



Annual Report 2007



bringing
Australia's
premium
brands
to life

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Annual General Meeting

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

The Westin,
205 Collins Street
Melbourne VIC 3000

on Friday, 19 October 2007 at
11.00 a.m., where this report will
be presented.

A separate notice of meeting and
proxy will be provided.

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 Sydney.

Colorpak specialises in the structural design and production of innovative folding cartons, printed leaflets, printed blister and lidding foils, printed self adhesive labels, point of sale displays and other value-added paperboard packaging products for specific end-use markets. These end-use markets serviced by Colorpak include pharmaceutical and healthcare and premium branded products (personal care, confectioneries, beverage including wine, food and household, multimedia and technology.)

Colorpak listed on the ASX in 2004.





“Brands don’t come to life on their own. Only through the concerted energies of a great many people do they thrive. For over fifty years, Colorpak has worked in close collaboration with its customers, building and strengthening their brands through what we do better than anyone—the creation of innovative, tailored packaging solutions.

“Bringing Australia’s premium brands to life is not just a cornerstone of Colorpak’s history. It is an essential ingredient for our continued success in the future.”

Alex Commins, Managing Director

“A valued partner such as Cussons rightly demands speed of response and quality product. Our employment of world-class technology and facilities helps meet those demands, while our innovative pack designs maximise a cost-effective end result.”



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 2007. We are pleased to report a net profit after tax for the year of \$5.05million, generating earnings per share of 6.28 cents which is an improvement of 12.2% on the previous year. We are also pleased that shareholders have again been rewarded with fully franked dividends in respect of the year ended 30 June 2007 amounting to 2.75 cents.

The 2007 year was certainly a year of two halves, with the first half marked by the bedding-down of the important developments in the company's NSW operations, whereas, the second half produced significant benefits from these initiatives. The Managing Director's report on 2007 provides a full coverage of these operational improvements and the sales growth which is flowing from them. My focus in this report is to take a longer perspective and comment on our business development over the three and half years since listing.

Colorpak has moved strategically and steadily over this period to be a stable and well managed public company. We began by meeting the Prospectus forecasts and over the past three years the company has earned 18.7 cents per share, declared 8 cents per share of dividends and built the equity base and net tangible assets by more than 10 cents per share.

We added some well timed borrowings to these internally generated funds and invested strongly in a \$17 million capital expenditure program for the NSW and Victorian operations. Further, the company also designed purpose-built facilities in NSW and a warehousing expansion in Victoria as part of an overall lift in productive capacity. Late in 2006 the company extended the leases for these modern facilities and agreed to the leases being transferred from the major shareholder to a professional property owner. All in all, a significant upgrade of the operational platform has been achieved and this provides the company with efficiency and resilience to withstand market pressures. During the same period the customer base has been broadened and the product mix has been expanded with sales for 2007 at \$71 million, a marked increase on the level achievable at the time of listing.

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

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



G.L. Willis
Chairman

“Accuracy and consistency are vital to a pharmaceutical brand’s credibility—and to our own. Thanks to the integrity and maturity of our supply chain process, we benefit from consistent performance, but, more importantly, Sigma benefits from timely, certified products.”



Managing Director's report

A strong second half paves the way forward

The 2007 year finished on a positive note on the back of a solid second half. Strong focus on driving cost reduction and improving production efficiencies out of our new operations in Regents Park, NSW, were the major contributing factors to our robust second half result.

In our third full financial year as a listed public company, we are pleased to report modest growth in a competitive market landscape. While 2007 revenues were up 3.6% to \$71.8m, more encouraging was our profit after tax up 12.2% to \$5.051m.

Highlights of the year

- + October 2006 saw the completion of contract negotiations with the re-signing of each of our three largest customers for the next three years. Two of these companies operate in the pharmaceutical industry and one in the FMCG (Fast Moving Consumer Goods) industry and they represent around 30% of total group turnover.
- + The successful integration of our flexibles (printed foils, laminates and labels) division into a state of the art "clean-room facility" was completed in September 2006.
- + We signed a three year contract at approximately \$1million p.a. with one of our major flexible division pharmaceutical customers.
- + In February 2007 we were successful in winning two large tranches of additional carton work at existing blue chip pharmaceutical customers in NSW.
- + Beverage sector work has gained considerable momentum and continues to grow well within our group.
- + We commissioned an automated freight movement system (G-Train) in Braeside in August 2006.
- + We also commissioned a replacement Bobst 106LER die cutter at Braeside in December 2006.
- + Capacity was expanded by the introduction of a third shift at the Regents Park carton division operation.
- + We successfully completed thirty third party quality audits in our Regents Park operations.

GPA annual meeting – hosted in Australia

January 2007 saw the annual general meeting of the GPA (Global Packaging Alliance) which was held in Australia. Members from all countries were represented including Germany, USA, Brazil, Mexico, Indian and China. Colorpak hosted the delegation in both Melbourne and Sydney, including visits to some of our major customers. Benchmarking and sharing of intellectual property amongst this close-knit group continues to provide us and our customers with leading edge developments and innovations.

Flexible Division re-location seamless

September 2006 saw the successful move and integration of our flexibles division from Seven Hills into Regents Park. A concerted team effort ensured no disruption to our customers' businesses. The "clean-room facility", developed specially for the division, has been well accepted by the pharmaceutical industry. In addition to the recent large contract win, we expect further penetration into that sector of the market in NSW and beyond.

Major Capex Cycle complete

The past three years has seen us spend close to \$17.5m on upgrading technology in our plants. We have created an exceptional platform for growth. Few plants in our industry could boast as modern a suite of plant and equipment from which we now service our customers. In the last twelve months two major capital expenditure items were commissioned for the Regents Park business, including a Roland 700 6 colour press and a Bobst 106 LER die cutter.

We expect that capital expenditure for the coming twelve months will be significantly reduced from prior years to around \$1.5 million and in the immediate term thereafter more closely align with our annual depreciation charge.

Strengthening the balance sheet

With our major capital expenditure behind us, we expect to see continued reduction of our debt. Our gearing level at 39% is back below last year's level of 40% and well below the level at listing of 46%. By the end of 2008 and beyond the balance sheet will be further strengthened allowing us greater flexibility for acquisitive growth.

Our performance in the market

For the seventh consecutive year we are pleased to report that we have ranked as one of the industry's leading performers as measured by BIS Shrapnel – Paperboard and Packaging Survey, 2006-2007. Our teams are focused on the issues which make our customers happy, and these become the drivers of our business.

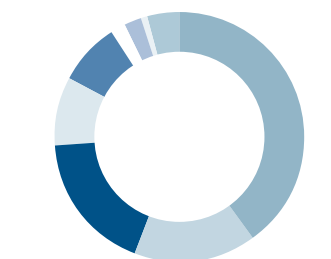
Our position in the market

Colorpak remains the third largest player in the Australian folding carton market with approximately 10.5% market share behind Carter Holt Harvey and Amcor who hold 28.6% and 27.9% respectively.

The market continues to experience very modest growth of around 0.2%p.a. Whilst the market is very competitive, we have shown good resilience to withstand this market pressure. In particular, in NSW we have made some good in-roads reflected in expanded market share at the expense of players who lack the scale and /or the ability to deliver a quality product on time.

The market segments where we operate

Nearly 50% of our revenues are derived from the pharmaceutical/healthcare sector. This sector remains our key focus and fits well within our core expertise. Other major markets include food, branded products, cosmetics and of course, beverage, where, in recent times, we have experienced major growth.



Revenues by industry

Pharmaceutical	40%
Branded products	16%
Food	18%
Healthcare	9%
Beverage	8%
Cosmetics	2%
Multi-media & tech	2%
Confectionary	1%
Other	4%

Summary

Our major capital expenditure program is complete. Our NSW operations in both cartons and flexibles are now well bedded down. We look to further increase our profitability going forward as we continue to extract benefits from gains in productivity and cost control. Our solid track record of revenue growth at 15.8% compound for the last ten years attests to our reputation, our position, and our performance in the market.

None of these results would be possible without the continued dedication and commitment of a great workforce. I would like to thank every member of the Colorpak team for their efforts in 2007.

We look forward to the upcoming year as an opportunity to bolster our position in the market, to consolidate on the solid foundation we have created, and to deliver increased value to all our shareholders and stakeholders.

Alex Commins
Managing Director

“The ever-changing retail food sector demands the utmost commitment. Patties produce some of Australia’s most iconic brands, and every day they continue to embellish and extend their strong stable of products. Our role as packaging partner is to respond quickly and appropriately, ensuring their maximum product impact on the shelf.”



Board of Directors and Secretary

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

Mr Geoff Willis, 59, B.Comm, MBA, CPA, AICD

Chairman / Member, Audit and Risk Management Committee / Member, Nomination & Remuneration Committee

Geoff has a strong commercial and industrial background and has undertaken a number of senior management roles during the past decade.

He has been Chairman of Colorpak since 12 January 2004.

Geoff was the CEO of Hydro Tasmania from 1999 to 2006 and prior to that appointment he was a member of the Amcor senior management team from 1982 to 1998. Geoff was directly involved in Amcor's move into the corrugated box industry, in the initial moves to internationalise the packaging operations and in the integration of APPM into the Amcor Group, culminating in his appointment as Managing Director of the Amcor Paper Group in 1995.

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

Mr Alex Commins, 40, B.Bus (Acc) Managing Director

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

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

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

Mr Paul Commins, 46, B.Bus (Acc) Executive Director

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

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

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, 54, 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 Limited, CEO of Teangi Stockfeed (owned by Myer Family interests), CEO of Palm Springs Limited and currently is CEO of James & Son (Aust) Pty Ltd, an international stockfeed business.

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

Mr David Heaney, 63

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

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

He is currently an executive director of Thompson Partners, a consulting partnership, and a Director of several private companies.

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

- + Mariner Financial Limited *
- + Cyclopharm Limited *
- + Gribbles Group Limited

* denotes current directorship.

Mr Harry Commins, 44

Alternate Director

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

Harry joined Colorpak in 1992 after starting his career with a large printing company. Harry oversees production, maintenance, crewing levels, and is a key driver on the Quality Assurance and Occupational Health & Safety Committees. He plays a major role in Colorpak's assessment and development of new technologies 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, 51, 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.



“GPI are the dominant player in the Australian beverage packaging sector. Through close collaboration with GPI and their customers in the beverage sector, we are able to deliver consistently high quality branded packaging for their consumers in a fast and ever-expanding market segment.”



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 2006 to 30 June 2007 and were fully compliant with the Council's best practice recommendations.

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

Structure of the Board

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

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

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

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

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

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

Name	Term in office
G Willis	44 months
A Commins	45 months
P Commins	45 months
T Dynon	44 months
D Heaney	44 months



“Environmental factors are important priorities for business and industry. When an eco-conscious customer presents a need for sustainably packaged products, we work alongside them to create solutions which are both responsible and attractive.”

Telstra Pre-Paid

Telstra

Audit and Risk Management Committee

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

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

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

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

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

Nomination and Remuneration Committee

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

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

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

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

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

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 27 of this Annual Report.

External Auditors

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

Performance

It is the company's intention that the performance of the Board is reviewed at least once in every 18 months, and key executives annually, against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Colorpak Limited. A performance review for the Board was conducted in August 2006. A performance review for each of the key executives was undertaken in December 2006.

Financial statements

for the year ended 30 June 2007

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Colorpak Limited
ABN 56 107 485 898

Director's 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 2007.

Directors

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

Secretary

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

Directors' interests

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

	Colorpak Limited Ordinary Shares
G Willis	100,000
A Commins ¹	25,998,936
P Commins ¹	25,542,436
T Dynon	75,000
D Heaney	828,000

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

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

Principal activities

The principal activities of the company during the financial year comprised the 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	6.28

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

Director's report

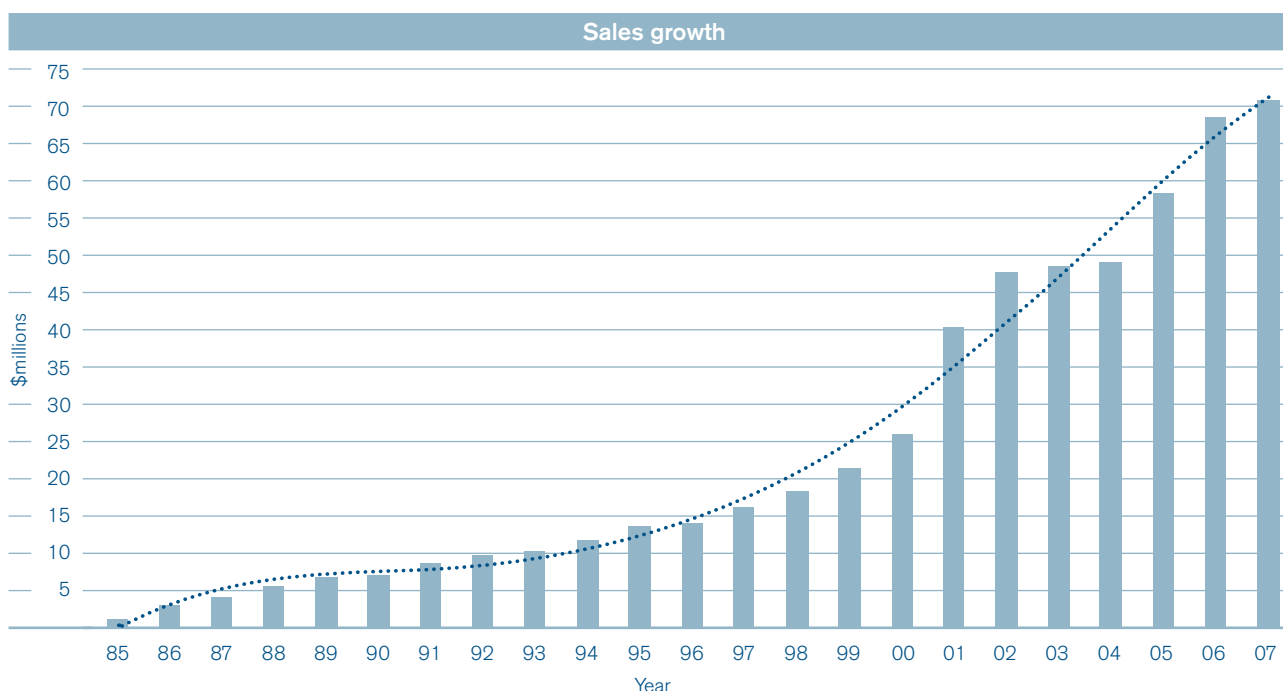
Operating and financial review

Financial performance

The business has experienced another year of solid organic sales growth, with revenues from the sale of goods and services totalling \$71.034 million, an increase of 3.6% over the prior year (\$68.566 million). Sales for the first half were adversely affected by some customer de-stocking in the October / December 2006 quarter. However, revenues grew more strongly in the second half and growth of 7.8% above the corresponding 2006 second half was achieved.

NPAT increased to \$5.051 million from \$4.501 million, with net profit in the second half improving from \$2.3 to \$2.8 million, the highest June half-year profit since listing. Significant progress has been achieved in improving factory efficiencies although opportunities still exist to further improve the company's operating cost base in the future.

Whilst sales growth in 2007 was at a more modest level of 3.6%, it continued the trend from prior years, with compound sales growth over the last 10 years totalling 15.8%. 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 has continued to be very strong, with an inflow of \$9.084 million, well up on the prior year of \$3.409 million. The increased demand on working capital requirements has been commensurate with sales growth.

Net capital expenditure totalled \$7.9 million, completing the major capital program to fully equip the new Sydney facilities. Net capital expenditure in 2008 is expected to be around \$1.5 million.

Debt at 30 June 2007 totalled \$33.0 million. Although up on 2006 (\$32.0 million), 2007 has seen completion of the major capital re-equipment program and debt levels are expected to fall substantially in the future. Colorpak maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

Director's report

Operating activities

In Sydney, the company re-located its flexibles (printed foils, laminates and labels) business from Seven Hills into the new purpose built factory at Regents Park in September 2006. Colorpak now operates from two premises in Melbourne and one in Sydney.

Management attention during the year saw a heavy focus on settling the carton and flexibles business into the new factory in Sydney, as well as dealing with the additional pressures in the first half as we waited for replacement of the fire destroyed die-cutting machine at the Braeside site. While these were major distractions, the focus on customer service remained paramount.

The company is in the process of installing a new MIS system into Regents Park that will deliver improved management information and standardise the systems across the company's operations.

Shareholder returns

Colorpak has delivered the following returns to shareholders:

	Notes	2007	2006	2005	2004 (*)
Basic earnings per share (cents)		6.28	5.59	6.84	1.98
Return on assets (%)		5.2	4.8	6.4	2.0
Return on equity (%)		10.4	9.9	12.5	3.8
Gearing (debt / debt+equity) (%)		39.3	40.1	37.7	42.8
Dividend payout ratio (%)	1.	43.8	49.2	37.8	n/a
Total shareholder return (%)	2.	14.8	(22.7)	41.3	n/a
Available franking credits (\$000)		3,520	3,365	662	–

(*) 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 2007.

Asset and Capital Structure

	2007	2006
Debt:		
Interest bearing loans and borrowings	33,355	32,032
Cash and cash equivalents	(321)	(2)
Net debt	33,034	32,030
Total equity	50,948	47,920
Total capital employed	83,982	79,950
Gearing (debt / debt+equity)	39.3%	40.1%

The company's balance sheet continues to strengthen as a consequence of strong earnings, with the debt / debt+equity ratio falling below 40%, down on last year's level and well below the listing level of 46.4%. The company does not have a firm established policy however a long term gearing range of 30% – 50% is considered appropriate.

Director's report

Treasury

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

	2007	2006
Current		
Obligations under finance leases and hire purchase	560	7
Bank overdraft	–	890
Other loans	–	2,250
	560	3,147
Non-current		
Obligations under finance leases and hire purchase	1,945	35
Other loans	30,850	28,850
	32,795	28,885
	33,355	32,032

Aggregate debt is slightly up on last year although with capital investment in 2007 being the last of the foreseeable major capital equipment outlays, the company's focus over the next few years will be to retire debt.

The company had \$7.3 million in immediately drawable overdraft and bill facilities at 30 June 2007. With no debt retirement requirement on these facilities and steady cash generation from the business, the company's capacity to create business development opportunities continues to improve.

78% of the company's debt is fixed at 30 June 2007 and not subject to risk of interest rate movements. The portion of debt that is fixed reduces fairly evenly over the next four years. The company has a policy of reviewing and adjusting its level of debt that is subject to fixed interest rates periodically in response to prevailing market conditions.

Investments for future performance

The company's investment program for new capital expenditure, which has seen net capital expenditure of \$175 million over the past three years, has now been completed. No further significant investments are envisaged in 2008 and capital expenditures in future years are expected to more closely align with the annual depreciation charge.

Outlook

The company anticipates continued growth in both NSW and Victoria. Positive results from actions taken on business efficiencies afflicting the first half of 2007 were recorded in the second half of 2007 and are expected to continue at this improved level into 2008. Some of these gains will be offset by some unusual cost imposts such as electricity charges, but overall earnings are expected to grow in line with revenue growth. Cash flows from operations are expected to continue to be robust through 2008, permitting further retirement of debt and strengthening in the company's balance sheet.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 5 October 2007. This brings the full year dividend to 2.75 cents per share, fully franked. On the share price at 30 June 2007 of 54.0 cents, this represents a dividend yield of 5.1%, fully franked.

Director's 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:

- + re-signing three of the company's largest customers to new contracts;
- + relocation of the flexibles business in Sydney from Seven Hills to a new purpose built factory at Regents Park;
- + replacement of the fire destroyed die-cutting machine at Braeside; and
- + exercise of five year options for the extension of the lease term for the two Victorian premises.

Significant events after the balance date

No matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

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

Likely developments and future results

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

Environment regulation and performance

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

Director's report

Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company in accordance with the requirements of the *Corporations Act 2001* and its regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report key management personnel (KMP) of the company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company, and includes the five executives of the company receiving the highest remuneration.

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

Remuneration philosophy

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

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

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

Nomination and Remuneration Committee

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

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

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was set-out in the Constitution when the shareholders approved an aggregate remuneration of \$0.270 million per year.

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

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

Director's report

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 2007 is detailed in Table 1 on page 26 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 25. All other senior managers have employment contracts with no fixed term.

Remuneration consists of the following key elements:

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

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

The table on page 26 details the fixed and variable components of the 5 most highly remunerated senior executives.

Fixed remuneration

Objective

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

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

Structure

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

The fixed remuneration component of the 5 most highly remunerated senior executives is detailed on page 26.

Variable pay – Long Term Incentive (LTI)

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

Variable remuneration – Short Term Incentive (STI)

Objective

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

Director's report

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 2007 financial year, the performance condition was based on achievement of a sliding scale of pre-determined earnings per share (EPS) that commenced above the actual EPS achieved in 2007 of 6.28 cents per share. Accordingly, no incentive is payable. In respect of the 2008 year, the performance condition is based on achievement of a pre-determined EPS that reflects a minimum target growth over the 2007 actual EPS. No incentive will be payable unless the performance condition is achieved. In respect of the 2006 year, the performance condition was not achieved and no incentive was paid.

Employment contracts

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

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

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

Director's report

Compensation of key management personnel

		Short term benefits			Post	Long term benefits		Performance Related %
		Base Salary \$	Non Monetary \$	Cash STI \$	employment	Super-annuation \$	Leave Benefits \$	
Non-executive Directors								
G Willis (Chairman)	2007	34,480	–	–	35,824	–	70,304	–
	2006	67,955	–	–	–	–	67,955	–
T Dynon	2007	3,978	–	–	44,693	–	48,671	–
	2006	47,045	–	–	–	–	47,045	–
D Heaney	2007	–	–	–	48,671	–	48,671	–
	2006	43,160	–	–	3,885	–	47,045	–
Executive Directors								
A Commins (Managing Director)	2007	239,050	40,444	–	23,351	492	303,337	–
	2006	232,102	37,273	–	23,351	5,812	298,538	–
P Commins (Operations Director)	2007	208,337	38,709	–	23,351	8,827	279,224	–
	2006	198,511	39,501	–	23,351	4,116	265,479	–
Executive Officers								
H Commins (National Prodn Manager)	2007	203,783	37,856	–	23,351	7,909	272,899	–
	2006	192,902	39,883	–	23,351	5,086	261,222	–
S Nicholls (Chief Financial Officer)	2007	153,842	2,285	–	33,500	364	189,991	–
	2006	151,500	–	–	29,500	1,767	182,767	–
D Johnson (COO – NSW)	2007	211,221	37,248	–	15,266	6,636	270,371	–
	2006	186,126	53,532	–	15,266	4,576	259,500	–
M Johnson ⁽¹⁾ (Sales Manager)	2007	135,616	22,339	–	12,062	3,694	173,711	–
	2006	–	–	–	–	–	–	–
P. Veigel ⁽²⁾ (Production Mgr NSW)	2007	112,831	18,853	–	10,880	215	142,779	–
	2006	45,165	9,211	–	4,828	73	59,277	–
L Bremner ⁽³⁾ (HR Manager)	2007	90,794	21,285	–	10,087	84	122,250	–
	2006	–	–	–	–	–	–	–
T. Hale ⁽⁴⁾ (Consultant)	2007	–	–	–	–	–	–	–
	2006	135,417	–	–	–	–	135,417	–
Ms F. Harbison ⁽⁵⁾ (HR Manager)	2007	–	–	–	–	–	–	–
	2006	120,872	–	–	10,404	(144)	131,132	–

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

⁽¹⁾ Mr M. Johnson joined the management team on 1 July 2006, having commenced with the company in 1988.

⁽²⁾ Mr P. Veigel commenced with the company on 16 January 2006.

⁽³⁾ Ms L. Bremner commenced with the company on 24 July 2006.

⁽⁴⁾ Mr T. Hale's contracting arrangements with the company were varied and from 1 July 2006 he is no longer included in this table.

⁽⁵⁾ Ms F. Harbison left the company on 31 May 2006.

Director's report

Directors' meetings

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

	Meetings of committees		
	Directors' Meetings	Audit and Risk Management	Nomination and Remuneration
Number of meetings held:	12	6	3
Number of meetings attended:			
G Willis	12	6	3
A Commins	12	–	–
P Commins	12	–	–
T Dynon	12	6	3
D Heaney	11	6	3

The details of the functions and memberships of the committees of the Board are presented in the Corporate Governance section included on pages 13 and 15 of this Annual 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 \$41,122 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

Income statement

for the year ended 30 June 2007

	Notes	2007 \$000	2006 \$000
Revenue ⁽¹⁾	4	71,795	70,716
Other income		101	–
Changes in inventories of finished goods and work in progress		431	885
Raw materials and consumables used		(29,401)	(29,618)
Employee benefits expense		(21,167)	(21,173)
Depreciation and amortisation		(2,868)	(2,312)
Impairment of plant and equipment	12,13	(165)	(1,895) ⁽¹⁾
Other indirect manufacturing costs		(5,127)	(4,469)
Occupancy costs		(2,282)	(2,000)
Other expenses		(1,482)	(1,585)
Profit before tax and finance costs		9,835	8,549
Finance costs	4	(2,623)	(2,084)
Profit before income tax		7,212	6,465
Income tax expense	5	(2,161)	(1,964)
Net profit for the period attributable to members of Colorpak Limited		5,051	4,501
Earnings per share (cents per share) – basic and diluted for profit for the year attributable to ordinary equity holders of the company	6	6.28	5.59
Dividends per share (cents per share)	7	2.75	2.75

⁽¹⁾ Included in the revenue figure in other revenue in 2006 is \$1.742 million of insurance proceeds that relate to the fire damaged die-cutting machine included in impairment of plant & equipment.

Balance sheet

as at 30 June 2007

	Note	2007 \$000	2006 \$000
Assets			
Current assets			
Cash and cash equivalents	8	321	2
Trade and other receivables	9	13,156	13,772
Inventories	10	8,071	7,202
Income tax receivable		–	167
Prepayments	11	816	889
Total current assets		22,364	22,032
Non-current assets			
Property, plant and equipment	12	28,352	25,083
Goodwill	13	46,134	46,134
Deferred income tax assets	5	–	269
Total non-current assets		74,486	71,486
Total assets		96,850	93,518
Liabilities			
Current liabilities			
Trade and other payables	14	9,184	10,830
Interest-bearing loans and borrowings	15	560	3,147
Income tax payable		254	–
Provisions	16	1,788	1,773
Total Current Liabilities		11,786	15,750
Non-current liabilities			
Interest-bearing loans and borrowings	15	32,795	28,885
Deferred income tax liabilities		455	–
Provisions	16	866	963
Total non-current liabilities		34,116	29,848
Total liabilities		45,902	45,598
Net assets		50,948	47,920
Equity			
Contributed equity	17	38,861	38,861
Retained profits		11,831	8,993
Reserves		256	66
Total equity		50,948	47,920

Cash flow statement

for the year ended 30 June 2007

	Note	2007 \$000	2006 \$000
		Inflows / (Outflows)	
Cash flows from operating activities			
Receipts from customers		78,142	74,747
Payments to suppliers and employees		(65,380)	(66,041)
Interest received	4	34	17
Income taxes paid		(1,098)	(3,106)
Borrowing costs		(2,614)	(2,208)
Net cash flows from operating activities	8	9,084	3,409
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment (*)		2,365	215
Purchase of property, plant and equipment		(10,241)	(6,142)
Net cash flows used in investing activities		(7,876)	(5,927)
Cash flows from financing activities			
Proceeds from borrowings		5,000	7,500
Repayment of finance lease principal		(536)	(649)
Repayment of borrowings		(2,250)	(2,400)
Payment of dividends	7	(2,213)	(2,012)
Net cash flows from financing activities		1	2,439
Net increase / (decrease) in cash and cash equivalents held		1,209	(79)
Cash and cash equivalents at the beginning of the year		(888)	(809)
Cash and cash equivalents at the end of the year	8	321	(888)

(*) Proceeds from sale of property, plant and equipment includes \$1.742 million insurance proceeds received in respect of a fire destroyed die-cutting machine.

Statement of changes in equity

for the year ended 30 June 2007

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

Notes to the financial statements

30 June 2007

1. Corporate information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 31 August 2007.

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 98/0100. 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 Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Except for the amendments to AASB 101 *Presentation of Financial Statements* and AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*, which the company has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the company for the annual reporting period ending 30 June 2007. These are outlined in the table on the following page.

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 <i>Financial instruments: disclosures</i> .	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating segments</i> .	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the financial statements. However the new standard is expected to have an impact on the segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114. <i>Segment reporting</i> .	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing costs</i> .	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the company's financial report.	1 July 2009

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the company's financial report.	1 July 2007
AASB 7	<i>Financial instruments: disclosures</i>	New standard replacing disclosure requirements of AASB 132.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	<i>Operating segments</i>	This new standard will replace AASB 114 <i>Segment reporting</i> and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended)	<i>Borrowing costs</i>	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 10	<i>Interim financial reporting and impairment</i>	Addresses an inconsistency between AASB 134 <i>Interim Financial reporting</i> and the impairment requirements relating to goodwill in AASB 136 <i>Impairment of assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial instruments: recognition and measurement</i> .	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 is not expected to have any impact on the financial report.	1 July 2007

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

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

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

Amendment	Affected Standard(s)
AASB 2007-1	Amending standard issued as a consequence of AASB Interpretation 11 AASB 2 - <i>group and treasury share transactions</i> .
AASB 2007-2	Amending standard issued as a consequence of AASB Interpretation 12 <i>service concession arrangements</i> .
AASB 2007-5	Amending standard issued in respect to Inventories Held for Distribution by Not-for-Profit Entities [AASB 102].
Interpretation 11	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.
Interpretation 12	Clarifies how operators recognise the infrastructure as a financial asset and / or an intangible asset – not as property, plant and equipment.
Interpretation 13	Deals with accounting for customer loyalty programmes which are not operated by the company.
Interpretation 14	Applies to defined benefit plans which are not operated by the company.

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

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

(ii) Significant accounting estimates and assumptions

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

Impairment of non-financial assets other than goodwill

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

Impairment of goodwill

The company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 13.

Long service leave provision

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

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), and lease terms (for leased equipment and leasehold improvements). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 12.

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Interest-bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are de-recognised and as well as through the amortisation process.

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

(f) Trade and other receivables

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

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

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- + Raw materials – purchase cost plus other directly attributable costs on a first-in, first-out basis;
- + Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Property, plant and equipment

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

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

Notes to the financial statements

30 June 2007

2. Summary of Significant Accounting Policies (continued)

(h) Property, plant and equipment (continued)

The depreciation rates used for each class of assets are:

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

Impairment

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

De-recognition and disposal

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

(i) Goodwill

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the company's cash-generating unit that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to that unit. Each unit to which the goodwill is so allocated represents the lowest level within the company at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(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.

(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.

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(m) Employee leave benefits

Wages, salaries, annual leave and sick leave

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

Long service leave

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

(n) Contributed equity

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

(o) Earnings per share

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

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

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

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

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the 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.

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

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

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

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

(q) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

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

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

Interest revenue

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

Other revenue

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

(s) Income tax

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- + where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- + receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Derivative financial instruments

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

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

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

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

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

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

(v) De-recognition of financial instruments

Financial assets

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

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

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

Notes to the financial statements

30 June 2007

2. Summary of significant accounting policies (continued)

(v) De-recognition of financial instruments (continued)

Financial liabilities

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

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

(w) Foreign currency translation

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

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

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

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

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.

Notes to the financial statements

30 June 2007

4. Revenues & expenses

	Note	2007 \$000	2006 \$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		71,034	68,566
Interest from unrelated persons		34	17
Other revenue		726	2,133
		71,794	70,716

Other revenue in 2006 includes \$1,842 million of insurance proceeds, of which \$1.818 million remained in other receivables at 30 June 2006 (refer note 9(ii)).

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons		2,455	2,195
Finance charges payable under finance leases and hire purchase contracts		192	31
Total finance costs		2,647	2,226
Fair value change on interest rate swaps	19	(24)	(142)
Total finance costs expensed		2,623	2,084

Impairment of plant and equipment:

Fire damaged die-cutter		–	1,320
De-commissioned equipment – flexibles division		–	509
Other impairment losses		165	66
	12	165	1,895

Lease payments included in income statement

Minimum lease payments – operating leases		1,586	1,479
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Other expenses includes:

Doubtful debts		(17)	80
Restructure costs		–	827

During 2006 the company relocated some of its operations to new premises with the costs associated with these initiatives, which are one-off by their nature, being categorised as restructure costs at 30 June 2006.

Employee benefits expense includes:

Superannuation		1,356	1,248
Senior executive incentive plan		–	–

Notes to the financial statements

30 June 2007

5. Income tax

	2007	2006
	\$000	\$000

The major components of income tax expense are:

Income statement		
Current income tax		
Current income tax charge	1,549	1,599
Adjustments in respect of current income tax of previous years	(31)	–
Deferred income tax		
Relating to origination and reversal of temporary differences	643	365
Income tax expense reported in the income statement	2,161	1,964
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	(81)	(28)
Income tax expense reported in equity	(81)	(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	7,212	6,465
Tax expense at the company's statutory income tax rate (30%)	2,164	1,939
– Adjustments in respect of current income tax of previous years	(31)	–
– Expenditure not allowable for income tax purposes	28	25
– Other	–	–
Income tax expense reported in the income statement	2,161	1,964

Notes to the financial statements

30 June 2007

5. Income tax (continued)

Deferred income tax

Deferred income tax at 30 June relates to:

	Balance sheet		Income statement	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Deferred income tax assets				
Doubtful debts	13	24	11	(24)
Inventory provisions	34	38	4	(4)
Employee benefits	796	762	(34)	(78)
Float costs	91	182	91	91
Accruals	146	152	7	(44)
Acquisition costs	29	51	22	22
Restructure costs	73	–	(73)	–
Gross deferred income tax assets	1,182	1,209		
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	1,515	699	816	152
Balancing charge rollover on asset disposal	–	208	(208)	208
Interest swaps (held for trading)	12	5	7	42
Interest swaps (cash flow hedges)	110	28	–	–
Gross deferred income tax liabilities	1,637	940		
Deferred income tax charge			643	365

6. Earnings per share

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

	2007	2006
Basic and diluted earnings per share (cents per share)	6.28	5.59
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	80,476,828	80,476,828
Net profit used in the calculation of basic and diluted earnings per share (\$000)	5,051	4,501

Subscription or issues after 30 June 2007

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

Notes to the financial statements

30 June 2007

7. Dividends paid and proposed

	Note	2007 \$000	2006 \$000
Declared and paid during the year:			
Dividends on ordinary shares:			
Final franked dividend for 2006: 1.75 cents (2005: 1.50 cents)		1,408	1,207
Interim franked dividend for 2007: 1.00 cents (2006: 1.00 cents)		805	805
		2,213	2,012
Proposed for approval at AGM (not recognised as a liability as at 30 June):			
Dividends on ordinary shares:			
Final franked dividend for 2007: 1.75 cents (2006: 1.75 cents)		1,408	1,408
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% (2006: 30%)		3,520	3,365
– franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year		109	(71)
Amount of franking credits available for future reporting periods		3,629	3,294
– 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		(604)	(604)
		3,025	2,690

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

8. Cash and cash equivalents

	Note	2007 \$000	2006 \$000
Cash at bank earns interest at floating rates based on daily bank deposit rates.			
At 30 June 2007, the company had available \$7,529 million (2006: \$11,110 million) of undrawn committed borrowing facilities in respect of which conditions precedent had been met.			
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		3	2
Cash at bank – with overdraft facility	15	318	(890)
Closing cash balance		321	(888)

Notes to the financial statements

30 June 2007

8. Cash and cash equivalents (continued)

	Note	2007 \$000	2006 \$000
Reconciliation of net profit after tax to the net cash flows from operations			
Net profit		5,051	4,501
Adjustments for non-cash items:			
Depreciation of non-current assets		2,868	2,311
Impairment of non-current assets		165	1,895
Net (profit) / loss on disposal of plant & equipment		(101)	56
Changes in assets and liabilities:			
Decrease / (Increase) in assets:			
Trade and other receivables ⁽¹⁾		(1,127)	(2,872)
Inventories		(869)	(2,049)
Prepayments ⁽²⁾		14	242
Deferred income tax assets		643	366
(Decrease) / Increase in liabilities:			
Trade & other payables		342	128
Provisions		113	(646)
Other liabilities ⁽³⁾		1,565	980
Income tax payable		420	(1,503)
Net cash from operating activities		9,084	3,409

⁽¹⁾ The movement in trade and other receivables excludes \$1.742 million in insurance proceeds received in 2007 on disposal of a fire destroyed die-cutting machine.

⁽²⁾ The movement in prepayments excludes \$0.331 million net movement on property, plant & equipment (2006: \$0.109 million), in addition to \$0.271 million (2006: \$0.094 million) interest swaps taken directly to reserves.

⁽³⁾ The movement in other liabilities excludes \$3.748 million paid in July 2006 on a new printing press that commenced operations in June 2006.

Disclosure of financing facilities

Refer to note 15.

Disclosure of non-cash financing and investing activities

Refer to note 12(ii).

Notes to the financial statements

30 June 2007

9. Trade and other receivables (current)

	Note	2007 \$000	2006 \$000
Trade receivables	(i)	12,614	11,778
Allowance for doubtful debts	(i)	(44)	(80)
		12,570	11,698
Interest swaps – held for trading		40	16
Interest swaps – cash flow hedges		366	94
Other receivables	(ii)	180	1,964
Total current receivables		13,156	13,772

(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 \$0.044 million (2006: \$0.080 million) has been recognised 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 nil (2006: \$1.818 million) of insurance proceeds recoverable against a fire damaged die-cutting machine.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in note 9.

10. Inventories (current)

	2007 \$000	2006 \$000
At cost:		
Raw materials and stores	4,141	3,718
Work in progress	1,679	1,178
Finished goods	2,363	2,432
	8,183	7,328
Less, provision for obsolescence	(112)	(126)
Total inventories at the lower of cost and net realisable value	8,071	7,202

11. Prepayments

	2007 \$000	2006 \$000
Prepayments	755	497
Deposits on plant & equipment	61	392
Total prepayments	816	889

Notes to the financial statements

30 June 2007

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 2007						
At 1 July 2006, net of accumulated depreciation and impairment	277	486	505	23,733	82	25,083
Additions	21	244	301	6,257	1	6,824
Disposals	-	-	(513)	(9)	-	(522)
Impairment	-	-	-	(165)	-	(165)
Depreciation charge for the year	(47)	(211)	(145)	(2,457)	(8)	(2,868)
At 30 June 2007, Net of accumulated depreciation	251	519	148	27,359	75	28,352
At 1 July 2006						
Cost or fair value	333	959	767	29,383	100	31,542
Accumulated depreciation and impairment	(56)	(473)	(262)	(5,650)	(18)	(6,459)
Net carrying amount	277	486	505	23,733	82	25,083
At 30 June 2007						
Cost or fair value	354	1,145	320	33,207	101	35,127
Accumulated depreciation and impairment	(103)	(626)	(172)	(5,848)	(26)	(6,775)
Net carrying amount	251	519	148	27,359	75	28,352
Year ended 30 June 2006						
At 1 July 2005, net of accumulated depreciation and impairment	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

Notes to the financial statements

30 June 2007

12. Property, plant and equipment (continued)

- (i) All property, plant and equipment has been pledged as security under a fixed charge pursuant to a debenture security administered by National Australia Trustees Limited (see note 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.
- (ii) The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2007 is \$3.753 million (2006: \$0.037 million). Additions during the year include \$4.028 million (2006: nil) 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	2007 \$000	2006 \$000
Goodwill			
Cost (gross carrying amount)		46,134	46,134
Impairment losses		–	–
Net carrying amount		46,134	46,134
<hr/>			
At 1 July 2006, net of impairment losses		46,134	46,134
Impairment		–	–
At 30 June 2007, net of impairment losses		46,134	46,134

No impairment loss existed for the 2007 financial year.

Impairment testing of goodwill

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

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

The pre-tax discount rate applied to cash flow projections is 12.7% (2006: 11.9%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2006:2.5%).

Notes to the financial statements

30 June 2007

13. Goodwill (non-current) (continued)

Key assumptions used in value in use calculations for 30 June 2007 and 30 June 2006

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 for the next four years has been projected at approximately three quarters of the annual depreciation in recognition of completion of the major capital expenditure program. Capital expenditure beyond year four is projected to be equivalent to annual depreciation.
- + Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to the ten year government bond rate at the beginning of the budgeted year.
- + Raw material price inflation – it has been assumed that any price increases in raw materials will be passed through to customers as this is typical of contracts in place.
- + Market share assumptions – there has been no significant projected change in market share.
- + Growth rate estimates – a growth rate of 2.5% pa has been used as the long-term rate to extrapolate the budget.

14. Trade and other payables (current)

	Note	2007 \$000	2006 \$000
Unsecured liabilities			
Trade payables	(i)	5,479	5,136
Other payables	(ii)	3,705	5,694
Total trade and other payables		9,184	10,830

(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 at June 2006 included \$3.748 million paid in July 2006 on a printing press.

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

Notes to the financial statements

30 June 2007

15. Interest bearing loans and borrowings

	Note	2007 \$000	2006 \$000
Current			
Secured liabilities			
Bank overdraft	(i)	–	890
Bank loan	(ii)	–	2,250
Obligations under finance leases and hire purchase contracts	(iii), 20(b)	560	7
Total current interest bearing liabilities		560	3,147
Non-current			
Secured liabilities			
Bank Loans	(ii)	30,850	28,850
Obligations under finance leases and hire purchase contracts	(iii), 20(b)	1,945	35
Total non-current interest bearing liabilities		32,795	28,885

- (i) Bank overdraft is provided under a \$3 million facility expiring on 30 November 2007. The interest rate applicable at 30 June 2007 was 11.10% (2006: 10.60%) plus a line fee of 0.40% on the limit.
- (ii) Bank loans are provided under two separate facilities with the company's banks, with an aggregate facility limit of \$34.85 million at 30 June 2007 (2006: \$37.1 million). \$16.85 million of these facilities expire, unless extended, on 30 November 2008. The balance of the facilities (\$18 million) expire, unless extended, on 30 November 2009. There is no ongoing repayment requirement on the loan facilities and it is management's intention to extend both facilities upon expiry. The average interest rate payable at 30 June 2007 on the fixed and floating bills under the two facilities was 7.36% (2006: 7.15%).
- (iii) The hire purchase liabilities have a remaining term of 4 years. The average implicit interest rate is 7.47% (2006: 6.69%).
- (iv) All interest-bearing liabilities, other than hire purchase liabilities of \$2.505 million at 30 June 2007, are secured by a fixed and floating charge over the company's assets.

Financing facilities available

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

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

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

Notes to the financial statements

30 June 2007

15. Interest bearing loans and borrowings (continued)

Security & conditions

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

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

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

Facility review

These facilities are provided by both National Australia Bank Limited (NAB) and ANZ Banking Group Limited. Subject to annual review for each facility, the NAB facility expires on 30 November 2008 and the ANZ facility on 30 November 2009, unless otherwise extended.

16. Provisions

	Note	2007 \$000	2006 \$000
Current			
Employee leave benefits		1,788	1,578
Restructure provision	(i)	–	195
Total current provisions		1,788	1,773
Non-current			
Employee leave benefits		866	963
Total non-current provisions		866	963

- (i) The company relocated its flexibles division from Seven Hills to Regents Park in September 2006. Expected costs of this move were taken up as a provision at 30 June 2006.

Notes to the financial statements

30 June 2007

17. Contributed equity and reserves

	Note	2007 \$000	2006 \$000
--	------	---------------	---------------

This note should be read in conjunction with the statement of changes in equity shown on page 31 of this Annual Report.

(a) Issued and paid-up capital:

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:

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

(c) Shares under escrow

As at 30 June 2007, there were no ordinary shares subject to voluntary escrow.

(d) Terms and conditions of contributed equity

Ordinary shares

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

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

(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.

Notes to the financial statements

30 June 2007

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, and financial liability 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 2007, after taking into account the effect of interest rate swaps, approximately 78% 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 the company's facilities should mature in any 12-month period. At 30 June 2007 1.7% of the company's debt will mature in less than one year (2006: 7.2%).

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.

Notes to the financial statements

30 June 2007

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 2007							
(i) Financial assets							
Floating rate							
Cash	3	-	-	-	-	-	3
Cash at bank	318	-	-	-	-	-	318
Interest rate swaps	7	37	127	235	-	-	406
(ii) Financial liabilities							
Fixed rate							
Bank bills at fixed rates	-	-	-	-	-	-	-
Bank bills at variable rates(*)	6,000	6,000	7,000	7,000	-	-	26,000
Hire purchase liability	560	618	639	688	-	-	2,505
Floating rate							
Bank overdraft	-	-	-	-	-	-	-
Bank bills at variable rates	-	3,850	1,000	-	-	-	4,850
Year ended 30 June 2006							
(i) Financial assets							
Floating rate							
Cash	2	-	-	-	-	-	2
Interest rate swaps	7	3	6	-	94	-	110
(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

(*) 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 June 2008 and June 2011.

Refer to note 15 for disclosure of effective interest rates.

Notes to the financial statements

30 June 2007

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 \$0.406 million (2006: \$0.110 million).

(d) Hedging activities

At 30 June 2007, 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 leg rate of interest	Maturity	Type
2,500	6.14%	26 June 2008	Held for trading
3,500	6.78%	26 June 2008	Cash flow hedge
2,500	6.17%	26 June 2009	Held for trading
3,500	6.72%	30 June 2009	Cash flow hedge
7,000	6.25%	30 June 2010	Cash flow hedge
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 company's exposure to changes in the cash flows the variable interest rate bank bills. The secured debt and the interest rate swap that are designated cash flow hedges have the same critical terms.

The company has a policy that all interest rate swaps will meet the criteria for classification as a cash flow hedge. The two interest rate swaps that have been classified as held for trading were put in place prior to introduction of AIFRS and did not meet the cash flow hedge criteria.

Notes to the financial statements

30 June 2007

20. Commitments and contingencies

(a) Capital expenditure commitments

At 30 June 2007 the company has commitments contracted for but not recognised as liabilities of \$0.075 million (2006: \$4.243 million). These commitments are all due within one year.

(b) Hire purchase commitments

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

	2007		2006	
	Minimum lease payments \$000	Present value of lease payments \$000	Minimum lease payments \$000	Present value of lease payments \$000
Within one year	728	560	12	7
After one year but not more than five years	2,175	1,945	38	35
Total minimum lease payments	2,903		50	
Less amounts representing finance charges	(398)		(8)	
Present value of minimum lease payments	2,505	2,505	42	42

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 and to lease motor vehicles. Rental payments are generally fixed subject to inflation escalation clauses. Operating leases over premises typically contain renewal options appropriate for the nature of the business conducted. Operating leases contain no restrictions on financing or other leasing activities.

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

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

	2007 \$000	2006 \$000
– not later than one year	1,717	1,591
– later than one year but not later than five years	6,433	4,771
– later than five years	4,233	4,165
Aggregate operating lease expenditure contracted for at reporting date	12,383	10,527

Notes to the financial statements

30 June 2007

20. Commitments and contingencies (continued)

(d) Remuneration commitments

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:

	2007 \$000	2006 \$000
– within one year	854	822
– after one year but not later than five years	1,006	1,790
Aggregate remuneration commitments contracted for at reporting date	1,860	2,612

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

(e) Guarantees and indemnities

The company has the following guarantees at 30 June 2007:

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

Bank guarantees under premises leases total \$0.762 million (2006: \$0.283 million).

21. Related party disclosures

(a) Other related party transactions

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

22. Auditors' remuneration

The auditor of Colopak Limited is Ernst & Young.

Amounts received or due and receivable, by Ernst & Young for:

	2007 \$	2006 \$
– an audit or review of the financial report of the company	93,250	82,650
– other services, included in the income statement:		
• tax compliance	–	–
• assurance related	–	–
– other services, not included in the income statement	–	–
	93,250	82,650

Notes to the financial statements

30 June 2007

23. Events after the balance sheet date

There have been no significant events subsequent to 30 June 2007.

24. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

G Willis	Chairman
A Commins	Managing Director & CEO
P Commins	Operations Director (and acting Managing Director, May – July 2007)
T Dynon	Director (non-executive)
D Heaney	Director (non-executive)

(ii) Executives

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

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

(b) Compensation of key management personnel

	2007	2006
	\$	\$
Short-term	1,612,951	1,600,154
Post employment	281,036	133,936
Other Long-term	28,222	21,285
	1,922,209	1,755,375

The company has applied the option under the *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs AUS 25.4 to AUS 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

Notes to the financial statements

30 June 2007

24. Director and executive disclosures (continued)

(c) Shareholdings of key management personnel

	Balance at beginning of year 1 July 2006	Granted as remuneration	Net change Other	Balance at end of year 30 June 2007
(i) Directors				
G Willis	100,000	–	–	100,000
A Commins ¹	25,838,936	–	40,000	25,878,936
P Commins ¹	25,542,436	–	–	25,542,436
T Dynon	75,000	–	–	75,000
D Heaney	828,000	–	–	828,000
(ii) Executives				
H Commins ¹	25,532,436	–	–	25,532,436
S Nicholls	47,000	–	(22,000)	25,000
D Johnson	1,000	–	–	1,000
M Johnson	1,000	–	–	1,000
P Veigel	–	–	–	–
L. Bremner	–	–	–	–

1. Mr A Commins, Mr P Commins Mr H Commins and 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:

- + related parties of Mr A. Commins, Mr P. Commins and Mr H. Commins were parties to leasehold agreements with the company in respect of the properties in Braeside and Dandenong (both in Victoria) and Regents Park (NSW) until December 2006, when the premises were sold to unrelated entities. The rental agreements were on standard commercial terms and the rent was set at market by reference to an independent valuation. A total of \$0.395 million (2006: \$0.662 million) was charged under these lease agreements during the financial year up until the date of disposal of the properties.
- + the company provided book keeping services until December 2006 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 \$5 thousand (2006: \$8 thousand) was charged to Shear Khan Pty Ltd for the relevant period of the financial year.

Directors declaration

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

1. In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2007.

On behalf of the Board



G.L. Willis
Chairman

Braeside
31 August 2007



A. Commins
Managing Director



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8 Exhibition Street
Melbourne VIC 3000
Australia

■ Tel 61 3 9288 8000
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Melbourne VIC 3001

Independent audit report

to members of Colorpak Limited

We have audited the accompanying financial report of Colorpak Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 23 to 26 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

Independence

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



Auditor's 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 30th June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 23 to 26 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

A handwritten signature in blue ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in blue ink that reads "Robert Dalton".

Robert Dalton

Partner
Melbourne,
31 August 2007



■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

■ Tel 61 3 9288 8000
Fax 61 3 8650 7777

GPO Box 67
Melbourne VIC 3001

Auditor's Independence Declaration

to the directors of Colorpak Limited

In relation to our audit of the financial report of Colorpak Limited for the year ended 30 June 2007, 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 blue ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in blue ink that reads "Robert Dalton".

Robert Dalton
Partner
Melbourne,
31 August 2007

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 13 August 2007.

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 2007.

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.

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	213	208,657
1,001 to 5,000	280	998,735
5,001 to 10,000	242	2,151,836
10,001 to 100,000	457	14,365,219
100,001 and over	37	62,752,381
Total	1,229	80,476,828
The number of shareholders holding less than a \$500 marketable parcel of shares	10	5,757

ASX additional information

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	9,435,065	11.72
3 RBC Dexia Investor Services Australia Nominees Pty Ltd <PIIP A/C>	5,079,118	6.31
4 ANZ Nominees Limited	4,795,297	5.96
5 Argo Investments Limited	4,000,000	4.97
6 RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C>	3,337,166	4.15
7 Invia Custodian Pty Limited	3,258,392	4.05
8 MLEQ Nominees Pty Ltd	1,000,000	1.24
9 David James Heaney & Samantha Elizabeth Chandler	828,000	1.03
10 Queensland Investment Corporation	585,957	.73
11 MF Custodians Ltd	573,365	.71
12 Stephen John Lane & Beverly Ann Lane	283,761	.35
13 Ralph Norman Madsen & Suzanne Margaret Madsen & Benjamin Ralph Madsen	279,864	.35
14 Icy Creek Investments Pty Ltd	240,000	.30
15 Pejali Pty Ltd	235,000	.29
16 T&P Holdings Pty Ltd	230,000	.29
17 James William Henderson & Debbie Jane Henderson	225,000	.28
18 J P Morgan Nominees Australia Limited	222,096	.28
19 Donald Alexander Clark & Joy Yvonne Clark	200,000	.25
20 Invia Custodian Pty Ltd	200,000	.25
	60,540,517	75.23

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
Perpetual Limited	9,312,949
Chimaera Capital Pty Ltd	4,756,091

ASX additional information

Inquiries about your shareholding

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

Change of address

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

Direct dividend deposit into bank accounts

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

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

Tax file number

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

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

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

Combining multiple shareholdings

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

Calendar of events

17 September 2007

Annual Report dispatched to shareholders

19 October 2007

Annual General Meeting

Late February 2008

Announce 2007/2008 Half Year results

Late August 2008

Announce 2007/2008 Full Year Results

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