



Colorpak

Annual Report 2006

2006

Another year of innovation



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Short History of Colorpak

The Colorpak business dates back to the 1950s and has grown 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 its Sydney operations.

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 end-use markets serviced by Colorpak include:

- pharmaceutical and healthcare; and
- premium branded products comprising: personal care; cosmetics and fragrances; premium confectioneries; beverage; wine; food and household; and multimedia and technology.

Colorpak converted from a private family-owned company and listed on the ASX in 2004.

Packaging
brings your
brand to life.

Annual General Meeting

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

Theatrette
530 Collins Street
Melbourne VIC 3000

on Friday, 20 October 2006 at 11.00 a.m., where this report will be presented.

A separate notice of meeting and proxy will be provided.

The new 7700 square metre purpose designed facility in Regents Park, NSW opened in June 2006.



Regents Park open for business



Chairman's Report

On behalf of the Board of Directors and the management it is my pleasure to present Colorpak's Annual Report for the year ended 30 June 2006. This is the first report under the AIFRS accounting standards which better align Colorpak's reported earnings to the underlying cash generation of the business. We are pleased to report a net profit after tax for the year ended 30 June 2006 of \$4.5 million, generating earnings per share of 5.59 cents.

The 2006 year was marked by important developments in the company's NSW operations. Despite the earnings being adversely impacted by the consolidation of all the NSW operations into a new purpose built facility the overall business growth, customer satisfaction and cash generation from operations continued to be sound.

The net profit after tax of \$4.5 million for 2005/2006 was below the restated profit after tax of \$5.3 million for the previous year. However, the reduction was mainly attributable to one-off charges and non-cash impairment charges related to the consolidation of the operations in NSW. We are pleased to report that the new facilities are now complete and the new equipment has been successfully installed there. We are now in a position to confidently predict that the same operational efficiencies and production capabilities that have underpinned our growth in Victoria for the past several years are in place in NSW also.

Unlike most of Australia's manufacturing industry the Pharmaceuticals sector is holding up well to international competition. This is both a credit to our customers and, we consider, an endorsement of our own endeavours to provide world-class quality, service and efficiency to support this important sector of the Australian economy.

We are pleased to be able to reward shareholders with a lift in dividend payout. The fully franked interim dividend of 1 cent per share will be followed in October with a fully franked final dividend of 1.75 cents per share in respect of the 2005/2006 year. The 2.75 cents total dividend is a lift on the 2.5 cents payout in respect of the previous year. The retained portion of the net profit after tax will be used to fund working capital for growth and to retire debt.

The company continues to be guided by a strong commitment to corporate governance and this is reflected in the full compliance with the corporate governance principles. This business ethic was consistently driven by the Colorpak's founder Mr Walter Commins and his legacy is a company dedicated to meeting its customer needs and doing so in an open, honest and ethical manner. In recent years Mr Commins has provided expert consulting advice to the Board. On behalf of the Board and all those who have been involved with Walter we wish him a long and happy retirement.

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 customers' needs is the way to build shareholder wealth. The operations and future plans are explained in detail in the Managing Director's Report.



G.L. Willis
Chairman

#02

Technological Advantage



Two new machines have been commissioned at our Regents Park facility; the Roland 6 colour twin coater and Bobst 106 LER die-cutter.

Managing Director's Report

A challenging year behind us – a bright landscape ahead

In our second full financial year as a public listed company, Colorpak continued its consistent record of year on year solid organic sales growth. Revenues finished at an impressive \$68.6 million, compared with \$58.2 million for the same period last year.

Profit after tax finished at \$4.5 million which was lower than our expectation and market guidance of around \$5.8 million. This was due in most part to delays in opening our Sydney plant that resulted in manufacturing and freight cost over runs, and the bedding down process of the Castle Graphics acquisition.

The Year's Highlights:

- Our Regents Park (NSW) facility was completed in June 2006 and we have successfully made a full transition from our old site at Erskineville.
- Both of our new Roland 6 colour twin coater and Bobst 106 LER die-cutter have been commissioned at our Regents Park facility.
- In Braeside, we took occupancy in February 2006 of a new 2,500 square metre storage facility, immediately adjacent to the current operations.
- The purchase of a new Mark Andy UV Flexo press to increase the speed and quality of our output at our Sydney flexibles division (formerly Castle Graphics).
- Implementation of an MIS System in our Sydney flexibles division to enable greater transparency on operating costs.
- Finalisation of integration plans to move the flexibles division into clean room production facilities at our Regents Park site.
- Introduction of a third shift at the Braeside site.
- IRC ratification of 3 year EBA renewals in both the Melbourne and Sydney carton divisions.

Market Position: Market Reputation Remains Solid

Colorpak remains clearly third by size in the Australian folding carton market behind Amcor and Carter Holt Harvey. We generated organic carton sales growth of 14% for the year which is pleasing in a very tight and competitive market that is showing negligible growth of 0.2%. This sees us with a market share nationally of around 10.3%.

Once again we are pleased to report that we were rated as one of the top companies in the industry with a sixth consecutive year of strong and consistent performance as measured by BIS Shrapnel – Paper and Board Packaging Survey, 2005-2006.

Market Segments Exposure

Pharmaceutical business is still the number one segment and focus of the Colorpak business with over 50% of revenues derived from this sector.

Strong growth is being generated from the Beverage sector with a growing partnership between Colorpak and that sector's leading player.

These and the other sectors of major exposure to Colorpak, including Food, Cosmetics, Wine, Technology and Multimedia, and FMCG (Fast Moving Consumer Goods) largely fall into the category of consumer non-discretionary spending. Hence they underpin the strong cash flow generating capability of this business during varying economic cycles.

Major Clients Vote with their Feet

We are pleased to report that our three largest customers, two in pharmaceutical and one in FMCG, have recently re-signed supply contracts with Colorpak. Revenues generated out of these three customers represent 30% of total group turnover. The agreements shore up those revenue streams for a minimum period of the next three years.

External Acknowledgements of Colorpak's Service

We were extremely pleased to be the recipient of the Roche – Supplier of the Year Award, and a finalist in the manufacturing category of the 2005 – Pfizer (WA) Supplier of the Year awards.

Capital Investment Programme – Successful

A reasonably heavy year in capital investment was made with some \$10 million expended on two new carton presses (Melbourne and Sydney), a foil press (Seven Hills) and a new die cutter (Sydney). Although some of this cash outlay will fall in 2007, these carefully considered investments were necessary to enable us to manage increased demand from our new contract wins and the continued organic growth we expect. One of the strong competitive advantages of our business is the modern and technologically advanced nature of our machinery. This enables us to process our customers' work at the greatest speeds without compromise to quality, a feat which becomes more difficult for those of our competitors who fail to invest.

Global Links Alive and Well

Senior management attended a European trade show during April 2006 to keep abreast of trends and developments in relevant technologies. Whilst in Europe, multiple plant visits were made to our partners in the GPA (Global Packaging Alliance) and Copapharm. Invaluable knowledge is gleaned from these close-knit partnerships.

The GPA had its annual meeting in Nagoya, Japan, in January 2006. The alliance remains a solid source of shared technical information and from time to time, pitches for global tenders. Our business benchmarks its production output against a number of our partners, particularly out of the USA, Europe and South America, and we are pleased to report that we are globally competitive.

The 2007 annual GPA meeting will be held in Australia and hosted by Colorpak.

A Leading Service Model

The 2006 year has seen more advances in our service focus. The introduction of our Pharmakit model has been well accepted by the pharmaceutical industry. We are able to supply multiple printed components of cartons, labels, leaflets and foils in specific batch lots.

With many value added services, such as plate making; die making; window facing; leaflet and RF tag insertion; ink profiling; artwork preparation/alteration; foil stamping and embossing; flute laminations; storage and distribution, this "one stop shop" makes it easier to engender strong partnerships with our customers.

Outlook for 2007 year

Regents Park Open and "Ready for Business"

A terrific team effort saw the seamless transition of our Erskineville carton division to our greenfield development at Regents Park. Our customers' orders were delivered on time as a carefully planned operation and back up support from the Melbourne facility went to script.

The 7,750 square metre facility has been purpose designed to ensure the maximization of work flows and plant logistics. Swipe card security access and the highest level of product segregation systems are some of the features that will ensure the facility will be a benchmark unit for the pharmaceutical and other industries.

Industry Consolidation

The last twelve months has witnessed more activity in mergers and acquisitions in our industry. A number of opportunities remain within the industry and Colorpak management maintain a watching brief. Potential acquisitions that would add value to Colorpak shareholders will be seriously considered.

Flexibles Division – Re-Engineer – Re-Vitalise.

Installation of an MIS in early 2006 provided greater transparency into product profitability within our flexibles division (formerly Castle Graphics). As a result, the business has been slightly re-engineered and will be relocated into purpose built "clean-room" facilities at our Regents Park plant.

We anticipate the move to be completed by mid-September 2006 and are confident that when consolidated as part of the larger team, the benefits of stronger management, reduced costs, and focused selling will return the business unit to expected levels of profitability.

Debt Retirement

2006 saw a heavier year in capital expenditure due to the upside expected in organic sales growth. Our gearing (debt v's debt/equity) ratio at June 2006 was 40%, slightly up on the 38% at the end of 2005. Capital expenditure in 2007 will be around \$7.4 million, which includes \$3.8 million of liability at 30 June 2006. Beyond 2007, capital expenditure is expected to more closely align with our annual depreciation charge. Taking account of our 2007 requirements and our strong cash generation from operations, we expect our gearing ratio to be around 39% by the end of fiscal 2007, falling further in 2008 and beyond.

Conclusion

Despite our profit result suffering from a temporary set-back, management has pushed hard to achieve consistent top line organic sales growth. Our move to a state of the art plant at Regents Park, NSW, has created an even stronger platform for Colorpak's future growth and profitability.

I would like to thank every member of the Colorpak team, in particular the Sydney carton division team who enabled a seamless transition to Regents Park through a professional and committed plan and delivery.

2007 is shaping up to be another dynamic and exciting year. We look forward to capitalizing on every opportunity in our quest to create shareholder wealth.



Alex Commins
Managing Director



Additional Storage Facility

In February 2006, we took occupancy of our new 2,500 square metre storage facility in Braeside.

#03

Board of Directors & 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 58, B.Comm, MBA, CPA, AICD

Chairman

Member, Audit and Risk Management Committee

Member, Nomination & Remuneration Committee

Geoff, who joined Colorpak as its Chairman on 12 January 2004, has a strong commercial and industrial background and he has undertaken a number of senior management leadership roles during the past decade.

Geoff was a member of the Amcor Limited senior management team from 1982 until 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. Following this merger, Geoff was Group General Manager for Paper Merchandising and was subsequently appointed Managing Director of the Amcor Paper Group.

Geoff recently retired as the Chief Executive Officer of the Hydro-Electric Corporation having served in that capacity since 1999. He continues his involvement in Tasmania as Chairman of the Tasmanian Symphony Orchestra Pty Ltd and as Trustee of the Tasmanian Museum and Art Gallery.



Mr Alex Commins 39, B.Bus (Acc)

Managing Director

Prior to joining the Colorpak business in 1992, Alex held several accounting roles in a number of industrial and manufacturing companies, including HJ Heinz Company, in internal audit and financial 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 currently acts as secretary of the Global Packaging Alliance.

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



Mr Paul Commins 45, B.Bus (Acc)

Executive Director

In 1987 Paul started his own screen printing business and manufactured screen printed clothing for premium brands such as Adidas, Puma and Diadora. In 1993 he sold this business to join Colorpak.

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.

In 1999 Paul was instrumental in the selection and managed phase in of in-house 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 world's best practice manufacturing. In addition to these operational duties Paul also has responsibility for a number of Colorpak's key customer relationships.



Mr Tony Dynon 53, 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 has been 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 Ltd, CEO of Teangi Stockfeed (owned by Myer Family) and currently is CEO of Palm Springs Ltd.

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

During the past three years Tony also served (and currently serves) as a director of the listed company, Palm Springs Limited.



Mr David Heaney 62

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

David, who joined Colorpak on 12 January 2004, 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. He brings strong banking and finance skills, together with corporate governance experience to the company.

During the past three years David also served as a director of the following listed companies:

- Mariner Financial Limited *
- Gribbles Group Limited

* denotes current directorship.



Mr Harry Commins 43

Alternate Director

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

Harry completed his apprenticeship with a large printing company, part of the News Corp Group. He joined Colorpak in 1992. 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 such as, computer-to-plate, laminating, window facing, and foil stamping. Harry supports the sales team in a technical capacity with new product development and promotional activities. He also co-ordinates capacity utilisation between the plants.



Company Secretary

Mr Stephen Nicholls, 50, 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.

#04

Clean Room facility



The Regents Park site includes a purpose built 'clean room' production facility.

Corporate Governance Statement

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

Colorpak Limited's corporate governance practices were in place from 1 July 2005 to 30 June 2006 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 11 to 13 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
D Heaney	Non-executive director
T Dynon	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.

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

Name	Term in Office
G Willis	32 months
D Heaney	32 months
T Dynon	32 months
A Commins	33 months
P Commins	33 months

#05

New initiatives in Flexibles

The purchase of a new Mark Andy UV Flexo press to increase the speed and quality of our output at our Sydney flexibles division.

Implementation of an MIS System in our Sydney flexibles division to enable greater transparency on operating costs.

Colsonpak Limited

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 11 to 13 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 note 25 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.

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 29 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 23 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 2006. A performance review for each of the key executives was undertaken in December 2005.



Die Shop brings
Return on investment

#06

Last years investment in a die shop has
delivered the expected return on investment.

Financial Statements

For the year ended 30 June 2006

Colorpak Limited
ABN 56 107 485 898

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Colorpak Limited

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 2006.

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 11 to 13 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 13 of this Annual Report.

Directors' Interests

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

	Colorpak Limited Ordinary Shares
G Willis	100,000
A Commins ¹	25,838,936
P Commins ¹	25,542,436
D Heaney	828,000
T Dynon	75,000

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 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.

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	5.59

Dividends

	Cents	\$000
Final dividend recommended on ordinary shares:	1.75	1,408
Interim dividend paid in the year on ordinary shares:	1.00	805
Total dividend in respect of the year:	2.75	2,213

Operating And Financial Review

Financial Performance

The business has experienced another year of solid organic sales growth, with revenues from the sale of goods and services totalling \$68.566 million, an increase of 17.7% over the prior year (\$58.258 million). NPAT decreased to \$4.501 million from \$5.318 million, principally as a result of the matters dealt with below.

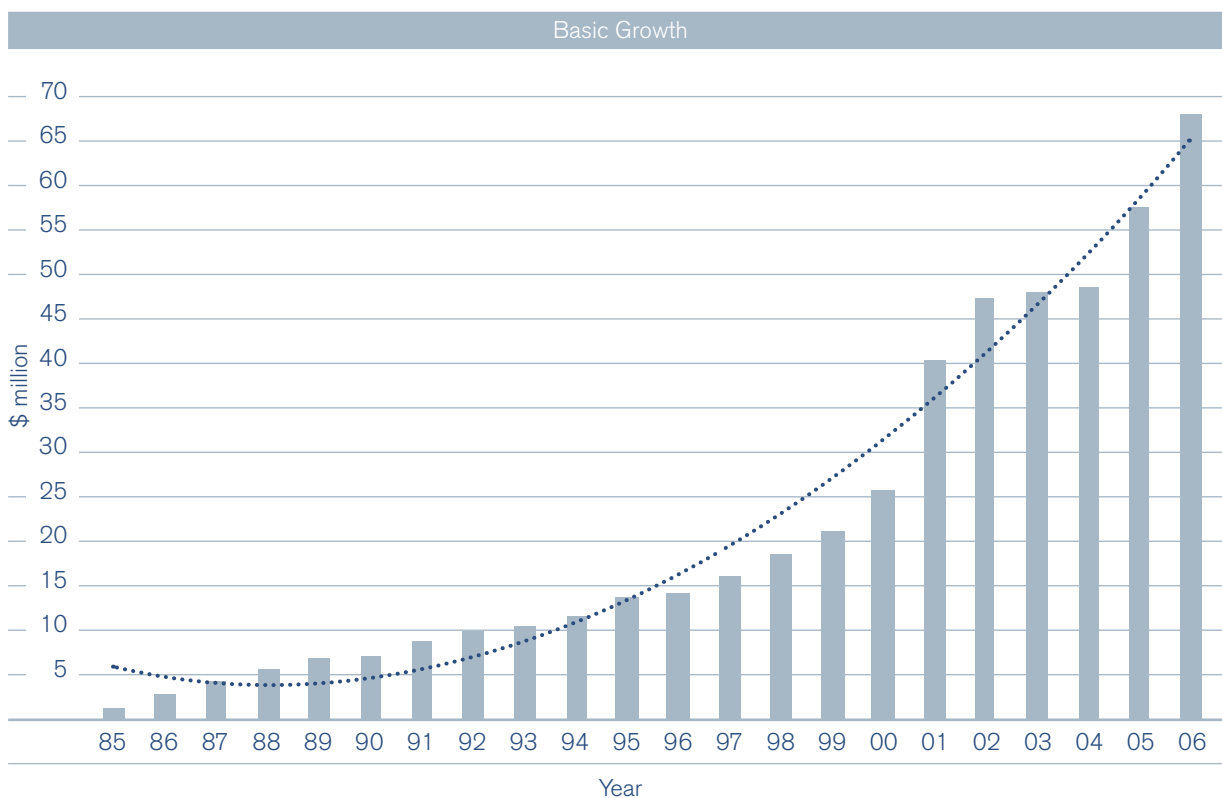
The relocation of the NSW carton business to a purpose built facility at Regents Park, was completed in June 2006, somewhat later than the initial project timeline. One-off relocation costs of \$425 thousand impacted the 2006 result. This delay caused problems in our existing Sydney operation, resulting in a large volume of work having to be temporarily transferred to Victoria in the January to June period. To ensure the company's high customer service levels were not compromised this resulted in further one-off operating cost impacts.

Colorpak Limited

Directors' Report

As well, the company has now concluded a strategic review of the recently acquired Castle Graphics foil and self-adhesive leaflet business which has not been performing to expectations. This business will be integrated into the new Regents Park facility. Accordingly, the company has incurred \$242 thousand in restructuring costs and a further \$509 thousand in associated impairment losses that are specific charges against the 2006 result. The benefits of the restructure will flow through from early in the 2007 financial year. The restructure will reduce fixed costs and improve manufacturing efficiencies while maintaining the existing product range. While the Castle Graphics business has had some initial teething problems, substantial new carton work has been won from new customers as a result of the extended product range afforded by this acquisition.

Sales growth over 2005 has totalled 17.7% and has continued the trend from prior years. Organic growth in the carton business has accounted for 13.9% of this increase, with the balance coming from the flexibles (Castle Graphics) business. Compound sales growth over the last 10 years has been 17.0%. Colorpak's revenue history, incorporating revenues from the Colorpak and Foilmasters' predecessor businesses, is set out in the following table:



Cash Flow

Cash generation from operations for the year was an inflow of \$3.409 million compared with an inflow of \$7.878 million last year. This reduction was caused by:

1. 2005 was the first year since incorporation in December 2003 in which the company paid tax, and the amount paid did not amount to a full year's obligation. Total tax in the current period was \$3.106 million, of which \$0.756 million was a catch-up for 2005 and therefore is not recurring; and
2. the company's success in generating a 17.7% revenue increase has resulted in increased working capital requirements, predominantly debtors and inventories. Demand on working capital requirement is expected to be ongoing, commensurate with sales growth.

Debt at 30 June 2006 totalled \$32.0 million, supporting the increased working capital. The company maintains adequate cash reserves and undrawn bank credit limits to meet its increased working capital requirements.

Colorpak Limited

Directors' Report

Operating Activities

Construction of a greenfield site in the Sydney suburb of Regents Park was completed in May 2006. This state of the art facility will improve manufacturing efficiency and is expected to drive new client growth in the important NSW market. As well, a finished goods warehouse in Braeside, adjacent to the current premises, was completed in February 2006. This facility will improve warehousing, handling and distribution costs.

2006 saw the successful commissioning of two Roland 700 six colour twin coating machines, one each in Melbourne and Sydney. The productivity of the Braeside press has already proven to be very strong and the new equipment is expected to underpin continued revenue growth. In addition, a Bobst 106LER was installed in Sydney in late June 2006 and commissioned in July.

Colorpak's Pharmakit model is being well accepted within the Pharmaceutical industry and the company is forging ahead with its batch style multiple printed components for a number of clients, with many more showing interest in the model.

The company sustained fire-damage to its Bobst 104ER at Braeside in March 2006. The fire was quickly identified and extinguished, although sufficient damage occurred necessitating the write-off of that machine. Adequate insurance was maintained and a new die-cutter has been ordered, which will be installed in late 2006. Production capacities have been unaffected, with additional shifts implemented on other die-cutting equipment to cover the shortfall.

Shareholder Returns

Colorpak has delivered the following returns to shareholders:

	Notes	2006	2005	2004 ⁽¹⁾
Basic earnings per share (cents)		5.59	6.84	1.98
Return on assets (%)		4.8	6.4	2.0
Return on equity (%)		9.9	12.5	3.8
Gearing (debt / debt+equity) (%)		40.1	37.7	42.8
Dividend payout ratio (%)	1.	49.2	37.8	n/a
Total shareholder return (%)	2.	(22.7)	41.3	n/a
Available franking credits (\$000)		3,365	662	–

⁽¹⁾ 2004 was a part year, with the company commencing trading in January 2004.

Notes:

1. Includes the proposed final dividend payable in October.
2. Excludes final dividend. Based on the share price at 30 June 2006.

Asset and Capital Structure

	2006	2005
Debt:		
Interest bearing loans and borrowings	32,032	27,502
Cash and short term deposits	(2)	(2)
Net debt	32,030	27,500
Total equity	47,920	45,365
Total capital employed	79,950	72,865
Gearing (Debt / Debt+Equity)	40.1%	37.7%

Aggregate debt is slightly down on the level at the time of ASX listing. Capital investment in 2007 will see the last of the foreseeable major capital equipment outlays and the company's focus over the next few years will be to retire debt. The company does not have an established policy however a long term range of 30 - 50% is considered appropriate.

Colorpak Limited

Directors' Report

Treasury

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

	2006	2005
Current		
Obligations under finance leases and hire purchase	7	649
Bank overdraft	890	811
Other loans	2,250	2,400
	3,147	3,860
Non-current		
Obligations under finance leases and hire purchase	35	42
Other loans	28,850	23,600
	28,885	23,642
	32,032	27,502

The amount of the company's debt increased during the year to fund both investments in new capital equipment and working capital needs to meet growing customer demand. With known capital commitments (see note 21(a)) and the final payment on the new Roland 706D press, (see note 14(ii)), debt is expected to increase to a peak of around \$36 – \$37 million during the year before closing the 2007 year at similar levels to this year.

Investments for Future Performance

The company's investment program for new capital expenditure, which included the acquisition of two Roland presses and two Bobst die-cutters to meet customer demand, has now been fully committed. At 30 June 2006, other payables included \$3.748 million of liabilities and in addition, capital commitments amounted to a net \$2.4 million towards this program. No further significant investments are envisaged for the balance of 2007 and capital expenditures in future years are expected to more closely align with our annual depreciation charge.

Outlook

With new premises and world class equipment, the company anticipates continued growth in both NSW and Victoria. The setback to earnings in January to June 2006 is expected to be reversed over the next six months as we bed down both operations in NSW into the new premises. In line with the growth prospects the 2nd half of 2007 will outperform the 1st half. The earnings growth path is forecast to be re-established for 2007 with expected revenues of between \$71 and \$73 million and expected NPAT of between \$5.1 and \$5.4 million. Cash flows from operations are expected to continue to be robust through 2007.

Dividend

The company is pleased to announce our final dividend of 1.75 cents per share, fully franked, which will be paid on 5 October 2006. This brings the full year dividend to 2.75 cents per share, fully franked. On the share price at 30 June 2006 of 47 cents, this represents a dividend yield of 5.9%.

Colorpak Limited

Directors' Report

Significant Changes In The State Of Affairs

Significant changes in the state of affairs of the company that occurred during the financial year, and which are reported in the financial statements, were:

- relocation of Sydney carton business to new purpose built premises at Regents Park in June 2006;
- acquisition of a new 6 colour press and commitment to a new die-cutter for the Regents Park site to meet growing customer demand;
- acquisition of a new foil press for the flexibles division;
- decision to restructure the flexibles division and to relocate it into the Regents Park site; and
- strengthening of finance facilities with an increase of \$6 million in June 2006.

Significant Events After The Balance Date

No matter or circumstance has arisen since 30 June 2006 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 on page 23 under Outlook, 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.

Remuneration Report

This report, which is set-out on pages 24 – 29 and has been subject to audit, outlines the remuneration arrangements in place for directors and executives of Colorpak Limited (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 & Remuneration Committee

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

The Nomination & 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.

Colorpak Limited

Directors' Report

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 advice from external consultants as well as 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 remuneration of non-executive directors for the period ending 30 June 2006 is detailed in the table on page 28 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 executives who held a beneficial interest in the sale of the Colorpak business to the company on 1 January 2004, being the Managing Director, the Operations Director and National Production Manager. Details of these contracts are provided on page 27. 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 & Remuneration Committee. The table on page 28 details the fixed and variable components of the 5 most highly remunerated senior executives.

Colorpak Limited

Directors' Report

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 & 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 28.

Variable pay – Long Term Incentive (LTI)

The company does not currently have in place an LTI.

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 a 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. 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 2006 financial year, the performance condition was based on achievement of a sliding scale of pre-determined earnings per share (EPS), commencing at 7.15 cents per share. The actual EPS achieved was 5.59 cents per share and accordingly, no incentive is payable. In respect of the 2007 year, the performance condition is based on achievement of a pre-determined EPS that reflects a minimum target growth over the 2006 EPS. No incentive will be payable unless the performance condition is achieved. In respect of the 2005 year, actual EPS achieved was 3.93 cents per share (pre AIFRS) against a performance condition of 3.8 cents per share, resulting in payment of incentives totalling \$361 thousand. The incentive plan did not apply in 2004.

Colorpak Limited

Directors' Report

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 chose 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 and Mr P Viegel are each employed under open ended agreements, the terms and conditions of which are commercial relative to people holding similar positions in other organisations. No employment contract exists for Mr T. Hale.

Colorpak Limited

Directors' Report

Compensation of Key Management Personnel

		Short term benefits			Post	Long term	Total	Performance Related %
		Base Salary \$	Non Monetary \$	Cash STI \$	employment Superannuation \$	benefits Leave Benefits \$		
Non-executive Directors								
G Willis	2006	67,955	–	–	–	–	67,955	–
(Chairman)	2005	65,975	–	–	–	–	65,975	–
D Heaney	2006	43,160	–	–	3,885	–	47,045	–
	2005	41,904	–	–	3,771	–	45,675	–
T Dynon	2006	47,045	–	–	–	–	47,045	–
	2005	45,675	–	–	–	–	45,675	–
Executive Directors								
A Commins	2006	232,102	37,273	–	23,351	5,812	298,538	–
(Managing Director)	2005	230,252	29,282	88,260	23,351	10,848	381,993	22.5
P Commins	2006	198,511	39,501	–	23,351	4,116	265,479	–
(Operations Director)	2005	200,341	28,169	76,125	23,351	6,270	334,256	22.8
Executive Officers								
H Commins	2006	192,902	39,883	–	23,351	5,086	261,222	–
(National Prodn Manager)	2005	197,674	30,097	74,603	23,351	12,506	338,231	22.1
S Nicholls	2006	151,500	–	–	29,500	1,767	182,767	–
(Chief Financial Officer)	2005	149,449	–	50,400	18,506	722	219,077	23.0
D Johnson	2006	186,126	53,532	–	15,266	4,576	259,500	–
(COO – NSW)	2005	173,190	60,525	74,249	15,266	16,998	340,228	21.8
T Hale	2006	135,417	–	–	–	–	135,417	–
(Consultant)	2005	175,000	–	–	–	–	175,000	–
P. Viegel ⁽¹⁾	2006	45,165	9,211	–	4,828	73	59,277	–
(Production Mgr NSW)	2005	–	–	–	–	–	–	–
F Harbison ⁽²⁾	2006	120,872	–	–	10,404	(144)	131,132	–
(HR Manager)	2005	72,117	–	–	6,388	144	78,649	–

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

⁽¹⁾ Mr P. Viegel commenced with the company on 16 January 2006.

⁽²⁾ Ms F. Harbison commenced on 6 December 2004 and left the company on 31 May 2006.

Colorpak Limited

Directors' Report

Compensation by Category: Key Management Personnel

	2006 \$	2005 \$
Short-term	1,600,154	1,863,287
Post employment	133,936	113,989
Other Long-term	21,285	47,488
Termination benefits	–	–
Share-based payments	–	–
	1,755,375	2,024,759

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 & Remuneration
Number of meetings held:	14	5	4
Number of meetings attended:			
G Willis	14	5	4
A Commins	13	–	–
P Commins	13	–	–
D Heaney	14	5	4
T Dynon	14	5	4

The details of the functions and memberships of the committees of the Board are presented in the Corporate Governance section included on pages 15 and 17 of this Annual Report.

Colorpak Limited

Directors' Report

Indemnification And Insurance Of Directors And Officers

The company has made an agreement to indemnify each of the directors and certain executive officers of the company to the extent permitted by law against certain liabilities and to provide access to the company's documents and information.

The company paid an insurance premium of \$43,780 in respect of a contract insuring, to the extent permitted by law, each of the directors of the company named in this report and each full time executive officer and secretary, against liabilities and expenses arising from the conduct of their offices for the company.

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
28 August 2006

Colorpak Limited

Income Statement for the year ended 30 June 2006

	Notes	2006 \$000	2005 \$000
Revenue	4	70,716	58,582
Changes in inventories of finished goods and work in progress		885	116
Raw materials and consumables used		(29,618)	(23,363)
Employee benefits expense		(21,173)	(17,668)
Depreciation and amortisation	4	(2,312)	(1,658)
Impairment of plant and equipment	12,13	(1,895)	–
Occupancy costs		(2,000)	(1,708)
Other expenses		(6,054)	(4,694)
Profit before tax and finance costs		8,549	9,607
Finance costs	4	(2,084)	(2,017)
Profit before income tax		6,465	7,590
Income tax expense	5	(1,964)	(2,272)
Net profit for the period attributable to members of Colorpak Limited	17	4,501	5,318

Earnings per share (cents per share)

Basic and diluted for profit for the year attributable to ordinary equity holders of the company	6	5.59	6.84
Dividends per share (cents per share)	7	2.75	2.50

Colorpak Limited

Balance Sheet as at 30 June 2006

	Note	2006 \$000	2005 \$000
Assets			
Current Assets			
Cash and cash equivalents	8	2	2
Trade and other receivables	9	13,772	10,900
Inventories	10	7,202	5,152
Income tax receivable		167	–
Prepayments	11	889	1,148
Total Current Assets		22,032	17,202
Non-current Assets			
Property, plant and equipment	12	25,083	19,561
Goodwill	13	46,134	46,134
Deferred income tax assets	5	269	663
Total Non-current Assets		71,486	66,358
TOTAL ASSETS		93,518	83,560
Liabilities			
Current Liabilities			
Trade and other payables	14	10,830	5,976
Interest-bearing loans and borrowings	15	3,147	3,860
Income tax payable		–	1,337
Provisions	16	1,773	2,500
Total Current Liabilities		15,750	13,673
Non-current Liabilities			
Interest-bearing loans and borrowings	15	28,885	23,642
Provisions	16	963	880
Total Non-current Liabilities		29,848	24,522
TOTAL LIABILITIES		45,598	38,195
NET ASSETS		47,920	45,365
Equity			
Contributed equity	17	38,861	38,861
Retained profits		8,993	6,504
Reserves		66	–
TOTAL EQUITY		47,920	45,365

Colorpak Limited

Cash Flow Statement for the year ended 30 June 2006

	Note	2006 \$000	2005 \$000
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		74,747	63,552
Payments to suppliers and employees		(66,041)	(52,312)
Interest received	4	17	46
Income taxes paid		(3,106)	(1,466)
Borrowing costs		(2,208)	(1,942)
Net cash flows from ordinary activities	8	3,409	7,878
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		215	29
Purchase of property, plant and equipment (*)		(6,142)	(3,761)
Purchase of business, net of cash acquired	20	–	(2,243)
Payments of acquisition costs	20	–	(351)
Net cash flows used in investing activities		(5,927)	(6,326)
Cash flows from financing activities			
Proceeds from borrowings		7,500	2,500
Payments of share issue costs	17	–	1
Repayment of finance lease principal		(649)	(1,737)
Repayment of borrowings		(2,400)	(1,500)
Payment of dividends		(2,012)	(805)
Net cash flows used in financing activities		2,439	(1,541)
Net increase / (decrease) in cash and cash equivalents held		(79)	11
Cash and cash equivalents at the beginning of the year		(809)	(820)
Cash and cash equivalents at the end of the year	8	(888)	(809)

(*) Purchase of property, plant and equipment in 2006 excludes \$3.748 million paid in July 2006, being the final payment for a printing press that commenced operations in late June 2006, such amount being included in Other Payables at 30 June 2006. Purchase of property, plant and equipment in 2005 included \$501 thousand of deposits against equipment that was received in the 2006 financial year, such amounts being included in Prepayments at 30 June 2005.

Colorpak Limited

Statement of Changes in Equity for the year ended 30 June 2006

	Attributable to equity holders of the company			
	Issued capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total equity \$000
At 1 July 2004	36,860	1,991	–	38,851
Profit for the period	–	5,318	–	5,318
Total income / expense for the period	–	5,318	–	5,318
Issued capital during period	2,000	–	–	2,000
Issue costs	1	–	–	1
Equity dividends	–	(805)	–	(805)
At 30 June 2005	38,861	6,504	–	45,365
At 1 July 2005	38,861	6,504	–	45,365
Cash flow hedges:				
Gains / (losses) taken to equity	–	–	94	94
Deferred tax on gains / (losses)	–	–	(28)	(28)
Total income and expense for the period recognised directly in equity	–	–	66	66
Profit for the period	–	4,501	–	4,501
Total income / expense for the period	–	4,501	66	4,567
Equity dividends	–	(2,012)	–	(2,012)
At 30 June 2006	38,861	8,993	66	47,920

Colorpak Limited

Notes to the Financial Statements 30 June 2006

1. Corporate Information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 28 August 2006.

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 3.

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 98/100. The company is an entity to which the class order applies.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 26.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(b) Statement of compliance (continued)

Except for the revised AASB 119 *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for company
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> AASB 101: <i>Presentation of Financial Statements</i> AASB 114: <i>Segment Reporting</i> AASB 117: <i>Leases</i> AASB 133: <i>Earnings per Share</i> AASB 139: <i>Financial Instruments: Recognition and Measurement</i> AASB 1: <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New standard	AASB 7: <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New guidance	UIG 4: <i>Determining whether an arrangement contains a lease</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

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

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(b) Statement of compliance (continued)

The following amendments are not applicable to the company and therefore have no impact.

Amendment	Affected Standard(s)
2005-2	AASB 1023: <i>General Insurance Contracts</i>
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> ; AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> ; AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1028: <i>Life Insurance Contracts</i> .
2005-9	AASB 4: <i>Insurance Contracts</i> ; AASB 1023: <i>General Insurance Contracts</i> ; AASB 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments: Disclosure and Presentation</i>
2005-12	AASB 1038: <i>Life Insurance Contracts</i> and AASB 1023: <i>General Insurance Contracts</i>
2005-13	AAS 25: <i>Financial Reporting by Superannuation Plans</i>
2006-1	AASB 121: <i>The Effects of Change in Foreign Currency Rates</i>
New Guidance	UIG 5: <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
New Guidance	UIG 7: <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
New Guidance	UIG 8: <i>Scope of AASB 2</i>
New Guidance	UIG 9: <i>Reassessment of Embedded Derivatives</i>

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Apart from judgements involving estimations, the 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 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 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.

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 derecognised and as well as through the amortisation process.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(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 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 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.

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 derecognised.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(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 each of the company's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units or group of units. Each unit or group of units 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 (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) 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.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(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, annual leave and accumulating sick 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.

(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) and preference share 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

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.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

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 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.

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 assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(s) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised 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.

(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. Gains or losses arising from the remeasurement 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.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

(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 derecognised 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 derecognised 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.

3. 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.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

4. Revenues & Expenses

	Note	2006 \$000	2005 \$000
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(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:

(i) Revenue

Sale of goods and services		68,566	58,258
Interest from unrelated persons		17	46
Other revenue		2,133	278
		70,716	58,582

Other revenue includes \$1.842 million of insurance proceeds, of which \$1.818 million remains in other receivables at 30 June 2006 (refer note 9(ii)).

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons		2,195	1,827
Finance charges payable under finance leases and hire purchase contracts		31	91
Total finance costs (on historical cost basis)		2,226	1,918
Fair value change on interest rate swaps	19	(142)	99
Total finance costs expensed		2,084	2,017

Impairment of plant and equipment:

Fire damaged die-cutter		1,320	–
De-commissioned equipment – flexibles division		509	–
Other impairment losses		66	–
		12	1,895

Other expenses includes:

Doubtful debts		80	–
Restructure costs		827	–

During the year the company relocated its NSW carton operations to new premises at Regents Park. In addition, the company relocated certain warehouse operations in Victoria to new purpose built premises adjacent to the main operations in Braeside. Plans have also been implemented to relocate the flexibles business at Seven Hills to the new Regents Park facility from early in the 2007 financial year. The costs associated with these initiatives, which are one-off by their nature, have been categorised as restructure costs.

Employee benefits expense includes:

Superannuation		1,248	1,048
Senior executive incentive plan		–	407

Colorpak Limited

Notes to the Financial Statements 30 June 2006

5. Income Tax

	Note	2006 \$000	2005 \$000
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The major components of income tax expense are:

Income Statement			
Current income tax			
Current income tax charge		1,599	1,819
Adjustments in respect of current income tax of previous years		(1)	2
Deferred income tax			
Relating to origination and reversal of temporary differences		365	451
Income tax expense reported in the income statement		1,963	2,272

Statement of changes in equity			
Deferred income tax related to items charged or credited directly to equity			
Net gain on revaluation of cash flow hedges		(28)	–
Income tax expense reported in equity		(28)	–

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		6,465	7,591
Tax expense at the company's statutory income tax rate (30%)		1,939	2,277
- Adjustments in respect of current income tax of previous years		(1)	2
- Expenditure not allowable for income tax purposes		25	28
- Other		–	(35)
Income tax expense reported in the income statement		1,963	2,272

Colorpak Limited

Notes to the Financial Statements 30 June 2006

5. Income Tax (continued)

	Balance sheet		Income statement	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Deferred Income Tax				
Deferred income tax at 30 June relates to:				
Deferred income tax assets				
Doubtful debts	24	–	(24)	–
Inventory provisions	38	34	(4)	22
Employee benefits	762	684	(78)	(69)
Float costs	182	273	91	89
Accruals	152	108	(44)	18
Acquisition costs	51	73	22	(12)
Interest swaps (held for trading)	–	38	–	29
Gross deferred income tax assets	1,209	1,210		
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	699	547	152	374
Balancing charge rollover	208	–	208	–
Interest swaps (held for trading)	5	–	42	–
Interest swaps (cash flow hedges)	28	–	–	–
Gross deferred income tax liabilities	940	547		
Deferred income tax charge			365	451

Colorpak Limited

Notes to the Financial Statements 30 June 2006

6. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2006	2005
Basic and diluted earnings per share (cents per share)	5.59	6.84
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	80,476,828	79,098,406
Net profit used in the calculation of basic and diluted earnings per share (\$000)	4,501	5,318

Subscription or issues after 30 June 2006

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

7. Dividends Paid And Proposed

	Note	2006 \$000	2005 \$000
Declared and paid during the year:			
Dividends on ordinary shares:			
– Final franked dividend for 2005: 1.50 cents (2004: nil)		1,207	–
– Interim franked dividend for 2006: 1.00 cents (2005: 1.0 cents)		805	805
		2,012	805

Proposed for approval at AGM (not recognised as a liability as at 30 June):

Dividends on ordinary shares:			
– Final franked dividend for 2006: 1.75 cents (2005: 1.5 cents)		1,408	1,207

Franking credit balance

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

• franking account balance as at the end of the financial year at 30% (2005: 30%)		3,365	662
• franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year		(71)	1,342
Amount of franking credits available for future reporting periods		3,294	2,004
• 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		(1,408)	(517)
		1,886	1,487

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

Colorpak Limited

Notes to the Financial Statements 30 June 2006

8. Cash And Cash Equivalents

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

At 30 June 2006, the company had available \$11.110 million (2005: \$11.689 million) of undrawn committed borrowing facilities in respect of which conditions precedent had been met.

	Note	2006 \$000	2005 \$000
Reconciliation to Cash Flow Statement			
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:			
Cash on hand		2	2
Bank overdraft	15	(890)	(811)
Closing cash balance		(888)	(809)
Reconciliation of net profit after tax to the net cash flows from operations			
Net profit		4,501	5,318
Adjustments for non-cash items:			
Depreciation of non-current assets		2,311	1,658
Impairment of non-current assets		1,895	–
Net loss on disposal of plant & equipment		56	6
Changes in assets and liabilities (net of effects from purchase of business):			
Decrease/(Increase) in assets:			
Trade and other receivables		(2,872)	(1,155)
Inventories		(2,049)	(420)
Prepayments (*)		242	(163)
Deferred income tax assets		366	392
(Decrease)/Increase in liabilities:			
Trade & other payables		128	1,136
Provisions		(646)	652
Other liabilities (**)		980	39
Income tax payable		(1,503)	415
Net cash from operating activities		3,409	7,878

(*) The movement in prepayments includes \$109 thousand net movement on property, plant & equipment (2005: \$501 thousand), in addition to \$94 thousand interest swaps taken directly to reserves.

(**) The movement in other liabilities excludes \$3.748 million payable in July 2006 on a new printing press (see Cash Flow Statement for further details).

Disclosure of financing facilities

Refer to note 15.

Disclosure of non-cash financing and investing activities

Refer to notes 12 and 20.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

9. Trade And Other Receivables (current)

	Note	2006 \$000	2005 \$000
Trade receivables	(i)	11,778	10,653
Allowance for doubtful debts	(i)	(80)	–
		11,698	10,653
Interest swaps – held for trading		94	–
Interest swaps – cash flow hedges		16	–
Other receivables	(ii)	1,964	247
Total current receivables		13,772	10,900

(i) Trade receivables are non-interest bearing and generally on 30 or 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of \$80 thousand has been recognised as an expense for the current year for specific debtors for which such evidence exists. The amount of the allowance / 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.

(ii) Other receivables are non-interest bearing and generally on 30 day terms from their due date. Other receivables includes \$1.818 million of insurance proceeds recoverable against a fire damaged die-cutting machine and \$110 thousand (2005: Nil) fair value of interest rate swaps.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in note 19.

10. Inventories (current)

	Note	2006 \$000	2005 \$000
At cost:			
Raw materials and stores		3,718	2,541
Work in progress		1,178	1,274
Finished goods		2,432	1,451
		7,328	5,266
Less, provision for obsolescence		(126)	(114)
Total inventories at the lower of cost and net realisable value		7,202	5,152

Inventory write-downs recognised as an expense totalled \$157 thousand (2005: \$93 thousand). This expense is included in the Other expenses line item of the income statement.

11. Prepayments

	Note	2006 \$000	2005 \$000
Prepayments		497	647
Deposits on plant & equipment		392	501
Total prepayments		889	1,148

Colorpak Limited

Notes to the Financial Statements 30 June 2006

12. Property, Plant and Equipment

	Leasehold Improvements \$000	Computers & Office Equipment \$000	Motor Vehicles \$000	Plant & Equipment \$000	Furniture, Fixtures & Fittings \$000	Total \$000
Year Ended 30 June 2006						
At 1 July 2005, Net of accumulated depreciation	107	444	658	18,281	71	19,561
Additions	154	232	213	9,380	23	10,002
Disposals	(4)	(7)	(227)	(34)	(2)	(274)
Impairment	–	–	–	(1,895)	–	(1,895)
Depreciation charge for the year	(41)	(183)	(140)	(1,937)	(10)	(2,311)
Reclassification	61	–	–	(61)	–	–
At 30 June 2006, Net of accumulated depreciation	277	486	504	23,734	82	25,083
At 1 July 2005						
Cost or fair value	158	750	857	20,175	79	22,019
Accumulated depreciation and impairment	(51)	(306)	(199)	(1,894)	(8)	(2,458)
Net carrying amount	107	444	658	18,281	71	19,561
At 30 June 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
Year Ended 30 June 2005						
At 1 July 2004, Net of accumulated depreciation	144	486	635	13,903	64	15,232
Assets acquired	–	18	22	2,761	–	2,801
Acquisition fair value adjustment	(20)	(7)	–	(59)	–	(86)
Additions	3	144	164	2,983	12	3,306
Disposals	–	–	(25)	(11)	–	(36)
Impairment	–	–	–	–	–	–
Depreciation charge for the year	(20)	(197)	(138)	(1,296)	(5)	(1,656)
At 30 June 2005, Net of accumulated depreciation	107	444	658	18,281	71	19,561
At 1 July 2004						
Cost or fair value	155	588	698	14,443	67	15,951
Accumulated depreciation and impairment	(11)	(102)	(63)	(540)	(3)	(719)
Net carrying amount	144	486	635	13,903	64	15,232
At 30 June 2005						
Cost or fair value	158	750	857	20,175	79	22,019
Accumulated depreciation and impairment	(51)	(306)	(199)	(1,894)	(8)	(2,458)
Net carrying amount	107	444	658	18,281	71	19,561

Colorpak Limited

Notes to the Financial Statements 30 June 2006

12. Property, Plant and Equipment (continued)

- (i) Acquisition fair value adjustments have been taken to goodwill.
- (ii) 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 15). The terms of the security preclude assets:
1. being sold unless being replaced by an asset providing a similar function; and
 2. being used as security for further mortgages, without the prior approval of the lender.
- (iii) The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2006 is \$37 thousand (2005: \$1.421 million). Additions during the year include nil (2005: \$46 thousand) 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 4(a)(ii).

13. Goodwill (non-current)

	Note	2006 \$000	2005 \$000
Goodwill			
Cost (gross carrying amount)		46,134	46,134
Accumulated amortisation and impairment		–	–
Net carrying amount		46,134	46,134
At 1 July 2005, net of accumulated amortisation and impairment		46,134	45,609
Acquisition of business		–	439
Acquisition fair value adjustment		–	86
Impairment		–	–
At 30 June 2006, net of accumulated amortisation and impairment		46,134	46,134

No impairment loss existed for the 2006 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 discount rate applied to cash flow projections is 11.9% (2005: 9.6%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2005:2.5%).

Key assumptions used in value in use calculations for 30 June 2006 and 30 June 2005

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 beyond year one is projected to be equivalent to annual depreciation.
- Bond rates – the yield on a five year government bond rate at the beginning of the budgeted year is used.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

14. Trade And Other Payables (current)

	Note	2006 \$000	2005 \$000
Unsecured liabilities			
Trade payables	(i)	5,136	5,009
Interest swaps – held for trading		–	126
Other payables	(ii)	5,694	841
Total trade and other payables		10,830	5,976

- (i) Trade payables are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other payables are non-interest bearing and have an average term of between 3 and 6 months. Other payables includes \$3.748 million payable in July 2006 on a printing press and Nil (2005: \$126 thousand) of fair value of interest rate swaps.

Details regarding the effective interest rate and credit risk of current payables is disclosed in note 19.

15. Interest Bearing Loans And Borrowings

	Note	2006 \$000	2005 \$000
Current			
Secured liabilities			
Bank overdraft	(i)	890	811
Bank loan	(ii)	2,250	2,400
Obligations under finance leases and hire purchase contracts	(iii), 21(b)	7	649
Total current interest bearing liabilities		3,147	3,860
Non-current			
Secured liabilities			
Bank Loans	(ii)	28,850	23,600
Obligations under finance leases and hire purchase contracts	(iii), 21(b)	35	42
Total non-current interest bearing liabilities		28,885	23,642

- (i) Bank overdraft is provided under a \$3 million facility expiring on 31 March 2007. The interest rate applicable at 30 June 2006 was 10.60% (2005:10.35%) 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 \$37.1 million at 30 June 2006. \$19.1 million of these facilities expire, unless extended, on 31 March 2008. The balance of the facilities (\$18 million) expire, unless extended, on 30 November 2009. Agreed amortisation of the loan facilities total \$2.25 million, in the 2007 financial year. The average interest rate payable at 30 June 2006 on the fixed and floating bills under the two facilities was 7.15% (2005: 7.16%).
- (iii) The hire purchase liability has a remaining term of 2 years. The average implicit interest rate is 6.69% (2005: 6.58%). In addition to the outstanding hire purchase liability at 30 June 2006, the company has a leasing facility limit of \$3 million expiring unless extended, in 30 November 2006.
- (iv) All interest-bearing liabilities, other than a hire purchase liability of \$42 thousand at 30 June 2006, are secured by a fixed and floating charge over the company's assets.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

15. Interest Bearing Loans And Borrowings (continued)

Financing facilities available

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

2006	Accessible \$000	Drawn down \$000	Unused \$000
Hire purchase and leasing finance	3,042	42	3,000
Bank bills	37,100	31,100	6,000
Overdraft	3,000	890	2,110
Guarantees	800	283	517

2005	Accessible \$000	Drawn down \$000	Unused \$000
Hire purchase and leasing finance	693	693	–
Bank bills	35,500	26,000	9,500
Overdraft	3,000	811	2,189
Guarantees	283	283	–

Security & Conditions

The facilities are secured by debenture security administered by National Australia Trustees Limited (see note 12(ii)).

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

- an interest cover 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 NAB facility expires on 31 March 2008 and the ANZ facility on 30 November 2009, unless otherwise extended.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

16. Provisions

	Note	2006 \$000	2005 \$000
Current			
Employee leave benefits		1,578	50
Provision for indemnity	(i)	–	2,450
Restructure provision	(ii)	195	–
Total current provisions		1,773	2,500
Non-current			
Employee leave benefits		963	52
Provision for indemnity	(i)	–	828
Total non-current provisions		963	880

(i) Throughout the 2005 financial year, the services of all employees located at the Braeside, Dandenong and Erskineville locations (but excluding the non-executive directors and employees at the Seven Hills location) were provided under "Services / Outsourcing Agreements" with Carton Services Pty Ltd as trustee for the Walter Commins Family Trust and Hotfoil Services Pty Ltd as trustee for the Foilmasters Trust (the "Service Entities"). The employees provided by the Service Entities worked exclusively for the benefit of the company during the term of the agreements. The trusts did not earn a profit from the provision of these services.

These Services / Outsourcing Agreements were terminated during the first quarter of the 2006 financial year, whereupon all employees and their entitlements were transferred to the company. Pursuant to the Services Agreements, the company indemnified the Service Entities (in their capacity as trustees of their respective trusts) in relation to all employee obligations/liabilities, with the disclosure of such obligations/liabilities being termed "Provision for indemnity". In the comparatives throughout this Annual Report, and for the period in this financial year up until the date of termination of the relevant Services / Outsourcing Agreement, employees were treated as if they were employed by the company, notwithstanding that legal relationship did not exist at that time.

(ii) The company has announced its decision to restructure the flexibles division at Seven Hills and to co-locate that division into the new Regents Park facility. Expected costs of this move have been taken up as a provision at 30 June 2006.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

17. Contributed Equity And Reserves

This note should be read in conjunction with the Statement of Changes in Equity shown on page 34 of this Annual Report.

(a) Issued and paid-up capital:

	Note	2006 \$000	2005 \$000
Ordinary shares		38,861	38,861
Total contributed equity		38,861	38,861

Effective 1 July 1998, 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:

	No of Ordinary Shares	\$000
At 1 July 2004	77,188,436	36,860
Issued during the period (i)	3,288,392	2,000
Less, issue costs	–	1
At 1 July 2005	80,476,828	38,861
Issued during the period	–	–
At 30 June 2006	80,476,828	38,861

(i) on 1 December 2004, 3,288,392 ordinary shares were issued as part consideration in acquiring the Castle Graphics business. The value placed on the issue was the published share price of the company's shares on the day that the company gained control.

(c) Shares under Escrow

As at 30 June 2006, a total of nil (2005: 25,532,436) ordinary shares were 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.

(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.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

18. 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 mainly interest rate swaps, the purpose being to manage the interest rate risks arising from the company's operations and its sources of finance. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. 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, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow 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 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 between 50% and 85% 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 2006, after taking into account the effect of interest rate swaps, approximately 89% of the company's borrowings are at a fixed rate of interest.

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 borrowings should mature in any 12-month period. At 30 June 2006 7.2% of the company's debt will mature in less than one year (2005: 10.2%).

Credit risk

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 only with recognised third parties, there is no requirement for collateral.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

19. Financial Instruments

(a) Fair values

For all financial assets and financial liabilities, the net fair values approximate their carrying values.

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	< 1 year \$000	>1- <2 years \$000	>2- <3 years \$000	>3- <4 years \$000	>4- <5 years \$000	>5 years \$000	Total \$000
Year ended 30 June 2006							
(i) Financial assets							
Floating rate							
Cash	2	-	-	-	-	-	2
(ii) Financial liabilities							
Fixed rate							
Bank bills at fixed rates	2,250	6,350	-	-	-	-	8,600
Bank bills at variable rates [^]	-	8,500	10,500	-	-	-	19,000
Hire purchase liability	7	10	25	-	-	-	42
Floating rate							
Bank overdraft	890	-	-	-	-	-	890
Bank bills at variable rates	-	-	3,500	-	-	-	3,500
Year ended 30 June 2005							
(i) Financial assets							
Floating rate							
Cash	2	-	-	-	-	-	2
(ii) Financial liabilities							
Fixed rate							
Bank bills at fixed rates	2,400	8,600	-	-	-	-	11,000
Bank bills at variable rates [^]	-	1,500	-	10,500	-	-	12,000
Hire purchase liability	649	7	10	25	-	-	691
Floating rate							
Bank overdraft	811	-	-	-	-	-	811
Bank bills at variable rates	-	3,000	-	-	-	-	3,000

[^] - the company utilises interest rate swaps to reduce exposure to interest rate changes. The effect of the interest rate swap results in a consistent interest rate with the fixed bill facilities. Interest swaps are for periods ranging between March 2007 and June 2011.

Refer to note 15 for disclosure of effective interest rates.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

19. Financial Instruments (continued)

(b) Interest rate risk (continued)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

(c) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contractor 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 \$110 thousand (2005: \$126 thousand).

(d) Hedging activities

At 30 June 2006, the company had interest rate swap agreements whereby it pays a fixed rate of interest and receives a variable rate equal to BBSY on the notional amount. Details of these swaps are as follows:

Notional Amount \$000	Fixed Rate of interest	Maturity	Type
7,000	5.97%	31 March 2007	Held for trading
2,500	6.14%	26 June 2008	Held for trading
2,500	6.17%	26 June 2009	Held for trading
3,500	5.93%	6 June 2011	Cash flow hedge
3,500	5.94%	6 June 2011	Cash flow hedge

The above swaps are being used to hedge the exposure to changes in the fair value of its variable interest rate bank bills. The secured debt and the interest rate swap that are designated cash flow hedges have the same critical terms.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

20. Business Combination

Pursuant to an acquisition agreement dated 1 December 2004, the company acquired the Castle Graphics business, with effect from that date.

	Note	2006 \$000	2005 \$000
The components of the acquisition were:			
Cash consideration		–	2,243
Acquisition costs		–	239
Shares issued		–	2,000
		–	4,482
The amounts of assets and liabilities acquired by major class are:			
Cash		–	–
Trade and other receivables		–	–
Inventories		–	1,319
Other assets		–	–
Deferred tax assets		–	23
Plant and equipment		–	2,801
Interest Bearing Liabilities		–	–
Trade and other payables		–	–
Provisions		–	(77)
		–	4,066
Goodwill arising on acquisition		–	416
		–	4,482
Net Cash Effect:			
Cash consideration paid		–	(2,243)
Acquisition costs		–	(239)
Cash included in net assets acquired ^(*)		–	–
Cash paid for purchase of business		–	(2,482)

(*) In addition to the above acquisition, \$112 thousand additional costs were incurred during the 2005 year in respect of the Colorpak and Foilmasters 2004 acquisitions.

The business combination of the Castle Graphics business was an acquisition of net assets and not shares in another entity. Access to accounting records of the vendor entity to determine the carrying amount of the assets acquired at the acquisition date was not available.

For the seven month period from the date of acquisition of the Castle Graphics business on 1 December 2004, that business contributed a loss of \$16 thousand to the company's results. The impact on the profit and revenue of the company for the 12 months to 30 June 2005, as if that business had been owned for the entire 2005 financial year, is not known as the company did not have full access to the records of the vendor entity prior to the acquisition.

Deferred settlement commitments

Under the provisions of the Castle Graphics acquisition agreement, the purchase price would have been increased if the Castle Graphics business achieved an EBITDA result in excess of pre-set targets for either the 7 months to 30 June 2005 or the 2006 financial year. If a surplus EBITDA was achieved, Colorpak could elect to satisfy the liability arising by either the payment of cash or the issue of shares.

The EBITDA result for the Castle Graphics business for the year to 30 June 2006 was insufficient to trigger a deferred settlement payment.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

21. Commitments And Contingencies

(a) Capital expenditure commitments

At 30 June 2006 the company has commitments contracted for but not recognised as liabilities of \$4.243 million (2005: \$3.973 million) principally in relation to two die-cutters and equipment associated with the new premises at Regents Park in Sydney. The 2006 commitments include \$1.842 million in respect to a die-cutter to replace the one at Braeside that was destroyed by fire in March 2006. Subject to deduction for the relevant insurance excess, this commitment will be met by the company's insurance policy. 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:

	2006		2005	
	Minimum Lease Payments \$000	Present Value of Lease Payments \$000	Minimum Lease Payments \$000	Present Value of Lease Payments \$000
Within one year	12	7	680	649
After one year but not more than five years	38	35	50	42
Total minimum lease payments	50		730	
Less amounts representing finance charges	(8)		(39)	
Present value of minimum lease payments	42	42	691	691

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

(c) Operating lease commitments

The company has entered into operating leases as a means of acquiring access to warehouse and office space. 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:

	2006 \$000	2005 \$000
– not later than one year	1,591	839
– later than one year but not later than five years	4,771	1,464
– later than five years	4,165	–
Aggregate lease expenditure contracted for at reporting date	10,527	2,303

Colorpak Limited

Notes to the Financial Statements 30 June 2006

21. Commitments And Contingencies (continued)

(d) Remuneration commitments

	2006 \$000	2005 \$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	822	798
– after one year but not later than five years	1,790	399
– longer than five years	–	–
Aggregate remuneration commitments contracted for at reporting date	2,612	1,197

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 25 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 2006:

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 \$283,000 (2005: \$283,000).

(f) Claim against supplier

The company has lodged a claim against a supplier for \$54,000 in respect to business interruption caused by faulty equipment. At the date of this report this claim has not been settled. No amount has been taken up in the financial report.

22. Related Party Disclosures

(a) Other Related Party Transactions

Other than identified in note 25, there were no other related party transactions.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

23. Auditors' Remuneration

The auditor of Colorpak Limited is Ernst & Young.

	Note	2006 \$000	2005 \$000
Amounts received or due and receivable, by Ernst & Young for:			
• an audit or review of the financial report of the company		82,650	83,000
• other services, included in the Income Statement:			
– tax compliance		–	–
– assurance related		–	–
• other services, not included in the Income Statement		–	–
		82,650	83,000

24. Events After the Balance Sheet Date

Since 30 June 2006 the following events have occurred:

- the flexibles packaging business at Seven Hills is in the process of being relocated during August 2006 to the company's site at Regents Park.
- a Roland 706D Printing Press and a Bobst 106LER die-cutter were commissioned at the company's Regents Park site in July 2006.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

25. Director and Executive Disclosures

(a) Details of Key Management Personnel

(i) Directors

G Willis	Chairman
A Commins	Managing Director & CEO
P Commins	Operations Director
D Heaney	Director (non-executive)
T Dynon	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
T Hale	Consultant
P Viegel	Production Manager – NSW
F Harbison	Human Resources Manager (left 31 May 2006)

Ms L Bremner joined the company on 24 July 2006 as the Human Resources Manager. There were no other changes of the CEO or key management personnel between the reporting date and the date the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

The company has applied the exemption under the Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party disclosures. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report designated as audited.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

25. Director and Executive Disclosures (continued)

(c) Shareholdings of Key Management Personnel

	Balance at beginning of year 30 June 2005	Granted as Remuneration	Net Change Other	Balance at end of year 30 June 2006
(i) Directors				
G Willis	100,000	–	–	100,000
A Commins ¹	25,772,436	–	66,500	25,838,936
P Commins ¹	25,542,436	–	–	25,542,436
D Heaney	828,000	–	–	828,000
T Dynon	75,000	–	–	75,000
(ii) Executives				
H Commins ¹	25,532,436	–	–	25,532,436
S Nicholls	47,000	–	–	47,000
D Johnson	1,000	–	–	1,000
T Hale	300,000	–	–	300,000
P Viegel	–	–	–	–

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. These transactions included the following and have been quantified below where transactions are considered likely to be of interest to users of these financial statements:

- as identified in note 16, the company had historically entered into services agreements with Carton Services Pty Ltd as trustee for the Walter Commins Family Trust and Hotfoil Services Pty Ltd as trustee for the Foilmasters Trust. Mr A. Commins, Mr P. Commins and Mr H. Commins are each potential beneficiaries of these trusts. The Services Agreements were terminated during the first quarter of the 2006 financial year. A total of \$3.829 million (2005: \$16.180 million) was charged under these services agreements for the financial year. The trusts did not earn a profit for the provision of these services.
- related parties of Mr A. Commins, Mr P. Commins and Mr H. Commins are parties to leasehold agreements with the company in respect of the properties in Braeside and Dandenong (both in Victoria) and Regents Park (NSW). These rental agreements are on standard commercial terms and the rent has been set at market by reference to an independent valuation. A total of \$662 thousand (2005: \$572 thousand) was charged under these lease agreements for the financial year.
- the company provides book keeping services to Shear Khan Pty Ltd as trustee for the Woodlands Drive Family Trust. Mr A. Commins, Mr P. Commins and Mr H. Commins are each potential beneficiaries of this trust. A total of \$8 thousand (2005: \$2 thousand) was charged to Shear Khan Pty Ltd for the financial year.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

26. Transition to AIFRS

For all periods up to and including the year ended 30 June 2005, the company prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the company is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the company has prepared financial statements that comply with AIFRS applicable for the period beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the company has started from an opening balance sheet as at 1 July 2004, the company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemption applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The company has taken the following exemptions:

- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.

Impact of Adopting of AIFRS

The impact of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	Notes	30 June 2005**	1 July 2004*
Total Equity under AGAAP		42,631	38,328
Adjustments to retained earnings (net of tax):			
Impairment of assets including goodwill	(i)	–	–
Write-back of goodwill amortisation	(ii)	2,359	–
Tax effect of float and acquisition costs	(iii)	383	437
Write-back of doubtful debts provision	(iv)	81	105
"Mark-to-market" financial derivatives	(v)	(89)	(19)
Total Equity under AIFRS		45,365	38,851

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

26. Transition to AIFRS (continued)

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

Balance Sheets reflecting reconciliation adjustments to AIFRS:

	Note	30 June 2005			1 July 2004		
		AGAAP \$000	AIFRS Impact \$000	AIFRS \$000	AGAAP \$000	AIFRS Impact \$000	AIFRS \$000
ASSETS							
Current Assets							
Cash and cash equivalents		2	–	2	1	–	1
Trade and other receivables	(iv)	10,786	114	10,900	9,492	149	9,641
Inventories		5,152	–	5,152	3,413	–	3,413
Prepayments		1,148	–	1,148	441	–	441
Total Current Assets		17,088	114	17,202	13,347	149	13,496
Non-current Assets							
Property, plant and equipment		19,561	–	19,561	15,232	–	15,232
Goodwill	(ii)	43,774	2,360	46,134	45,609	–	45,609
Deferred income tax assets	(iii)	829	(166)	663	513	401	914
Total Non-current Assets		64,164	2,194	66,358	61,354	401	61,755
TOTAL ASSETS		81,252	2,308	83,560	74,701	550	75,251
LIABILITIES							
Current Liabilities							
Trade and other payables	(v)	5,850	126	5,976	4,586	27	4,613
Interest-bearing loans and borrowings		3,860	–	3,860	4,059	–	4,059
Income tax payable	(iii)	1,342	(5)	1,337	923	–	923
Provisions		2,500	–	2,500	1,958	–	1,958
Total Current Liabilities		13,552	121	13,673	11,526	27	11,553
Non-current Liabilities							
Interest-bearing loans and borrowings		23,642	–	23,642	24,145	–	24,145
Deferred income tax liabilities	(iii)	547	(547)	–	–	–	–
Provisions		880	–	880	702	–	702
Total Non-current Liabilities		25,069	(547)	24,522	24,847	–	24,847
TOTAL LIABILITIES		38,621	(426)	38,195	36,373	27	36,400
NET ASSETS		42,631	2,734	45,365	38,328	523	38,851
EQUITY							
Contributed equity		38,861	–	38,861	36,860	–	36,860
Retained profits	(ii)-(v)	3,770	2,734	6,504	1,468	523	1,991
Reserves		–	–	–	–	–	–
TOTAL EQUITY		42,631	2,734	45,365	38,328	523	38,851

Colorpak Limited

Notes to the Financial Statements 30 June 2006

26. Transition to AIFRS (continued)

- (i) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. The company's previous accounting policy was to determine the recoverable amount of an asset on the basis of discounted cash flows. The company's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This did not result in impairment losses being recognised under AIFRS.
- (ii) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Previously, the company amortised goodwill over its useful life but not exceeding 20 years. The company has elected not to apply AASB 3 retrospectively and hence, prior year amortisation has not been written-back as at the date of transition to AIFRS on 1 July 2004.
- (iii) Under AASB 112 *Income Taxes*, the company is required to use a balance sheet liability method, rather than the previous income statement method, which recognised deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This has resulted in the recognition of a deferred tax asset in relation to float costs and acquisition costs that are deductible over 5 years. Under AGAAP, the tax effect of deductible float costs were not recognised and the tax effect of deductible acquisition costs were only recognised over the useful life, which was taken to be 20 years. According to AASB 112 the company further shall offset deferred tax assets and deferred tax liabilities if the entity has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. Under AGAAP deferred tax assets and liabilities were not offset.
- (iv) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the company can only recognise an impairment loss if there is objective evidence of impairment. This means that it is no longer permitted to carry general provisions, such as provisions for doubtful debts. The company historically established a doubtful debt provision based on specific known doubtful debts plus a general provision for debts that may go bad. Under AIFRS, the component of doubtful debts relating to the general provisions was required to be written back.
- (v) Under AASB 139 *Financial Instruments: Recognition and Measurement*, derivatives are deemed to be "held for trading" unless designated to be a hedge. Where a derivative is treated as held for trading, then the underlying changes in the value of that derivative must be taken to the profit and loss. The company holds certain interest rate swaps (see note 19) and has elected not to designate these derivatives as a hedge.

Colorpak Limited

Notes to the Financial Statements 30 June 2006

26. Transition to AIFRS (continued)

(b) Reconciliation of profit before tax under previous AGAAP to that under AIFRS:

	Note	Year ended 30 June 2005 \$000
Net Profit as reported under AGAAP		3,107
Amortisation of goodwill	(i)	2,359
Impairment losses recognised	(ii)	–
Write-back of doubtful debts provision	(iii)	(34)
"Mark-to-market" financial derivatives	(iv)	(99)
Adjustment to income tax expense	(v)	(15)
Net profit under AIFRS		5,318

Income Statement for the year ended 30 June 2005, reflecting reconciliation adjustments to AIFRS:

	Note	AGAAP \$000	AIFRS Impact \$000	AIFRS \$000
Revenue		58,611	(29)	58,582
Changes in inventories of finished goods and work in progress		116	–	116
Raw materials and consumables used		(23,363)	–	(23,363)
Employee benefits expense		(17,668)	–	(17,668)
Depreciation and amortisation	(i)	(4,017)	2,359	(1,658)
Impairment of non-current assets		–	–	–
Occupancy costs		(1,708)	–	(1,708)
Other expenses	(iii)	(4,689)	(5)	(4,694)
Profit before tax and finance costs		7,282	2,325	9,607
Finance costs	(iv)	(1,918)	(99)	(2,017)
Profit before income tax		5,364	2,226	7,590
Income tax expense	(v)	(2,257)	(15)	(2,272)
Net profit for the period attributable to members of Colorpak Limited		3,107	2,211	5,318

Colorpak Limited

Notes to the Financial Statements 30 June 2006

26. Transition to AIFRS (continued)

- (i) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Previously, the company amortised goodwill over its useful life but not exceeding 20 years. Under AIFRS, amortisation is no longer charged, but goodwill is written down to the extent it is impaired (see also note 26(a)(ii) above).
- (ii) Under AASB 136 *Impairment of Assets*, the company's assets including goodwill are tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement.
- (iii) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the company no longer recognises movements in general provisions for doubtful debts.
- (iv) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the company recognises movements in the value of financial derivatives held for trading in the income statement.
- (v) The adjustment to income tax expense relates to the above AIFRS adjustments.

(c) Explanation of material adjustments to the cashflow statements

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous AGAAP.

Colorpak Limited

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 report 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with 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 2006.

On behalf of the Board



G.L. Willis
Chairman



A. Commins
Managing Director

Braeside
28 August 2006

Independent audit report to members of Colorpak Limited

Scope

The financial report, remuneration disclosures and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Colorpak Limited (the company), for the year ended 30 June 2006.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 24 to 29 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

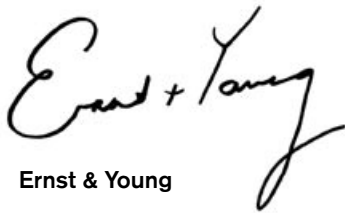
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Audit opinion

In our opinion:

1. the financial report of Colorpak Limited is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Colorpak Limited at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 24 to 29 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.



Ernst & Young



Robert J. Dalton

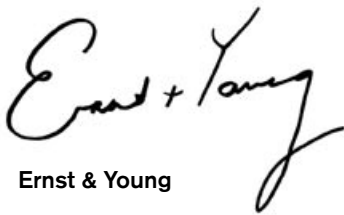
Partner

Melbourne

28 August 2006

Auditor's Independence Declaration to the Directors of Colorpak Limited

In relation to our review of the financial report of Colorpak Limited for the year ended 30 June 2006, 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.

A handwritten signature in cursive script that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Robert J. Dalton'.

Robert J. Dalton

Partner

Melbourne

28 August 2006

Colorpak Limited

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 14 August 2006.

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 1 300 554 474 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 2006.

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.

Colorpak Limited

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	216	213,050
1,001 to 5,000	269	973,107
5,001 to 10,000	278	2,517,508
10,001 to 100,000	492	14,969,385
100,001 and over	35	61,803,778
Total	1,290	80,476,828
The number of shareholders holding less than a \$500 marketable parcel of shares	10	7,050

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	Citicorp Nominees Pty Ltd	9,634,093	11.97
3	ANZ Nominees Limited	4,870,397	6.05
4	Mirrabooka Investments Limited	4,000,000	4.97
5	G T Lingard Holdings Pty Ltd	3,288,392	4.09
6	Invia Custodian Pty Limited	2,017,500	2.51
7	Argo Investments Limited	2,011,388	2.50
8	M F Custodians Ltd	1,770,855	2.20
9	RBC Dexia Investor Services Australia Pty Ltd <PIIC A/C>	1,398,770	1.74
10	RBC Dexia Investor Services Australia Pty Ltd <PIPOOLED A/C>	1,101,230	1.37
11	David James Heaney & Andrew James Heaney	828,000	1.03
12	Netwealth Investments Limited	566,585	.70
13	Gemfield Cove Pty Ltd	559,500	.70
14	J P Morgan Nominees Australia Limited	413,385	.51
15	Miss Penelope Pringle	340,000	.42
16	Icy Creek Investments Pty Ltd	290,000	.36
17	Ralph Norman Madsen & Suzanne Margaret Madsen & Benjamin Ralph Madsen	254,864	.32
18	Gefweb Nominees Pty Ltd	250,000	.31
19	Pejali Pty Ltd	235,000	.29
20	T & P Holdings Pty Ltd	230,000	.29
		59,592,395	74.05

Colorpak Limited

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
Hunter Hall Limited	9,623,093
Chimaera Capital Pty Ltd	4,756,091

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 of 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

19 September 2006

Annual Report dispatched to shareholders

20 October 2006

Annual General Meeting

Late February 2007

Announce 2006/2007 Half Year results

Late August 2007

Announce 2006/2007 Full Year Results

Colorpak Limited

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Colorpak Limited

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Colorpak Limited

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Colorpak Limited
ABN 56 107 485 898

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

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