \$000 | \$000 | \$000 | \$000 |
| At 1 July 2007 | 38,861 | 11,831 | 256 | 50,948 |
| Cash flow hedges: | | | | |
| Gains / (losses) taken to equity | - | - | 306 | 306 |
| Deferred tax on gains / (losses) | - | - | (92) | (92) |
| Total income and expense for the period recognised directly in equity | - | - | 214 | 214 |
| Net profit for the period | - | 6,210 | - | 6,210 |
| Total income / expense for the period | - | 6,210 | 214 | 6,424 |
| Equity dividends | - | (2,414) | - | (2,414) |
| At 30 June 2008 | 38,861 | 15,627 | 470 | 54,958 |
| At 1 July 2006 | 38,861 | 8,993 | 66 | 47,920 |
| Cash flow hedges: | | | | |
| Gains / (losses) taken to equity | - | - | 271 | 271 |
| Deferred tax on gains / (losses) | - | - | (81) | (81) |
| Total income and expense for the period recognised directly in equity | - | - | 190 | 190 |
| Net profit for the period | - | 5,051 | - | 5,051 |
| Total income / expense for the period | - | 5,051 | 190 | 5,241 |
| Equity dividends | - | (2,213) | - | (2,213) |
| At 30 June 2007 | 38,861 | 11,831 | 256 | 50,948 |

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

Notes to the financial statements

30 June 2008

1. Corporate information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 27 August 2008.

Colorpak Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the company are described in note 4.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended which may have application to the company but are not yet effective and have not been adopted for the annual reporting period ending 30 June 2008 are outlined in the table on the following page.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Notes to the financial statements

30 June 2008

2. Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

| Ref | Title | Summary | Applctn date of standard* | Impact on financial report | Applctn date |
|------------------------------------|--|---|---------------------------|---|--------------|
| AASB 8 and AASB 2007-3 | Operating Segments and consequential amendments to other Australian Accounting Standards | New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting. | 1 Jan 2009 | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the financial statements although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the segment disclosures. | 1 July 2009 |
| AASB 123 (Revised) and AASB 2007-6 | Borrowing Costs and consequential amendments to other Australian Accounting Standards | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. | 1 Jan 2009 | 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 qualifying assets and as such the amendments are not expected to have any impact on the company's financial report. | 1 July 2009 |
| AASB 2008-3 | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 | Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. | 1 July 2009 | Refer to AASB 3 (Revised) and AASB 127 (Revised) above. | 1 July 2009 |
| AASB 101 (Revised) and AASB 2007-8 | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. | 1 Jan 2009 | These amendments are only expected to affect the presentation of the company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements. | 1 July 2009 |

Notes to the financial statements

30 June 2008

2. Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

| Ref | Title | Summary | Applictn date of standard* | Impact on financial report | Applictn date |
|---|-----------------------|--|---|--|---------------|
| AASB 3 (Revised) | Business Combinations | The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively. | 1 July 2009 | The company may enter into some business combinations during the next financial year and may therefore consider early adoption of the revised standard. The company has not yet assessed the impact of early adoption, including which accounting policy to adopt. | 1 July 2009 |
| Amendments to International Financial Reporting Standards | Improvements to IFRSs | The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. | 1 Jan 2009 except for amendments to IFRS 5, which are effective from 1 July 2009. | The company has not yet determined the extent of the impact of the amendments, if any. | 1 July 2009 |

*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

2. Summary of significant accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Apart from judgments involving estimations, management has not made significant accounting judgements.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of non-financial assets other than goodwill

The company assesses impairment of all assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If any impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Impairment of goodwill

The company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Long service leave provision

As discussed at note 2(m), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), and lease terms (for leased equipment and leasehold improvements). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 13.

(d) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

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. Gains and losses are recognised in the income statement when the liabilities are de-recognised and as well as through the amortisation process.

Borrowing costs shall be recognised as an expense in the period in which they are incurred.

2. Summary of significant accounting policies (continued)

(f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

(g) 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 plus other directly attributable costs 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.

(h) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

All assets are depreciated over their useful economic lives commencing from the time the asset is held ready for use. The residual value and the useful life of an asset shall be reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

The depreciation rates used for each class of assets are:

| Class of fixed asset | Depreciation rates | Method |
|----------------------------------|--------------------|-------------------|
| Leasehold improvements | 11 – 18 % | Diminishing value |
| Computers and office equipment | 37.5 – 50 % | Diminishing value |
| Motor vehicles | 18.75 – 22.5 % | Diminishing value |
| Plant and equipment | 7.5 – 20 % | Diminishing value |
| Furniture, fixtures and fittings | 3.8 – 60 % | Diminishing value |

Impairment

An explanation of the policy on impairment of property, plant & equipment is set-out in note 2(j).

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or its disposal.

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.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

2. Summary of significant accounting policies (continued)

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the company's cash-generating unit that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to that unit.

Each unit to which the goodwill is so allocated represents the lowest level within the company at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an 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 manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(j) Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Provisions

Provisions are recognised when the company 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.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies (continued)

(o) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(q) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 the costs incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue is recognised upon the delivery of the service to customers. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2. Summary of significant accounting policies (continued)

(r) Revenue (continued)

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

(s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 credits 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.

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.

Un-recognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised 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.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (continued)

(t) 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 Statement of Cash Flows 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.

(u) Derivative financial instruments

The company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, these hedges are classified as cash flow hedges as they hedge the exposure to the variability in cash flows attributable to changes in interest rates attached to commercial bills. Gains or losses arising from the re-measurement of the hedging instrument of derivatives that qualify for cash flow hedge accounting are deferred to a separate component of equity until such time as the underlying exposure is recognised in the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

2. Summary of significant accounting policies (continued)

(v) De-recognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the company could be required to repay.

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(w) Foreign currency translation

Both the functional and presentation currency of the company is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

30 June 2008

3. Financial risk management objectives and policies

The company's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases and hire purchase contracts and cash.

The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The company also enters into derivative transactions, being exclusively interest rate swaps, the purpose being to manage the interest rate risks arising from the company's operations and its sources of finance. The main risks arising from the company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

Risk Exposures and Responses

Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's long term debt obligations with a floating interest rate.

The level of debt is disclosed in note 16.

At balance date, the company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

| | 2008 | 2007 |
|------------------------------|----------------|---------|
| | \$000 | \$000 |
| Financial Assets | | |
| Cash and cash equivalents | 1,476 | 321 |
| Financial Liabilities | | |
| Bank overdrafts | - | - |
| Bank loans | (3,000) | (4,850) |
| | (3,000) | (4,850) |
| Net exposure | (1,524) | (4,529) |

Interest rate swap contracts outlined in note 19, with a fair value of \$0.671 million (2007: \$0.406 million), are exposed to fair value movements if interest rates change.

The company's policy is to manage its interest cost using a mix of fixed and variable rate debt. The company's policy is to keep more than 50% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the company enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 90% of the company's borrowings are at a fixed rate of interest.

Notes to the financial statements

30 June 2008

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

Interest rate risk (continued)

The company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. It is the company's policy that trading in financial instruments would only be undertaken in special circumstances. As a result of the uncertainties flowing from the US sub prime collapse, the company took the decision in December 2007 to close out all swaps maturing in June 2008 and June 2009 and enter in to new, longer term, interest swaps.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

| Judgements of reasonably possible movements: | Post Tax Profit Higher / (lower) | | Equity Higher / (lower) | |
|--|-------------------------------------|---------------|----------------------------|---------------|
| | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 |
| + 1% (100 basis points) | (21) | 14 | 501 | 357 |
| - 0.5% (50 basis points) | 11 | (7) | (257) | (183) |

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is higher in 2008 than in 2007 because interest rates have moved to a higher level and the gap between the prevailing interest rates and the swap rates have widened.

Foreign currency risk

The company buys virtually all materials and assets in A\$ and accordingly rarely has foreign currency derivatives in place at balance date. At 30 June 2008 the company had entered in to a forward currency trade in respect of the purchase of a capital asset which was due for settlement on 1 July 2008. This forward currency trade was to hedge against exchange movements that would impact the purchase price of that asset.

At 30 June 2008, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

| Judgements of reasonably possible movements: | Post Tax Profit Higher / (lower) | | Equity Higher / (lower) | |
|--|-------------------------------------|---------------|----------------------------|---------------|
| | 2008 \$000 | 2007 \$000 | 2008 \$000 | 2007 \$000 |
| AUD / GBP + 10% | - | - | (80) | - |
| AUD / GBP - 5% | - | - | 40 | - |

The company had no forward hedge contracts in existence at the end of 2007. Management believe that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

Price risk

The company's exposure to commodity price risk is considered to be fairly minimal.

Credit risk

Credit risk arises from the financial assets of the company, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The company trades only with recognised, creditworthy third parties.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the company.

Since the company trades predominantly with recognised third parties, there is no requirement for collateral.

Liquidity risk

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

The company's policy is that not more than 25% of the company's facilities should mature in any 12-month period. At 30 June 2008 1.7% of the company's debt will mature in less than one year (2007: 1.7%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2008. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The remaining contractual maturities of the company's financial liabilities are:

| | 2008 | 2007 |
|------------------|---------------|--------|
| | \$000 | \$000 |
| 6 months or less | 316 | 275 |
| 6 – 12 months | 300 | 285 |
| 1 – 5 years | 30,327 | 32,795 |
| | 30,943 | 33,355 |

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originates from the financing of assets used in our ongoing operations such as plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the company's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the company has established comprehensive risk reporting covering its business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Notes to the financial statements

30 June 2008

3. Financial risk management objectives and policies (continued)

Risk Exposures and Responses (continued)

Maturity analysis of financial assets and liabilities based on management's expectation. (continued)

| Year ended 30 June 2008 | < 6 months \$000 | 6-12 months \$000 | 1-5 years \$000 | < 5 years \$000 | Total \$000 |
|---------------------------------------|------------------------|-------------------------|-----------------------|-----------------------|----------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 1,476 | - | - | - | 1,476 |
| Trade and other receivables | 13,715 | - | - | - | 13,715 |
| Derivatives | - | - | 671 | - | 671 |
| | 15,191 | - | 671 | - | 15,862 |
| Financial liabilities | | | | | |
| Trade and other payables | 8,713 | - | - | - | 8,713 |
| Interest bearing loans and borrowings | 317 | 300 | 30,327 | - | 30,944 |
| | 9,030 | 300 | 30,327 | - | 39,657 |
| Net maturity | 6,161 | (300) | (29,656) | - | (23,795) |

| Year ended 30 June 2007 | < 6 months \$000 | 6-12 months \$000 | 1-5 years \$000 | < 5 years \$000 | Total \$000 |
|---------------------------------------|------------------------|-------------------------|-----------------------|-----------------------|----------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 321 | - | - | - | 321 |
| Trade and other receivables | 12,750 | - | - | - | 12,750 |
| Derivatives | - | 11 | 395 | - | 406 |
| | 13,071 | 11 | 395 | - | 13,477 |
| Financial liabilities | | | | | |
| Trade and other payables | 9,184 | - | - | - | 9,184 |
| Interest bearing loans and borrowings | 275 | 285 | 32,795 | - | 33,355 |
| | 9,459 | 285 | 32,795 | - | 42,539 |
| Net maturity | 3,612 | (274) | (32,400) | - | (29,062) |

The company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date, the company has approximately \$10.3 million of unused credit facilities available for its immediate use.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Notes to the financial statements

30 June 2008

4. Segment Information

The major product/services from which the company derived revenue during the year was the structural design and production of folding cartons, printed leaflets, blister and lidding foils, self-adhesive labels and laminates, point of sale displays and other paperboard packaging products.

The company operates entirely in Australia.

5. Revenues & expenses

(a) Specific Items

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the company:

| | Note | 2008 \$000 | 2007 \$000 |
|--|------|---------------|---------------|
| (i) Revenue | | | |
| Sale of goods and services | | 77,806 | 71,034 |
| Interest from unrelated persons | | 14 | 34 |
| Other revenue | | 933 | 727 |
| | | 78,753 | 71,795 |
| (ii) Expenses | | | |
| Finance costs | | | |
| Interest paid or payable to unrelated persons | | 2,382 | 2,455 |
| Finance charges payable under finance leases and hire purchase contracts | | 164 | 192 |
| Total finance costs | | 2,546 | 2,647 |
| Fair value change on interest rate swaps | 19 | 40 | (24) |
| Total finance costs expensed | | 2,586 | 2,623 |
| Impairment of plant and equipment: | | | |
| Other impairment losses | 13 | 107 | 165 |
| Reversal prior period impairment loss on asset disposal | | (70) | – |
| | | 37 | 165 |
| Lease payments included in income statement | | | |
| Minimum lease payments – operating leases | | 1,816 | 1,586 |
| Other expenses includes: | | | |
| Doubtful debts | | (9) | (17) |
| Restructure costs | | – | – |
| Employee benefits expense includes: | | | |
| Superannuation | | 1,494 | 1,356 |
| Senior executive incentive plan | | 509 | – |

Notes to the financial statements

30 June 2008

6. Income Tax

The major components of income tax expense are:

Income Statement

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Current income tax | | |
| Current income tax charge | 2,369 | 1,549 |
| Adjustments in respect of current income tax of previous years | (5) | (31) |
| Deferred income tax | | |
| Relating to origination and reversal of temporary differences | 324 | 643 |
| Income tax expense reported in the income statement | 2,688 | 2,161 |

Statement of changes in equity

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Deferred income tax related to items charged or credited directly to equity | | |
| Net gain on revaluation of cash flow hedges | 92 | (81) |
| Income tax expense reported in equity | 92 | (81) |

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

| | | |
|--|-------|-------|
| Accounting profit before income tax | 8,898 | 7,212 |
| Tax expense at the company's statutory income tax rate (30%) | 2,669 | 2,164 |
| • Adjustments in respect of current income tax of previous years | (5) | (31) |
| • Expenditure not allowable for income tax purposes | 24 | 28 |
| Income tax expense reported in the income statement | 2,688 | 2,161 |

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Notes to the financial statements

30 June 2008

6. Income Tax (continued)

Deferred Income Tax

Deferred income tax at 30 June relates to:

| | Balance sheet | | Income statement | |
|---|---------------|-------|------------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$000 | \$000 | \$000 | \$000 |
| Deferred income tax assets | | | | |
| Doubtful debts | 2 | 13 | 11 | 11 |
| Inventory provisions | 44 | 34 | (11) | 4 |
| Employee benefits | 866 | 796 | (70) | (34) |
| Float costs | - | 91 | 91 | 91 |
| Accruals | 248 | 146 | (102) | 7 |
| Acquisition costs | 7 | 29 | 22 | 22 |
| Restructure costs | 60 | 73 | 13 | (73) |
| Gross deferred income tax assets | 1,227 | 1,182 | | |
| Deferred income tax liabilities | | | | |
| Accelerated depreciation for tax purposes | 1,897 | 1,515 | 382 | 816 |
| Balancing charge rollover on asset disposal | - | - | - | (208) |
| Interest swaps (held for trading) | - | 12 | (12) | 7 |
| Interest swaps (cash flow hedges) | 201 | 110 | - | - |
| Gross deferred income tax liabilities | 2,098 | 1,637 | | |
| Deferred income tax charge | | | 324 | 643 |
| Net deferred tax liabilities | 871 | 455 | | |

7. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | 2008 | 2007 |
|---|------------|------------|
| Basic and diluted earnings per share (cents per share) | 7.72 | 6.28 |
| Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings | 80,476,828 | 80,476,828 |
| Net profit used in the calculation of basic and diluted earnings per share (\$000) | 6,210 | 5,051 |

Subscription or issues after 30 June 2008

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the financial statements

30 June 2008

8. Dividends paid and proposed

(a) Recognised amounts

Declared and paid during the year:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Dividends on ordinary shares: | | |
| Final franked dividend for 2007: 1.75 cents (2006: 1.50 cents) | 1,408 | 1,408 |
| Interim franked dividend for 2008: 1.25 cents (2007: 1.00 cents) | 1,006 | 805 |
| | 2,414 | 2,213 |

(b) Unrecognised amounts:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Dividends on ordinary shares: | | |
| Final franked dividend for 2008: 1.75 cents (2007: 1.75 cents) | 1,408 | 1,408 |
| Special franked dividend for 2008: 1.00 cents (2007: nil) | 805 | – |
| | 2,213 | 1,408 |

(c) Franking credit balance:

The amount of franking credits available for the subsequent financial year are:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Franking account balance as at the end of the financial year at 30% (2007: 30%) | 3,978 | 3,520 |
| Franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year | 1,120 | 109 |
| Amount of franking credits available for future reporting periods | 5,098 | 3,629 |
| Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period | (948) | (604) |
| | 4,150 | 3,025 |

The tax rate at which paid dividends have been franked is 30%. Dividends proposed will be franked at the rate of 30%.

Notes to the financial statements

30 June 2008

9. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 June 2008, the company had available \$10.323 million (2007: \$7.529 million) of cash and undrawn committed borrowing facilities in respect of which conditions precedent had been met.

Reconciliation to Cash Flow Statement

| | Note | 2008 \$000 | 2007 \$000 |
|--|------|---------------|---------------|
|--|------|---------------|---------------|

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

| | | | |
|--|----|-------|-----|
| Cash on hand | | 3 | 3 |
| Cash at bank – with overdraft facility | 16 | 1,473 | 318 |
| Closing cash balance | | 1,476 | 321 |

Reconciliation of net profit after tax to the net cash flows from operations

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Net profit | 6,210 | 5,051 |
| Adjustments for non-cash items: | | |
| Depreciation of non-current assets | 2,852 | 2,868 |
| Impairment of non-current assets | 37 | 165 |
| Net (profit) / loss on disposal of plant & equipment | 2 | (101) |

Changes in assets and liabilities:

Decrease/(Increase) in assets:

| | | |
|---|---------|---------|
| Trade and other receivables | (965) | (1,127) |
| Inventories | (1,494) | (869) |
| Prepayments ⁽¹⁾ | (20) | 14 |
| Derivative financial instruments ⁽²⁾ | 40 | – |

(Decrease)/Increase in liabilities:

| | | |
|------------------------------------|-------|-------|
| Trade payables | (36) | 342 |
| Provisions | 233 | 113 |
| Other payables | (435) | 1,565 |
| Income tax payable | 866 | 420 |
| Deferred income tax liabilities | 325 | 643 |
| Net cash from operating activities | 7,615 | 9,084 |

(1) The movement in prepayments excludes \$0.137 million net movement on property, plant & equipment (2007: \$0.331 million).

(2) The movement in Derivative Financial Instruments excludes \$0.305 million (2007: \$0.271 million) interest swaps taken directly to reserves.

Disclosure of financing facilities – refer to note 16.

Disclosure of non-cash financing and investing activities – refer to note 13(ii).

Notes to the financial statements

30 June 2008

10. Trade and other receivables (current)

| | Note | 2008 \$000 | 2007 \$000 |
|-------------------------------|------|---------------|---------------|
| Trade receivables | | 13,422 | 12,614 |
| Allowance for impairment loss | (a) | (8) | (44) |
| | | 13,414 | 12,570 |
| Other receivables | | 301 | 180 |
| Total current receivables | | 13,715 | 12,750 |

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 or 60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An impairment loss of \$0.008 million (2007: \$0.044 million) has been recognised for specific debtors for which such evidence exists. The amount of the impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the provision for impairment loss were as follows:

| | | |
|--|-------------|------|
| At 1 July | 44 | 80 |
| Charge for the year | (9) | (17) |
| Amounts written-off (included in Other Expenses) | (27) | (19) |
| At 30 June | 8 | 44 |

At 30 June, the ageing analysis of trade receivables is as follows:

| | | |
|--------------------------------------|---------------|--------|
| 0 – 30 days | 7,102 | 6,975 |
| 31 – 60 days | 1,664 | 1,172 |
| 31 – 60 days – Past due not impaired | 3,015 | 3,072 |
| 61 – 90 days – Past due not impaired | 823 | 1,025 |
| 90+ days – Past due not impaired | 810 | 327 |
| 90+ days – Considered impaired | 8 | 44 |
| At 30 June | 13,422 | 12,614 |

Receivables past due but not considered impaired are \$4.648 million (2007: \$4.424 million). Payment terms on these amounts have not been re-negotiated although credit has been stopped until full payment is made in limited instances. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

For terms and conditions of related party receivables refer to note 24.

Notes to the financial statements

30 June 2008

10. Trade and other receivables (current) (continued)

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the company's policy to transfer (on-sell) receivables to special purpose entities.

(d) Interest rate risk

Details regarding the effective interest rate and credit risk of current receivables is disclosed in note 3.

11. Inventories (Current)

| | 2008 | 2007 |
|---|-------|-------|
| | \$000 | \$000 |
| At cost: | | |
| Raw materials and stores | 5,660 | 4,141 |
| Work in progress | 1,519 | 1,679 |
| Finished goods | 2,532 | 2,363 |
| | 9,711 | 8,183 |
| Less, provision for impairment loss | (147) | (112) |
| Total inventories at the lower of cost and net realisable value | 9,564 | 8,071 |

12. Other current assets

| | 2008 | 2007 |
|-------------------------------|-------|-------|
| | \$000 | \$000 |
| Prepayments | 775 | 755 |
| Deposits on plant & equipment | 198 | 61 |
| Total prepayments | 973 | 816 |

Notes to the financial statements

30 June 2008

13. Property, plant and equipment

| | Leasehold Improve- ments | Computers & Office Equipment | Motor Vehicles | Plant & Equipment | Furniture, Fixtures & Fittings | Total |
|--|--------------------------------|------------------------------------|-------------------|----------------------|--------------------------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Year Ended 30 June 2008 | | | | | | |
| At 1 July 2007, net of accumulated depreciation and impairment | 251 | 519 | 148 | 27,359 | 75 | 28,352 |
| Additions | 58 | 436 | 10 | 1,020 | 76 | 1,600 |
| Disposals | - | (1) | (22) | (80) | - | (103) |
| Impairment | - | - | - | (37) | - | (37) |
| Depreciation charge for the year | (45) | (248) | (32) | (2,518) | (9) | (2,852) |
| At 30 June 2008, net of accumulated depreciation | 264 | 706 | 104 | 25,744 | 142 | 26,960 |
| At 1 July 2007 | | | | | | |
| Cost or fair value | 354 | 1,145 | 320 | 33,207 | 101 | 35,127 |
| Accumulated depreciation and impairment | (103) | (626) | (172) | (5,848) | (26) | (6,775) |
| Net carrying amount | 251 | 519 | 148 | 27,359 | 75 | 28,352 |
| At 30 June 2008 | | | | | | |
| Cost or fair value | 412 | 1,576 | 278 | 34,119 | 177 | 36,562 |
| Accumulated depreciation and impairment | (148) | (870) | (174) | (8,375) | (35) | (9,602) |
| Net carrying amount | 264 | 706 | 104 | 25,744 | 142 | 26,960 |
| Year Ended 30 June 2007 | | | | | | |
| At 1 July 2006, net of accumulated depreciation and impairment | 277 | 486 | 505 | 23,733 | 82 | 25,083 |
| Additions | 21 | 244 | 301 | 6,257 | 1 | 6,824 |
| Disposals | - | - | (513) | (9) | - | (522) |
| Impairment | - | - | - | (165) | - | (165) |
| Depreciation charge for the year | (47) | (211) | (145) | (2,457) | (8) | (2,868) |
| At 30 June 2007, net of accumulated depreciation | 251 | 519 | 148 | 27,359 | 75 | 28,352 |
| At 1 July 2006 | | | | | | |
| Cost or fair value | 333 | 959 | 767 | 29,383 | 100 | 31,542 |
| Accumulated depreciation and impairment | (56) | (473) | (262) | (5,650) | (18) | (6,459) |
| Net carrying amount | 277 | 486 | 505 | 23,733 | 82 | 25,083 |
| At 30 June 2007 | | | | | | |
| Cost or fair value | 354 | 1,145 | 320 | 33,207 | 101 | 35,127 |
| Accumulated depreciation and impairment | (103) | (626) | (172) | (5,848) | (26) | (6,775) |
| Net carrying amount | 251 | 519 | 148 | 27,359 | 75 | 28,352 |

Notes to the financial statements

30 June 2008

13. Property, plant and equipment (continued)

(i) All property, plant and equipment has been pledged as security under a fixed charge pursuant to a debenture security administered by National Australia Trustees Limited (see note 16). The terms of the security preclude assets:

- being sold unless being replaced by an asset providing a similar function; and
- being used as security for further mortgages,

without the prior approval of the lender.

(ii) The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2008 is \$3.467 million (2007: \$3.753 million). Additions during the year include nil (2007: \$4.028) of plant and equipment held under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Impairment of property, plant and equipment

The company incurred impairment losses during the year, details of which are set-out in note 5(a)(ii).

14. Goodwill (non-current)

| | 2008 \$000 | 2007 \$000 |
|--------------------------------------|---------------|---------------|
| Goodwill | | |
| Cost (gross carrying amount) | 46,134 | 46,134 |
| Impairment losses | – | – |
| Net carrying amount | 46,134 | 46,134 |
| At 1 July, net of impairment losses | 46,134 | 46,134 |
| Impairment | – | – |
| At 30 June, net of impairment losses | 46,134 | 46,134 |

No impairment loss existed for the 2008 financial year.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to a single cash generating unit for impairment testing because any allocation to location operations would be considered arbitrary. The company manages its operations at the group level, and business units actively cross-refer customers, which sees consequential profits which are not separately identifiable carried amongst the business units.

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for the following year.

The pre-tax discount rate applied to cash flow projections is 11.9% (2007: 12.7%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2007:2.5%).

14. Goodwill (non-current) (continued)

Impairment testing of goodwill (continued)

Key assumptions used in value in use calculations for 30 June 2008 and 30 June 2007

The following describes each key assumption on which management has based its cash flow projections when determining the value in use:

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements as well as known factors impacting the following year.
- Capital expenditure has been projected at the budget for 2009 and approximating the annual depreciation for the following four years. Capital expenditure beyond year five is projected to be equivalent to annual depreciation.
- Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to the ten year government bond rate at the beginning of the budgeted year.
- Raw material price inflation – it has been assumed that any price increases in raw materials will be passed through to customers as this is typical of contracts in place.
- Market share assumptions – there has been no significant projected change in market share.
- Growth rate estimates – a growth rate of 2.5% pa has been used as the long-term rate to extrapolate the budget.

15. Trade and other payables (current)

| | 2008 \$000 | 2007 \$000 |
|--------------------------------|---------------|---------------|
| Unsecured liabilities | | |
| Trade payables | 5,443 | 5,479 |
| Other payables | 3,270 | 3,705 |
| Total trade and other payables | 8,713 | 9,184 |

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions relating to related party payables refer to note 24.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

Notes to the financial statements

30 June 2008

16. Interest bearing loans and borrowings

| | Note | 2008 \$000 | 2007 \$000 |
|--|--------------|---------------|---------------|
| Current | | | |
| Secured liabilities | | | |
| Bank overdraft | (i) | - | - |
| Bank loan | (ii), (iv) | - | - |
| Obligations under finance leases and hire purchase contracts | (iii), 20(b) | 617 | 560 |
| Total current interest bearing liabilities | | 617 | 560 |
| Non-current | | | |
| Secured liabilities | | | |
| Bank Loans | (ii), (iv) | 29,000 | 30,850 |
| Obligations under finance leases and hire purchase contracts | (iii), 20(b) | 1,327 | 1,945 |
| Total non-current interest bearing liabilities | | 30,327 | 32,795 |

- (i) Bank overdraft is provided under a \$3 million facility expiring on 30 November 2009. The interest rate applicable at 30 June 2008 was 12.78% (2007: 11.10%) plus a line fee of 0.40% on the limit.
- (ii) Bank loans are provided under two separate facilities with the company's banks, with an aggregate facility limit of \$34.85 million at 30 June 2008 (2007: \$34.85 million). These facilities expire, unless extended, on 30 November 2009. There is no ongoing repayment requirement on the loan facilities and it is management's intention to extend both facilities upon expiry. The average interest rate payable at 30 June 2008 on the fixed and floating bills under the two facilities was 7.88% (2007: 7.36%).
- (iii) The hire purchase liabilities have a remaining term of 4 years. The average implicit interest rate is 7.47% (2007: 7.47%).
- (iv) All interest-bearing liabilities, other than hire purchase liabilities of \$1.944 million (2007: \$2.505 million), are secured by a fixed and floating charge over the company's assets.

(a) Fair values

The carrying amount of the current and non-current borrowings approximate their fair value.

The company has potential financial liabilities which may arise from certain contingencies disclosed in note 20. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the company. No material losses are expected and as such, the fair values disclosed are the directors estimate of amounts that will be payable by the company.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

Notes to the financial statements

30 June 2008

16. Interest bearing loans and borrowings (continued)

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Current | | |
| Floating Charge | | |
| Cash and cash equivalents | 1,476 | 321 |
| Receivables | 13,715 | 12,750 |
| Inventories | 9,564 | 8,071 |
| Derivative Financial Instruments | 671 | 406 |
| Prepayments | 973 | 816 |
| Total current assets pledged as security | 26,399 | 22,364 |
| Non-current | | |
| Finance lease | | |
| Leased manufacturing plant | 1,943 | 2,505 |
| Floating charge | | |
| Plant and equipment | 25,017 | 25,847 |
| Goodwill | 46,134 | 46,134 |
| Total non-current assets pledged as security | 73,094 | 74,486 |
| Total assets pledged as security | 99,493 | 96,850 |

The terms and conditions relating to the financial assets are as follows:

Cash and cash equivalents are pledged against the bank overdraft on an ongoing floating basis for the term of the bank overdrafts maturity.

Receivables, inventories and plant and equipment are pledged against secured bank loans on a floating basis for the terms of the various secured loans.

Notes to the financial statements

30 June 2008

16. Interest bearing loans and borrowings (continued)

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

| 2008 | Accessible \$000 | Drawn down \$000 | Unused \$000 |
|-----------------------------------|---------------------|---------------------|-----------------|
| Hire purchase and leasing finance | 3,025 | 1,943 | 1,082 |
| Bank bills | 34,850 | 29,000 | 5,850 |
| Overdraft | 3,000 | - | 3,000 |
| Guarantees | 800 | 761 | 39 |

| 2007 | Accessible \$000 | Drawn down \$000 | Unused \$000 |
|-----------------------------------|---------------------|---------------------|-----------------|
| Hire purchase and leasing finance | 3,035 | 2,505 | 530 |
| Bank bills | 34,850 | 30,850 | 4,000 |
| Overdraft | 3,000 | - | 3,000 |
| Guarantees | 800 | 761 | 39 |

Security & Conditions

The facilities are secured by debenture security administered by National Australia Trustees Limited (see note 13(i)).

The company must comply with conditions based on the following criteria:

- a financial charges covenant;
- a leverage covenant; and
- maintenance of a minimum level of shareholder funds.

Facility Review

These facilities are provided by both National Australia Bank Limited (NAB) and ANZ Banking Group Limited. Subject to annual review for each facility, the facilities expire on 30 November 2009 unless otherwise extended.

Notes to the financial statements

30 June 2008

17. Provisions

| | 2008 \$000 | 2007 \$000 |
|------------------------------|---------------|---------------|
| Current | | |
| Employee leave benefits | 2,022 | 1,788 |
| Total current provisions | 2,022 | 1,788 |
| Non-current | | |
| Employee leave benefits | 865 | 866 |
| Total non-current provisions | 865 | 866 |

18. Contributed equity and reserves

This note should be read in conjunction with the Statement of Changes in Equity shown on page 32 of this Annual Report.

(a) Issued and paid-up capital:

| | 2008 \$000 | 2007 \$000 |
|--------------------------|---------------|---------------|
| Ordinary shares | 38,861 | 38,861 |
| Total contributed equity | 38,861 | 38,861 |

Effective 1 July 1997, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.

(b) Movements in ordinary shares on issue:

There were no movements in ordinary shares on issue during either the current financial year or the preceding financial year.

(c) Shares under escrow

As at 30 June 2008, there were no ordinary shares subject to voluntary escrow.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

18. Contributed equity and reserves (continued)

(e) Nature and purpose of reserves

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(f) Capital management

When managing capital, the company's objective is to ensure that it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The company also aims to maintain a capital structure that ensures the lowest cost of capital available to the company.

The company considers periodically adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the company may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2008, the company paid dividends of \$2.414 million (2007: \$2.213 million).

The company has introduced a dividend reinvestment plan in conjunction with the payment of its dividend in October 2008 and certain shares are likely to be issued pursuant to that plan. Other than the dividend reinvestment plan, the company has no current plans to issue further shares on the market.

The company monitors capital through the gearing ratio (net debt / total capital). The target for the company's gearing ratio is between 30% to 50%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

| | 2008 | 2007 |
|---------------------------------------|----------------|--------|
| | \$000 | \$000 |
| Interest bearing loans and borrowings | 30,944 | 33,355 |
| Cash and cash equivalents | (1,476) | (321) |
| Net debt | 29,468 | 33,034 |
| Total equity | 54,958 | 50,948 |
| Total capital employed | 84,426 | 83,982 |
| Gearing (debt / debt+equity) | 34.9% | 39.3% |

The company is not subject to any externally imposed capital requirements.

Notes to the financial statements

30 June 2008

19. Derivative financial instruments

| | 2008 \$000 | 2007 \$000 |
|---|---------------|---------------|
| Current assets | | |
| Interest rate swap contracts – cash flow hedges | 682 | 366 |
| Foreign currency forward contracts – cash flow hedges | (11) | – |
| Interest rate swap contracts – held for trading | – | 40 |
| | 671 | 406 |

(a) Instruments used by the company

Derivative financial instruments are used by the company in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Interest rate swaps – cash flow hedges

Interest bearing loans of the company currently bear an average variable interest rate of 7.8%. In order to protect against rising interest rates the company has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 90% (2007: 84%) of the principal outstanding and are timed to expire at selected dates over the next 5 years, with the earliest expiry being June 2010. The fixed interest rates range between 5.9% and 7.6% (2007: 5.9% and 6.3%) and the comparable variable rate based on the 90 day bank bill rate at balance date was 7.9% (2007: 6.4%). In addition, a margin over the bill and fixed rates are payable to the banks.

At 30 June 2008, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows

| | 2008 \$000 | 2007 \$000 |
|-------------|---------------|---------------|
| 0 – 1 years | – | 6,000 |
| 1 – 2 years | 7,000 | 6,000 |
| 2 – 3 years | 7,000 | 7,000 |
| 3 – 5 years | 12,000 | 7,000 |
| 5+ years | – | – |
| | 26,000 | 26,000 |

The interest rate swaps require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit and loss when the interest expense is recognised.

Notes to the financial statements

30 June 2008

19. Derivative financial instruments (continued)

(a) Instruments used by the company (continued)

Movement in cash flow hedge reserve

| | 2008 \$000 | 2007 \$000 |
|---------------------------------|---------------|---------------|
| Opening balance | 256 | 66 |
| Transferred to interest expense | - | - |
| Charged to Equity | 214 | 190 |
| Closing balance | 470 | 256 |

(b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contracted arrangements. The company's maximum credit risk exposure in relation to these is limited to the fair value of the interest rate swap agreements, which at the reporting date was \$0.671 million (2007: \$0.406 million).

20. Commitments and contingencies

(a) Capital expenditure commitments

At 30 June 2008 the company has commitments contracted for but not recognised as liabilities of \$2.776 million (2007: \$0.075 million). These commitments are all due within one year.

(b) Hire purchase commitments

Future minimum lease payments under hire purchase contracts together with the present value of the net minimum lease payments are as follows:

| | 2008 | | 2007 | |
|---|---------------------------------------|---|---------------------------------------|---|
| | Minimum Lease Payments \$000 | Present Value of Lease Payments \$000 | Minimum Lease Payments \$000 | Present Value of Lease Payments \$000 |
| Within one year | 742 | 617 | 728 | 560 |
| After one year but not more than five years | 1,492 | 1,327 | 2,175 | 1,945 |
| Total minimum lease payments | 2,234 | | 2,903 | |
| Less amounts representing finance charges | (290) | | (398) | |
| Present value of minimum lease payments | 1,944 | 1,944 | 2,505 | 2,505 |

Hire purchases are entered into as means of funding the acquisition of certain items of plant and equipment and leasehold improvements.

Notes to the financial statements

30 June 2008

20. Commitments and contingencies (continued)

(c) Operating lease commitments

The company has entered into operating leases as a means of acquiring access to warehouse and office space and to lease motor vehicles. Rental payments are generally fixed subject to inflation escalation clauses. Operating leases over premises typically contain renewal options appropriate for the nature of the business conducted. Operating leases contain no restrictions on financing or other leasing activities.

Operating leases are non-cancellable, contracted for, but not capitalised in the financial statements.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| – not later than one year | 1,815 | 1,717 |
| – later than one year but not later than five years | 6,656 | 6,433 |
| – later than five years | 2,763 | 4,233 |
| Aggregate operating lease expenditure contracted for at reporting date | 11,234 | 12,383 |

(d) Remuneration commitments

| | 2008 \$000 | 2007 \$000 |
|--|---------------|---------------|
| Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable: | | |
| – within one year | 763 | 854 |
| – after one year but not later than five years | 308 | 1,006 |
| Aggregate remuneration commitments contracted for at reporting date | 1,071 | 1,860 |

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 24 that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

(e) Guarantees and indemnities

The company has the following guarantees at 30 June 2008:

An indemnity agreement has been entered into with each officer of the company in respect of expenses and liabilities they incur in their official capacities. No monetary limit applies to this agreement, and no known obligations have emerged as a result of this agreement.

Bank guarantees under premises leases total \$0.762 million (2007: \$0.762 million).

Notes to the financial statements

30 June 2008

21. Related Party Disclosures

(a) Other related party transactions

Other than identified in note 24, there were no other related party transactions.

22. Auditors' Remuneration

The auditor of Colorpak Limited is Ernst & Young.

| | 2008 | 2007 |
|--|---------------|--------|
| | \$ | \$ |
| Amounts received or due and receivable, by Ernst & Young for: | | |
| an audit or review of the financial report of the company | 97,450 | 93,250 |
| other services, included in the Income Statement: | | |
| – tax compliance | - | - |
| – assurance related | - | - |
| other services, not included in the Income Statement | - | - |
| | 97,450 | 93,250 |

23. Events after the balance sheet date

There have been no significant events subsequent to 30 June 2008.

24. Director and executive disclosures

(a) Details of Key Management Personnel

(i) Directors

| | |
|-----------|--------------------------|
| G Willis | Chairman |
| A Commins | Managing Director & CEO |
| P Commins | Operations Director |
| T Dynon | Director (non-executive) |
| D Heaney | Director (non-executive) |

(ii) Executives

| | |
|------------|--|
| H Commins | National Production Manager (alternate director) |
| S Nicholls | Company Secretary and Chief Financial Officer |
| D Johnson | Chief Operating Officer – NSW |
| M Johnson | Sales Manager |
| P Veigel | Production Manager – NSW |
| L. Bremner | Human Resources Manager |

There were no changes of the CEO or key management personnel between the reporting date and the date the financial report was authorised for issue.

Notes to the financial statements

30 June 2008

24. Director and executive disclosures (continued)

(b) Compensation of Key Management Personnel

| | 2008 \$ | 2007 \$ |
|------------------------------|------------------|------------|
| Short-term employee benefits | 2,139,098 | 1,612,951 |
| Post employment benefits | 319,519 | 281,036 |
| Other Long-term benefits | 39,036 | 28,222 |
| Total compensation | 2,497,653 | 1,922,209 |

(c) Shareholdings of Key Management Personnel

| | Balance at beginning of year 1 July 2007 | Granted as Remuneration | Net Change Other | Balance at end of year 30 June 2008 |
|------------------------|--|----------------------------|---------------------|--|
| (i) Directors | | | | |
| G Willis | 100,000 | – | 150,000 | 250,000 |
| A Commins ¹ | 25,878,936 | – | 148,000 | 26,026,936 |
| P Commins ¹ | 25,542,436 | – | – | 25,542,436 |
| T Dynon | 75,000 | – | – | 75,000 |
| D Heaney | 828,000 | – | – | 828,000 |
| (ii) Executives | | | | |
| H Commins ¹ | 25,532,436 | – | 180,000 | 25,712,436 |
| S Nicholls | 25,000 | – | – | 25,000 |
| D Johnson | 1,000 | – | – | 1,000 |
| M Johnson | 1,000 | – | – | 1,000 |
| P Veigel | – | – | – | – |
| L. Bremner | – | – | – | – |

1. Mr A Commins, Mr P Commins and Mr H Commins are beneficiaries of the Walter Commins Family Trust. The trustee of this trust, Carton Services Pty Ltd, holds 25,532,436 shares in the company.

(d) Other transactions and balances with Key Management Personnel

Key management personnel, or their related entities, conducted transactions with the company that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity or specified executives at arm's length in similar circumstances.

Directors declaration

In accordance with a resolution of the directors of Colorpak Limited, we state that:

1. In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

On behalf of the Board



G.L. Willis
Chairman



A. Commins
Managing Director

Braeside
27 August 2008

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

Independent auditor's report to the members of Colorpak Limited

Report on the Financial Report

We have audited the accompanying financial report of Colorpak Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

Auditor's Opinion

In our opinion:

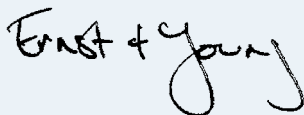
1. the financial report of Colorpak Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Colorpak Limited at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Colorpak Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



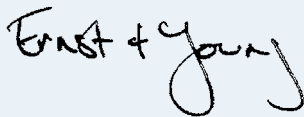
Ashley C. Butler

Partner

Melbourne, 27 August 2008

Auditor's Independence Declaration To The Directors Of Colorpak Limited

In relation to our audit of the financial report of Colorpak Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Ashley C. Butler
Partner

Melbourne, 27 August 2008

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

ASX Additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report, together with other relevant information for shareholders, is set-out below. The information is current as at 1 August 2008.

Stock Exchange Listings

Colorpak Limited shares are quoted on the Australian Stock Exchange.

Website

A copy of the company's announcements and ASX releases, as well as information on its business, can be found at the company's internet site: www.colorpak.com.au.

Annual Report

To request an Annual Report, telephone 1300 554 474 or visit the website. Email: snicholls@colorpak.com.au.

Share Registrar

Link Market Services Limited.
Level 12, 680 George Street
Sydney, NSW, 2000
www.linkmarketservices.com.au

Escrow

There were no shares subject to escrow arrangements at 30 June 2008.

Shareholder Transactions

Approval for share trading by directors requires prior permission from the Chairman. Permission will not be given to sell if the transaction is considered prejudicial to the interests of the company and its shareholders.

Approval for share trading by executives and senior management requires prior permission from the Managing Director.

Permission to trade in the company's shares is most likely to be given during the four weeks following the release of the half yearly and the annual results and the Annual General Meeting. Any employee who is in possession of price sensitive information which has not been made public will not be permitted to trade.

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

ASX Additional information

Distribution of Shareholdings

The number of ordinary shareholders by size of holding are:

| Size of Holding | Number of holders | Number of shares |
|--|-------------------|-------------------|
| 1 to 1,000 | 207 | 202,679 |
| 1,001 to 5,000 | 258 | 907,825 |
| 5,001 to 10,000 | 240 | 2,126,243 |
| 10,001 to 100,000 | 436 | 14,411,642 |
| 100,001 and over | 39 | 62,828,439 |
| Total | 1,180 | 80,476,828 |
| The number of shareholders holding less than a \$500 marketable parcel of shares | 210 | 205,860 |

Voting Rights

All ordinary shares issued by the company carry one voting right per share without restriction.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

| Name | Number of Ordinary Shares | % of Ordinary Shares |
|--|---------------------------|----------------------|
| 1 Carton Services Pty Ltd | 25,532,436 | 31.73 |
| 2 Cogent Nominees Pty Ltd | 8,994,065 | 11.18 |
| 3 RBC Dexia Investor Services Australia Nominees Pty Ltd <PIIP A/C> | 6,714,956 | 8.34 |
| 4 RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C> | 4,682,226 | 5.82 |
| 5 Argo Investments Limited | 4,049,000 | 5.03 |
| 6 Invia Custodian Pty Limited <GT Lingard Holdings PL A/C> | 3,208,392 | 3.99 |
| 7 Queensland Investment Corporation | 2,000,618 | 2.49 |
| 8 David James Heaney & Samantha Elizabeth Chandler | 828,000 | 1.03 |
| 9 Linh Ly | 715,003 | 0.89 |
| 10 ANZ Nominees Limited <Cash Income A/C> | 704,728 | 0.88 |
| 11 J P Morgan Nominees Australia Limited | 367,692 | 0.46 |
| 12 Ralph Norman Madsen & Suzanne Margaret Madsen & Benjamin Ralph Madsen | 315,864 | 0.39 |
| 13 Icy Creek Investments Pty Ltd | 300,000 | 0.37 |
| 14 Stephen John Lane & Beverly Ann Lane | 283,761 | 0.35 |
| 15 Blue Drive Pty Ltd | 254,500 | 0.32 |
| 16 Andrew Roy Newberry Sisson | 250,000 | 0.31 |
| 17 Pejali Pty Ltd | 235,000 | 0.29 |
| 18 T&P Holdings Pty Ltd | 230,000 | 0.29 |
| 19 James William Henderson & Debbie Jane Henderson | 225,000 | 0.28 |
| 20 Invia Custodian Pty Ltd <Carwill Pty Ltd A/C> | 200,000 | 0.25 |
| 20 Di Iulio Homes Pty Ltd | 200,000 | 0.25 |
| | 60,291,241 | 74.92 |

ASX Additional information

Substantial Shareholders

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

| | Number of shares |
|--------------------------|------------------|
| Carton Services Pty Ltd | 25,532,436 |
| Perpetual Limited | 11,357,182 |
| Hunter Hall Limited | 9,623,093 |
| Argo Investments Limited | 4,149,000 |

Inquiries About Your Shareholding

Please contact Link Market Services Limited if you have a question about your shareholding, dividends, share transfers or monthly holding statements.

Change of Address

If you change your address, please promptly notify the share registrar, Link Market Services Limited, in writing, quoting your shareholder reference number and your old address as a security check. Change of address advice forms can be downloaded from the Link Market Services Limited website. An acknowledgement of your change of address will be mailed to both your old address and to your new address.

Direct Dividend Deposit into Bank Accounts

Dividends can be paid directly into a bank, building society or credit union on the dividend payment date. Deposit details will be confirmed by an advice mailed to you on that date. Application forms are available from Link Market Services Limited or can be downloaded from its website.

If you subsequently change your bank account, please promptly notify the share registrar in writing, quoting your old bank account as an added security check. An acknowledgement of your changed details will be mailed to you.

Tax File Number

All shareholders, including children, may choose to provide their tax file number (TFN) or details or any tax exemption, to the share registrar to avoid any unnecessary tax deductions from dividend payments. TFN forms are available from Link Market Services Limited or can be downloaded from the internet using its website.

It is not compulsory for shareholders to provide a TFN. However, if they do not the company must deduct tax at the top marginal tax rate plus levies from the unfranked part of dividends paid.

Australian shareholders living abroad should advise the share registrar of their resident status as limited exemptions from tax deductions may apply.

Combining Multiple Shareholdings

If you have multiple shareholding accounts that you wish to consolidate into a single account, please advise Link Market Services Limited, in writing.

Calendar of Events

23 September 2008

Annual Report dispatched to shareholders

24 October 2008

Annual General Meeting

Late February 2009

Announce 2008/2009 Half Year results

Late August 2009

Announce 2008/2009 Full Year Results

1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
53
55
57
59
61
63
65
67
69
71
73
75

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
56
58
60
62
64
66
68
70
72
74
76

This page left blank intentionally.

www.colorpak.com.au