colorpak

One Team Working Together.

Annual Report 2011

Annual General Meeting

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

The Westin
205 Collins Street
Melbourne VIC 3000
on Friday, 28 October 2011
at 11.00 a.m., where this report will be presented.

A separate notice of meeting and proxy will be provided.

Company Details

Directors

Geoff Willis
Chairman and
Non-executive Director

Alex Commins
Managing Director

Paul Commins
Executive Director

Bronwyn Constance
Non-executive Director

David Heaney
Non-executive Director

Ian Wightwick
Non-executive Director

Company Secretary

Stephen Nicholls

Registered Office

63 – 73 Woodlands Drive
Braeside Vic 3195
Telephone: 61 3 9586 4700
Facsimile: 61 3 9587 8162

Auditors

Ernst & Young

Solicitors

Freehills

Banks

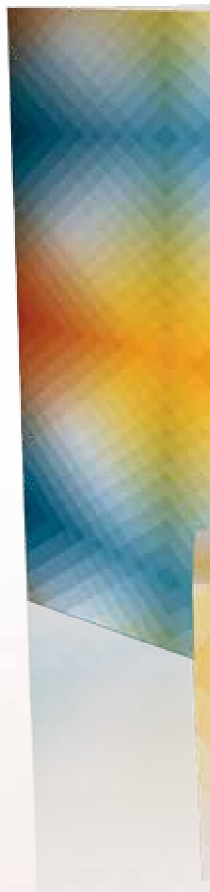
National Australia Bank Limited
Bank of New Zealand

Share Register

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

Website

colorpak.com.au



This year we're building a standout team.

A team built on responsiveness and innovation.

Chairman's Report

On behalf of your board I am pleased to report that 2011 was another very successful year for Colorpak.

Viewed in the context of our short history as a listed public company, the 2011 year heralded a step change in Colorpak's operations with the major acquisition of Carter Holt Harvey's folding carton businesses.

Upon listing in 2004, Colorpak set about achieving its prospectus forecasts and building the business generically through our long standing relentless focus on customer service. Then in 2006, the business in NSW was uplifted into state-of-the-art facilities equivalent to those supporting the business in Victoria. Over the next few years debt was paid down, the financial position was strengthened and generic growth continued such that revenues reached $80.819 million in 2010 and NPAT reached $6.413 million last year. Given this backdrop, Colorpak had built a sound underlying business and readied itself for the significant acquisition.

Over many months the acquisition was carefully planned and skilfully executed by the senior management team and the operational integration is now being pursued with the same rigour. With the board's close at hand oversight, the senior management team has systematically and energetically set about rationalising the combined activities, all the while maintaining a firm control over the traditional Colorpak business which has gone on to produce an excellent 2011 result.

We consider this acquisition to be very important because it has both a company and an industry dimension. Colorpak will achieve the scale and opportunity for efficiencies which should drive both earnings growth for the company and improved competitiveness in packaging costs for customers.

The 2011 NPAT before acquisition related transactions (acquisition and transaction costs, integration costs, gain on acquisition and impairment of intangibles), which we refer to as the underlying result, amounted to $7.060 million, which is a record result and a 10% improvement on last year. The 2011 financial report goes on to elaborate the significant impact of the acquisition and in accordance with prevailing accounting standards the company has booked a net after tax gain on acquisition (inclusive of acquisition, transaction and integration costs and impairment of intangibles) of $8.815 million, producing an overall result of $15.875 million. Our own way of looking at the financial report is to consider the underlying business result and at this level the business achieved a very creditable outcome in what was a competitive and demanding trading environment.

Similarly, dividend distribution this year has been assessed against the underlying result and takes account of the additional debt required to fund the acquisition. The board is pleased to maintain the final dividend at 1.75 cents, taking dividend distribution in respect of the 2011 year to 3.25 cents. This is a payout ratio of 37.5% of underlying NPAT and once again the dividends are all fully franked.

The financial position continues to be strong with gearing at year end of 31.8% debt/debt plus equity. Whilst we have adequately provided for contingencies brought in with the acquisition, further integration activities will be undertaken in 2011/12. Adequate lines of finance have been arranged to meet these needs.

In June 2011 the company issued 500 shares to each employee to welcome the new members of the team and to consolidate employee participation throughout the business. We consider that the level of employee engagement is a very important ingredient in the success of the company and to that end we extend our gratitude to the team for a job well done in 2011.

In May this year we welcomed Bronwyn Constance to the board with her valuable governance, financial and business skills. I would like to thank the entire board for the dedicated effort in the unusually large number of board and committee meetings over the past year. By my own observation the board has had a busy, productive and highly involved year and I have noted a lift in senior management capability as knowledge from our experienced directors is thoughtfully imparted.

G.L. Willis
Chairman

We

Work

Together

We

Stand Out

Together


colorpak

Managing Director's Report

2011 was certainly an historic one in the continuing growth story of the Colorpak business.

The underlying NPAT before acquisition related transactions of $7.060 million was booked as a new record result for the company, up 10% on the previous twelve months. What makes this result especially pleasing was the strong performance of the underlying Colorpak operations which simply did not miss a beat during the first few months of integrating the Carter Holt Harvey (CHH) folding carton assets. A terrific team effort from both the existing and new team members!

In March this year, we finalised the acquisition of the folding carton assets of CHH in Australia and New Zealand. Whilst these assets were clearly distressed, reflected in the $5 million purchase price, it represents a significant change event in a positive way for both our business and the industry.

The traditional Colorpak business was one built on a single minded focus to provide the highest level of product quality supported by a strong relationship based service. After two decades of achievement in our core focus, we had grown to a profitable, third supplier by size in the industry, but more importantly, the industry's reputational leader. The CHH business was one driven by a necessity to feed an upstream board mill and hence was efficiently run from an operational perspective. However, a fundamental flaw in its model at the folding carton operational level was its lack of sustainability in its product pricing policy. That model was predicated on building volume at any cost with scant regard for margin outcomes at the carton converting level and was the primary reason that profitability was non-existent in the acquired business. Therefore, an early phase of our integration effort was to clearly explain these facts to our customer base, and seek to address them with some modest but essential price increases.

Our customer base is broad geographically and covers sectors from pharmaceutical and healthcare, beverage, food, cosmetics, multi-media and technology, fast-moving consumer goods and more recently, fast food. A pleasing aspect of our expanded customer base is that we have only one customer at around 12% of total revenues and all others at well less than 10% giving us sound risk diversity.

Our customers compete in a global market place and so do we. With that in mind, we were excited to use a re-positioning and modernisation of the Colorpak brand as a key part of our early integration activity of the CHH business into Colorpak. Our new vision to be "Australasia's standout packaging partner" concisely expresses our ambition to be a leader by reputation, not just by size, as we strive to help our customers "stand out and stay ahead".

An additional re-branding exercise took place during the year with the business formerly known as Montage Graphics which was acquired with the CHH purchase having its name and service offering upgraded. "Brandpack" are now our new packaging architects and have global links to our international partners. In addition to its core offerings of pre-press services and digital file management, Brandpack has at its heart the key foundations of material, construction, design and finishing as it moves up the supply chain to offer a broader scope of capability to our existing, acquired and potential customer base.

In May of this year, we proudly commissioned our new paper cup forming division in a purpose built clean room operation within our Braeside, Victoria facility. This new activity and addition to our product portfolio is expected to enhance revenues in the range of $4 million - $5 million per annum once fully commissioned. Whilst the super premium ice cream section of the market provides the foundation customers for these revenues, we anticipate growth coming from other sectors including confectionary, bakery, fast-moving consumer goods and food.

Our core assets in the underlying Colorpak business remain up to date and well maintained as our capital expenditure programs in recent years have supported this position. Whilst a relatively cheap price was paid for the assets of the acquired business, their suite of machines are of world class capability and in good order. Our base business safety culture remains front and centre and it is re-assuring to know that the CHH business also maintained an excellent culture and record in relation to safety which we expect to uphold.

The acquired business IT systems are undergoing a major overhaul and will be aligned with the core MIS system run by the traditional Colorpak business. Early work has progressed well with our Auckland division going live in September 2011. Other sites will follow with a completion to the IT integration work expected by the end of calendar 2012.

Our expanded organisation structure has evolved well with a good mix of management strength being shared from the traditional Colorpak business and the acquired one. We have achieved with this acquisition an enhanced depth of managerial talent and a superior succession plan. We are also pleased with the greater diversity of professional skill sets now forming part of our core team.

In summary, the 2011 year has clearly been a challenging and a busy one.
Our careful planning has set the stage to deliver integration synergies over the ensuing 12-18 months which will build the foundation for earnings per share growth over the next two to three years. We have taken appropriate provisions for the acquired onerous contracts, above market lease costs and some integration costs against the large gain on acquisition generated by the CHH transaction. We expect that our capital expenditure requirements will be relatively modest for a company with a projected turnover in the order of $200 million per annum. Our debt is still well contained despite this large growth step and our goal, as always, will be to retire debt as quickly as possible over the coming two to three year timeframe.

I would like to thank all Colorpak employees – existing and new. Your continued focus, determination and attention to detail are the very thing that helps our customers to succeed. It is your "ahead of the pack thinking" that sets us apart from our competitors both local and global.
To our non-executive directors who as the Chairman rightly made note, spent extra time during this year to ensure the right result was delivered for our shareholders, thank you for your continued support, guidance and wisdom. And finally, to our advisors of whom there were many who also helped to make the CHH transaction possible, your contribution this year was pivotal to a successful transaction completion.

Alex Commins

A. Commins
Managing Director

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.

Board of Directors

Mr Geoff Willis
63, B.Comm, MBA, CPA, AICD
Chairman;
Member, Audit,
Risk Management and
Compliance Committee;
Member, Nomination and
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 is currently a director of Aurora Energy Pty Ltd, Chair of the Tasmanian Symphony Orchestra and a Trustee of the Tasmanian Museum and Art Gallery.

Mr Alex Commins
44, 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 strategy development, customer relationships, business development and to drive growth and innovation throughout the business.

Alex is a board member of the Victoria Chapter of the French Australian Chamber of Commerce and Industry.

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

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

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

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

Between 1999 and December 2002 Paul was Managing Director of the Colorpak business. Paul's primary focus continues to be seeking productivity efficiencies for the business by the adoption of new technologies and modern work practices and business processes. In addition to these operational duties Paul also has responsibility for a number of Colorpak's key customer relationships.

Ms Bronwyn Constance
62, FCPA, FAICD, FCIS
Non-executive Director;
Member, Nomination and
Remuneration Committee;
Member, Audit,
Risk Management and
Compliance Committee

Bronwyn has a strong industrial and financial background with extensive corporate experience at a senior management level in Australia and overseas.

The early part of her career was spent with the ACI Group of companies, followed by senior financial roles with Kraft Foods Ltd in Australia and Asia, CFO of Pasminco Ltd and Finance Director of Nylex Ltd.

Since retiring from full time executive roles she has been a non-executive director on public and private company boards. Currently she is a director and chairs the audit committees of The Melbourne Market Authority and the Co-operative Research Centre for Advanced Automotive Technology. She is also director of Defence Materials Technology Centre Ltd.

During the past three years Bronwyn also served as a director of the listed companies Plantic Technologies Ltd and Just Group Limited.




Mr David Heaney
67
Non-executive Director
Chairman, Audit,
Risk Management and
Compliance Committee;
Member, Nomination and
Remuneration Committee

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

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

David also serves as a director of the listed companies, Cyclopharm Limited and Dromana Estate Limited and during the past three years served as a director of listed company Mariner Financial Limited.

Mr Ian Wightwick
72, Dip.App.Chem., BEc, MAdmin, FAICD

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

Until his retirement from full time employment in February 2004, Ian was Managing Director and Chief Executive Officer of PaperlinX Ltd, which was demerged from Amcor Ltd., and went public under his stewardship in 2000, becoming a top 100 public company in Australia. PaperlinX grew by acquisition to be the largest international paper merchant, also having substantial paper manufacturing operations in Australia.

Prior to his time with PaperlinX, Ian filled various executive marketing and divisional Managing Director roles in Amcor Ltd. over a 19 year period.

His earlier career encompassed over 20 years in the food industry.

During the past three years Ian also served as chairman of the listed company Plantic Technologies Ltd

Mr Harry Commins
48
Alternate Director

Harry is the company's National Manufacturing Director and is an alternate director for 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 and Safety committees. He plays a major role in Colorpak's assessment and development of new technologies. Harry is also an integral part of the sales team in a technical capacity with new product development, promotional activities and as co-ordinator of capacity utilisation between the plants. Harry also has direct responsibility for the beverage sector.

Secretary

Mr Stephen Nicholls
55, BA (Econ & Finan 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 30 years.

Steve played a key role in the extensive background modelling and due diligence work required to be carried out to enable the acquisition of the CHH operations to the take place.





colorpak
Braeside
Mt Waverley
Reservoir
Regents Park
Villawood
Penrose
brandpack
GLOBAL PACKAGING ALLIANCE
colorpak
colorpak
Alex Commins
Managing Director
63-73 Woodlands Drive Braeside VIC 3195 Australia
colorpak
foilmasters
Matthew Murcott
General Manager
colorpak
colorpak
foilmasters


foilmasters
brandpack
colorpak
brandpack
GLOBAL PACKAGING ALLIANCE
foilmasters
brandpack
Peter Allison
General Manager
brandpack
foilmasters
Matthew Murcott
General Manager
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Peter Allison
General Manager

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colorpak

Customer: Colorpak

Job No.: CPK0001

Date Made: 20 March 2011

Product Code:

CPK0001

Product Description:

Colorpak Rebranding

In 2011 Colorpak unveilled it's new brand indentity. The new design brings together the family of Colorpak brands Foilmasters and Brandpack into one cohesive look expressed through a bright and vibrant design language.

The Board of Directors of Colorpak Limited is responsible for establishing the corporate governance framework of the company having regard to the ASX Corporate Governance Council (CGC) published guidelines, as well as its corporate governance principles and recommendations. 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 table below summarises the company's compliance with the CGC's recommendations. The reference is shown if the principle is not dealt with in this Corporate Governance Statement.

Recommendations	Comply Yes/No	Ref.
Principle 1 – Lay Solid Foundations for Management and Oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the Board to Add Value		
2.1 A majority of the board should be independent directors.	Yes	
2.2 The chair should be an independent director.	Yes	
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
2.4 The board should establish a nomination committee.	Yes	
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote Ethical and Responsible Decision-Making		
3.1 Companies should establish a code of conduct and disclose on the website the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard Integrity in Financial Reporting		
4.1 The board should establish an audit committee.	Yes	
4.2 The audit committee should be structured so that it: • Consists only of non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the board • Has at least three members.	Yes	
4.3 The audit committee should have a formal charter.	Yes	
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Website

Recommendations	Comply Yes/No	Ref.
Principle 5 – Make Timely and Balanced Disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the Rights of Shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and Manage Risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	Yes	
7.3 The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate Fairly and Responsibly		
8.1 The board should establish a remuneration committee.	Yes	
8.2 Companies should clearly distinguish the structure of non- executive directors' remuneration from that of executive directors and senior executives.	Yes	Refer to Remuneration Report
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

Colorpak Limited's corporate governance practices were in place from 1 July 2010 to 30 June 2011 and were fully compliant with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Colorpak Limited, refer to the company's website, colorpak.com.au.

Board Functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board.

The responsibility for the operation and administration of the company is delegated, by the board, to the Managing Director and the executive management team.

Whilst at all times the board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end, the board has established the following committees:

- Audit, Risk Management and Compliance
- Nomination and Remuneration.

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholder's needs and manage business risk
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity
- Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the board include:

- Approval of the annual and half-yearly financial reports
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures
- Regularly evaluating the performance of the Managing Director and senior management and ensuring appropriate executive succession planning is conducted
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored
- Reporting to shareholders.

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
B. Constance	Non-executive Director
D. Heaney	Non-executive Director
I. Wightwick	Non-executive Director

The board recognises the Corporate Governance Council's recommendation that the Chair should be an independent 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	7 years and 8 months
A. Commins	7 years and 9 months
P. Commins	7 years and 9 months
B. Constance	3 months
D. Heaney	7 years and 8 months
I. Wightwick	2 years

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 is reviewed 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 last conducted in July 2010. A performance review for each of the key executives was undertaken in December 2010.

Directors whose performance is consistently unsatisfactory may be asked to retire.

Trading Policy

Under the company's Guidelines for 'Dealing in Securities', an executive or director must not trade in any securities of the company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first inform and receive approval of the Managing Director to do so and a director must first inform and receive approval of the Chairman.

Only in exceptional circumstances will approval be forthcoming outside of the period which is four weeks after:

- One day following the announcement of the half yearly and full year results as the case may be;
- One day following the holding of the Annual General Meeting; and
- One day after any other form of earnings forecast update is given to the market.

As required by the ASX listing rules, the company notifies the ASX of any transaction conducted by directors in the securities of the company.

Nomination and Remuneration Committee

The board has established a nomination and remuneration committee, which operates under a charter which is reviewed annually and 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 I. Wightwick (Chairman), Ms B. Constance, Mr D. Heaney 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 outcomes 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 on 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 the company's website.

Audit, Risk Management and Compliance Committee

The board has established an audit, risk management and compliance committee, which operates under a charter which is reviewed annually and 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 including evaluating the company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance, 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, risk management and compliance 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 D. Heaney (Chairman), Ms B. Constance, Mr I. Wightwick and Mr G. Willis. The Managing Director and Chief Financial Officer regularly attend meetings by invitation. The audit, risk management and compliance 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 the company's website.

Integration Sub-Committee

The board has also established an integration sub-committee comprising the company's non-executive and executive directors and select senior management to oversee the integration of the acquired CHH businesses into Colorpak's operations. The sub-committee meets fortnightly and will continue to meet whilst significant integration activities remain incomplete.

Risk

The board acknowledges the Revised Supplementary Guidance to Principle 7 issued by the ASX in June 2009 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the company's approach to creating long-term shareholder value.

The audit, risk management and compliance committee has the responsibility for overseeing risk management strategy and policies, internal compliance and internal control and reporting to the board on such matters.

The committee oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Managing Director, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management reports to the committee on the company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a standing agenda item at committee meetings.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements, designed to maximise shareholder value and manage business risk
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

For the purposes of assisting investors to understand better the nature of the risks faced by the company, the board has prepared a list of operational risks as part of these Principle 7 disclosures. However the board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events:

- Fluctuations in demand volumes
- Australian businesses moving their manufacturing operations offshore
- Increased competition
- Technological change
- Changes to alternate packaging materials
- Political instability/sovereignty risk in some operating sites
- The occurrence of force majeure events by significant suppliers
- Increasing costs of operations, including labour costs
- The availability of debt finance at economic rates
- Changed operating, market or regulatory environments as a result of climate change.

CEO and CFO Certification

In accordance with section 295A of the Corporations Act, the chief executive officer and chief financial officer have provided a written statement to the board that:

- Their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- The company's risk management and internal compliance and control system is operating effectively in all material respects.

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, written statements are also required to be completed by the key management personnel of all significant business units, including finance managers, in support of the CEO & CFO certifications.

Shareholder Communication Policy

Pursuant to Principle 6, the company's objective is to promote effective communication with its shareholders at all times.

Colorpak Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the company's activities in a balanced and understandable way
- Complying with continuous disclosure obligations contained in the applicable ASX listing rules and the Corporations Act in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Colorpak Limited.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the annual report and Notices of Annual General Meeting;
- Through shareholder meetings and investor relations presentations;
- Through letters and other forms of communications directly to shareholders; and
- By posting relevant information on Colorpak's website colorpak.com.au/investors.aspx

The company's website colorpak.com.au has a dedicated investors section and for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Committee Attendance

For details on the number of meetings of the committees of the board held during the period and the attendees at those meetings, refer to page 35 of this Annual Report.

External Auditors

The company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.
An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 23 to the Financial Statements.

Financial Statements

We are pleased to present our Financial Statements for the year ended 30 June 2011

Colorpak Limited

ABN 56 107 485 898

Directors' Report

The directors of Colorpak Limited (hereinafter referred to as "the company") present their report together with the financial statements of the company for the year ended 30 June 2011.

Directors

The names of the directors of the company in office during the financial year and until the date of this report, are as follows. Directors were in office for this entire period unless otherwise stated.

G. Willis

A. Commins

P. Commins

B. Constance (appointed 20 May 2011)

D. Heaney

I. Wightwick

The details of the directors and each director's qualifications, age, experience and special responsibilities are included on pages 10 & 11 of this Annual Report.

Secretary

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

Directors' Interests

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

	Colorpak Limited Ordinary Shares
G. Willis	263,221
A. Commins [1.]	26,597,341
P. Commins [1.]	26,028,534
B. Constance	–
D. Heaney	828,000
I. Wightwick	100,000

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 26,018,534 shares in the company.

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

Principal Activities

The principal activities of the company during the financial year comprised the innovative design and production of printed folding cartons, paper cups and lids, 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 in Australia and New Zealand.

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	19.68

Directors' Report

Dividends

	Cents	$000
Final dividend recommended on ordinary shares	1.75	1,427
Interim dividend paid in the year on ordinary shares	1.50	1,217
Total dividend in respect of the year	3.25	2,644

Operating and Financial Review

Financial Performance

Colorpak's financial performance in the year has been significantly impacted by the acquisition of Carter Holt Harvey's (CHH) folding carton operations in Australia and New Zealand. The company has recorded a $12,223,000 gain on acquisition which has arisen because the purchase price is substantially less than the value of the fixed assets and working capital that was acquired. These metrics are the result of the low profitability of the acquired businesses, which present both a challenge and an opportunity in returning those businesses' financial performance to commercial levels. The company expects synergies to be achieved as a result of combining the purchased folding carton operations in Australia and New Zealand with the existing businesses.

Revenue from sale of goods amounted to $125,548,000, an increase of 56.6% on the previous year. A degree of integration has already occurred between the traditional Colorpak and the acquired sites and this means that clear segregation of the numbers between the two businesses is no longer possible, although the best information would suggest that revenues from the traditional Colorpak business have grown by around 5.5% and the acquired businesses have contributed the balance of the growth.

The underlying net profit after tax from continuing operations for the year, which excludes the impact of any acquisition related transactions (being acquisition and transaction costs, integration costs, gain on acquisition and impairment of intangibles), was a record NPAT of $7,060,000 and was up 10.1% from $6,413,000 in the prior year. The acquisition related transactions, impacted substantially by a gain on acquisition, increased the company's reported NPAT to $15,875,000.

	NPBT $000	NPAT $000
2011		
Reported result	18,297	15,875
Acquisition related transactions	8,077	8,815
Underlying result	10,220	7,060
2010	9,142	6,413

The increase in operating profit from the continuing operations (excluding acquisition related transactions) has raised EPS on the underlying result to 8.70 cents per share, which was 10.1% up from 7.90 cents per share in the previous year. Reported EPS (after the impact of acquisition related transactions) was 19.56 cents per share. This level of profitability is considered to be another solid achievement in the face of cost and competitive pressures in the current economic environment.

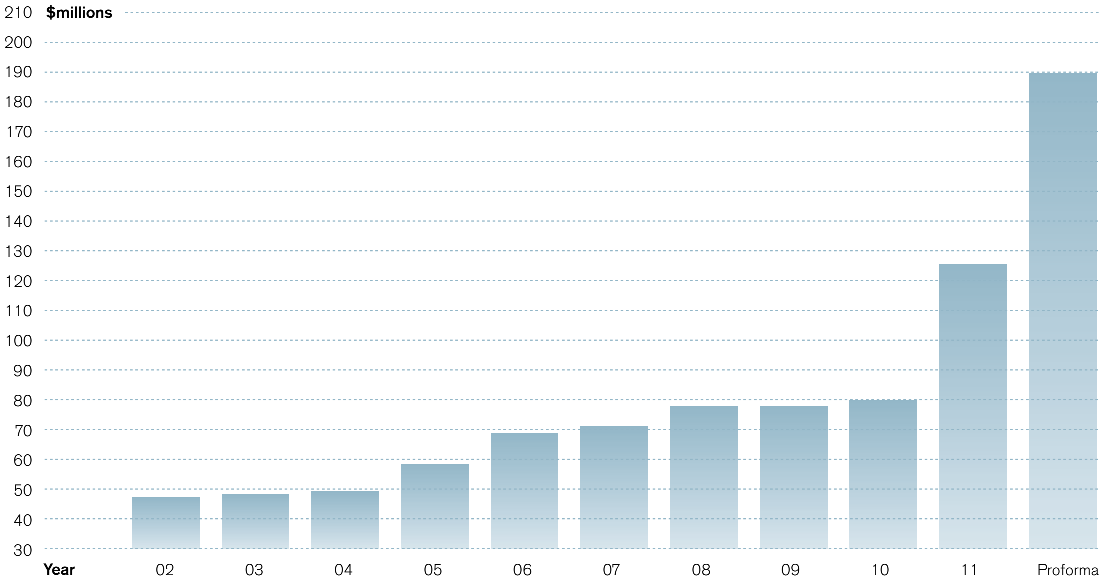
The improved NPAT was a result of increased revenues, improved factory efficiencies across most areas of the traditional Colorpak business as well as a small contribution from the acquired businesses.

The strong financial performance for the company met most of the established milestones for the senior executive incentive plan and an amount of $481,000 pre-tax has been included in the result for the year in respect of this plan.

Directors' Report

Compound sales growth over the last 10 years has averaged 12.0% pa. Colorpak's revenue history is set out in the following table:

Sales growth – Sales of goods and services



The pro-forma sales number reflects the approximate sales had the acquired CHH businesses been held for the full 12 months.

Acquisition of Carter Holt Harvey's Folding Carton Operations in Australia and New Zealand

Colorpak announced on 11 October 2010 its intention to acquire, subject to satisfactory due diligence, CHH folding carton operations in Australia and New Zealand. On 29 December 2010, Colorpak further announced that it had signed a sale agreement for the acquisition of this business, excluding the Smithfield operations which were to be purchased by another industry participant. This transaction was completed on 1 March 2011, with a final settlement payment for a working capital adjustment being made in mid July 2011.

Colorpak acquired businesses with additional annual revenues of around $125,000,000 but with negligible EBIT. Under the purchase agreement the acquired net assets were approximately $21,600,000 (after allowance for provisions in accordance with the accounting standards) and the purchase consideration was $9,327,000, being $5,000,000 paid for the base business and a $4,327,000 liability at 30 June 2011 that was settled in mid July. In addition to the purchase consideration, the company has incurred $1,444,000 in costs directly related to the acquisition as well as $2,192,000 in other transaction related integration activities. The company has also taken on $16,523,000 in liabilities that are set-out in note 21 and these liabilities include lease rentals that are not considered to be commercial in the current market as well as make good obligations under those premises leases and also some contracts with customers that are considered to be uneconomic.

Clearly the acquisition was of a distressed business and much needs to be done to make the acquisition EPS accretive, but based on a normalised basis this is possible in the 2012 financial year, being the first full year following acquisition. Considerable further potential is expected to be generated in efficiencies and in other areas.

Directors' Report

Cash Flow

Cash generation from operations before acquisition, transaction and integration costs for the year saw an inflow of $6,199,000. Cash flows were adversely impacted by the delay of one day of $2,082,000 due to an oversight by a major customer. This money was received on 1 July 2011 and will boost cash from operations in the 2012 year.

The company incurred net capital expenditure of $5,580,000 for the year, with the single largest item being a cup and lid forming machine at the Braeside site that expands the company's product offering from the introduction of a Paper Cup Forming division. Net capital expenditure in 2012 is expected to be in the order of $6,000,000.

The major acquisition during the year has resulted in an increase in the debt from $22,750,000 to $34,186,000, whilst the company remains conservatively geared with gearing of 31.8%. Additional financial facilities were put in place with NAB and BNZ to fund the CHH acquisition and the company maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

Operating Activities

2011 will be remembered as a historic year for Colorpak with the acquisition of the CHH Folding Carton operations. Not only was this a major company changing event, but it re-shaped the sector with the view to restoring the industry to a position of long-term sustainability.

Global pressures and robust local competition remain a feature of the industry, but this did not distract the company from innovating with materials and pursuing production efficiencies so that once again the company has been able to produce a satisfactory result. Growth in sales has been dramatic given the acquisition, with growth in underlying profitability from the continuing operations solid at 11% up on the previous corresponding period.

We are four months into the integration phase of the former CHH operations into Colorpak. The integration team in the first weeks post takeover worked diligently to fine tune the integration plan. The company is now well and truly into the implementation phase and progress is pleasing.

Newly acquired staff have been happy to join the Colorpak team and are strongly engaged in the company's strategy and direction. As part of bringing the two businesses together Colorpak has been rebranded. The Montage Graphics business has also been rebranded and renamed as "Brandpack". The company's new corporate identity retains a link to its past, but is a more confident expression of who we aspire to be, now and into the future; "Australasia's standout packaging partner". Brand launches have been conducted both internally to the new staff, and externally to customers and suppliers. It has all been very well received.

In late May, a new Paper Cup Forming division was commissioned, operating from a purpose built clean room facility at the Braeside (Victoria) operations. The new division adds another product capability to the portfolio. The foundation customers operate in the super premium ice cream segment of the market and contracts have been secured to underpin revenue growth of $5,000,000 to $6,000,000 per annum currently. Paper cup and lids have application beyond ice cream into such other products as biscuits, confectionary and many other fast moving consumer goods. A good portion of the company's net capital expenditure of $5,580,000 for 2011 was directed to this project.

The company's legacy customer base remains stable, but it is clear that they are feeling the impacts of globalisation and an aggressive retail sector. We are working closely with all customers to provide innovation and manufacturing efficiencies so that they can remain competitive and relevant. A focus on production flexibility is also key to ensuring that customers have speed to market in any of their product developments to enable them to capture and capitalise on increased market share.

Safety awareness and process remains a key focus and the acquired CHH divisions have excellent safety process and measurements in place.

Directors' Report

Shareholder Returns

The company has delivered the following returns to shareholders:

	2011	2010	2009	2008	2007
Basic earnings per share (cents)	**19.56** (1)	7.90	6.94	7.72	6.28
Return on assets (%)	**9.9**	6.6	5.8	6.2	5.2
Return on equity (%)	**24.3**	11.2	10.5	12.0	10.4
Gearing (debt / debt+equity) (%)	**31.8**	27.3	33.0	34.9	39.3
Dividend payout ratio (%)	**16.7** (1)	53.8(2)	43.3	51.8(2)	43.8
Total shareholder return (%) (3)	**60.9**	22.5	(6.4)	(7.4)	14.8
Available franking credits ($000)	**7,087**	5,941	4,971	3,978	3,520

1. EPS on the underlying result, which excludes acquisition related gains and costs, was 8.70 cents and the divided payout ratio was 37.5%.
2. Includes the 1.0 cent special dividends.
3. Includes dividends paid during the year only (excludes the final and special dividends). Based on the share price of $0.70 at 30 June 2011.

Asset and Capital Structure

	2011 $000	2010 $000
Debt:		
Interest bearing loans and borrowings	**34,186**	22,750
Cash and cash equivalents	**(5)**	(37)
Net debt	**34,181**	22,713
Total equity	**73,275**	60,449
Total capital employed	**107,456**	83,162
Gearing (debt / debt+equity)	**31.8%**	27.3%

The company's balance sheet remains strong as a consequence of consistent earnings performance and strong cash flows. The company does not have a firm established policy however a long term gearing range of 25% – 50% is considered appropriate.

Directors' Report

Treasury

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

	2011 $000	2010 $000
Current		
Bank overdraft	**3,178**	–
	3,178	–
Non-current		
Bank loans – secured by debenture security	**31,008**	22,750
	31,008	22,750
	34,186	22,750

The company had $15,489,000 in cash and immediately drawable overdraft and bill facilities at 30 June 2011. There are no debt repayment requirements before September 2013, at which time those facilities are expected to be renewed. The company continues to generate steady cash and the company's capacity to create business development opportunities continues to improve.

61.0% of the company's drawn debt was fixed at 30 June 2011 with a relatively even reduction in fixed debt exposures across the years 2012 to 2014. 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 facilities are modern and efficient and the capital investment program since listing has substantially lifted capacity. Capital expenditures in 2012 are expected to be around $6,000,000 to support the expanded business and over the following few years are expected to align fairly closely with the annual depreciation charge.

Outlook

The results for the 2012 financial year will include the contribution from the acquired CHH folding carton operations. The company is well advanced in developing its integration plans, and whilst these are still incomplete they involve up front rationalisation costs to effect long run structural change.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 4 October 2011.

This brings the full year dividend for 2011 to 3.25 cents per share, fully franked. The dividend payout ratio is 16.7% measured against reported NPAT and 37.5% measured against NPAT from continuing operations. Based on the share price at 30 June 2011 of 70.0 cents, this provides a dividend yield of 4.6%, fully franked.

Directors' Report

Significant Changes in the State of Affairs

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

Significant Events after the Balance Date

Other than is disclosed in note 24, no matter or circumstance has arisen since 30 June 2011 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 on page 27, 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. 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.

Directors' 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. 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, executive directors, 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, approved in 2004, when the shareholders approved an aggregate remuneration cap of $270,000 per year. The company intends to seek shareholder approval at the forthcoming AGM to increase the aggregate remuneration cap to $500,000, thus providing greater flexibility as the company grows as well as allowing for the recent appointment of an additional non-executive director and increases in non-executive director remuneration consistent with the additional dimensions of their responsibilities following the CHH acquisition.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is portioned 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. Additional fees are paid to non-executive directors who chair the board and its committees to reflect their extra work load and in accordance with market practice.

Directors' Report

Remuneration Report (audited) (continued)

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 on whose board they sit.

The non-executive directors do not receive retirement benefits, apart from statutory superannuation payments as appropriate, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the period ending 30 June 2011 is detailed in the table on page 34 of this Annual Report.

Executive Director and Senior Manager Remuneration

Objective

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

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

Structure

Fixed term employment contracts have been entered into with the Managing Director, the Operations Development Director and National Manufacturing Director. Details of these contracts are provided on page 32. 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 and approved by the board.

The table on page 34 details the fixed and variable components of key management personnel, of which the 5 most highly remunerated senior executives are included.

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, each being subject to compliance with relevant taxation laws. 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 34.

Directors' Report

Remuneration Report (audited) (continued)

Variable Remuneration – Long Term Incentive (LTI)

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

Variable Remuneration – Short Term Incentive (STI)

Objective

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

Structure

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

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

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

Actual STI payments granted to each senior executive depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operating targets are heavily weighted towards financial performance, based on achievement of pre-determined earnings per share (EPS) and / or NPAT. The EPS and / or NPAT benchmark has been used because it drives short term performance, aligning executive short term interests with shareholders' interests. 10% of the STI is tied to the company's performance on safety benchmarks in recognition of the importance that the company places on the physical workplace and employee wellbeing. The aggregate of annual STI payments available for executives across the company is subject to board approval on the recommendation of the Nomination and Remuneration Committee.

In respect of the grant under the EIP for the 2011 financial year, the financial performance condition was based on achievement of a pro-rata of pre-determined earnings that commenced on achievement of the board approved budget for the year. The actual earnings achieved in 2011 as measured by the NPAT from operations (excluding acquisition related transactions) substantially exceeded this target and accordingly, a financial performance incentive of $480,815 is payable, subject to individual executive KPI achievements. This represents 85% of the aggregate achievable. The company failed marginally to achieve its safety benchmarks for the 2011 year and accordingly no STI is payable in relation to this component.

Directors' Report

Remuneration Report (audited) (continued)

Variable Remuneration – Short Term Incentive (STI)

In respect of the 2012 year:

- The financial performance condition is based on achievement of the board approved 2012 budget. No financial performance incentive will be payable unless this condition is achieved. 60% of the STI will be allocated to this condition and will be awarded to STI participants on a sliding scale above the performance hurdle
- The safety performance condition is based on achieving a lost time injury frequency rate below a board approved pre-set target. 10% of the STI will be allocated to this condition
- Individual performance conditions will be introduced to all executives. 30% of the STI will be allocated to this condition
- The maximum total amount payable to members of the key management personnel is $728,000 and the minimum amount payable is nil.

In respect of the 2010 year, all of the conditions were achieved and a total of $538,329 of the STI was paid.

In addition to the EIP, the company also operates a short term incentive plan to reward key executives who are not members of the key management personnel. Participation in this plan is at the discretion of the Managing Director. Targets are established tailored to each participant and using a combination of safety, financial and individual performance measures. The maximum payable under this plan is currently set at $331,000, with the minimum amount payable being nil.

Employment Contracts

The Managing Director, Mr A. Commins, the Operations Development Director, Mr P. Commins, and the National Manufacturing Director, Mr H. Commins are each employed under contract with the company. The current employment contracts terminate on 31 August 2012, 31 March 2012 and 31 August 2012 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 six 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 six 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, Ms L. Bremner and Ms C. Cleary are each employed under open ended agreements, the terms and conditions of which are commercial relative to people holding similar positions in other organisations.

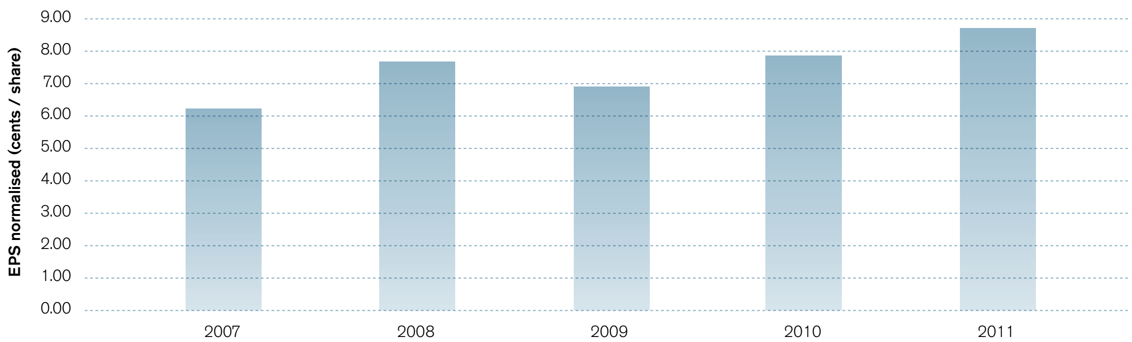
Directors' Report

Remuneration Report (audited) (continued)

Company Performance

The company's performance is reflected in the movement of the company's EPS over time. The graph below shows the company's basic EPS history since listing (including the current period) which has been normalised to exclude acquisition related transactions (acquisition and transaction costs, integration costs and gain on acquisition):

Earnings per Share (from continuing operations)



A graph of net profit after tax does not materially differ to the above table due to minimal numbers of shares being issued over the past 5 years.

Directors' Report

Remuneration Report (audited) (continued)

Compensation of Key Management Personnel

		Short term benefits			Post em-ployment	Long term benefits		
		Base Salary $	Non Monetary $	Cash STI $	Super-annuation $	Leave Benefits $	Total $	Perform-ance Related %
Non-Executive Directors								
G. Willis (Chairman)	**2011**	**60,763**	–	–	**37,499**	–	**98,262**	–
	2010	64,064	–	–	20,800	–	84,864	–
B. Constance [(1)]	**2011**	**3,035**	–	–	**273**	–	**3,308**	–
	2010	–	–	–	–	–	–	–
D. Heaney	**2011**	**12,797**	–	–	**48,106**	–	**60,903**	–
	2010	8,531	–	–	46,191	–	54,722	–
I. Wightwick	**2011**	**60,903**	–	–	**–**	–	**60,903**	–
	2010	46,194	–	–	–	–	46,194	–
Executive Directors								
A. Commins (Managing Director)	**2011**	**327,560**	**32,853**	**82,233**	**23,351**	**12,964**	**478,961**	**21.4**
	2010	282,536	34,630	102,149	23,351	3,724	446,390	30.0
P. Commins (Operations Development Director)	**2011**	**261,448**	**39,260**	**68,820**	**23,351**	**(621)**	**392,258**	**21.2**
	2010	189,096	39,260	75,069	23,351	5,477	332,253	29.8
Executive Officers								
H. Commins (National Manufacturing Director)	**2011**	**278,825**	**35,895**	**72,442**	**23,351**	**10,537**	**421,050**	**21.4**
	2010	257,230	32,205	93,836	23,351	4,522	411,144	30.0
S. Nicholls (Chief Financial Officer & Company Secretary)	**2011**	**214,487**	**22,265**	**60,930**	**50,000**	**7,234**	**354,916**	**21.2**
	2010	162,579	15,555	66,961	50,000	6,916	302,011	29.4
D. Johnson (General Manager – NSW)	**2011**	**257,728**	**37,248**	**66,262**	**15,266**	**4,379**	**380,882**	**21.4**
	2010	244,736	37,248	74,725	15,266	3,133	375,108	25.1
M. Johnson (Sales Manager - VIC)	**2011**	**161,097**	**3,276**	**27,019**	**14,599**	**3,493**	**209,484**	**15.1**
	2010	152,112	25,678	37,313	13,516	2,814	231,433	19.5
L. Bremner (National HR Manager)	**2011**	**114,851**	**13,188**	**23,559**	**17,250**	**3,488**	**172,336**	**16.2**
	2010	120,885	15,237	15,102	14,901	1,733	167,858	10.0
C. Cleary [(2)] (National IR Manager)	**2011**	**94,574**	–	**32,092**	**15,722**	**109**	**142,497**	**29.1**
	2010	–	–	–	–	–	–	–

(1) B. Constance joined the board on 20 May 2011.

(2) C. Cleary commenced as a member of the key management personnel on 8 November 2010.

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

There have been no changes in the Key Management Personnel between the end of the financial year and before the date the financial report was authorised for issue.

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

Directors' Report

Directors' Meetings

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

		Meetings of Committees		
	Directors' Meetings	Audit, Risk Management and Compliance	Nomination and Remuneration	Integration Sub-Committee
Number of meetings held:	17	4	5	10
Number of meetings attended:				
G. Willis	17	4	5	10
A. Commins	17	–	–	10
P. Commins	16	–	–	10
H. Commins (alternate)	–	–	–	–
B. Constance [Note 1]	2	1	1	3
D. Heaney	17	4	5	10
I. Wightwick	16	4	5	8

Note 1 – B Constance attended all board and committee meetings for which she was eligible.

The details of the functions and memberships of the committees of the board are presented in the Corporate Governance section included on pages 14 to 19 of this Annual Report.

Indemnification and Insurance of Directors and Officers

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

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

Rounding

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

Directors' Report

Auditor Independence and Non-Audit Services

Independence Declaration

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

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	26,700
Assurance related and due diligence services	177,000
Transaction related accounting advice	58,650
Post transaction integration advice	93,380
	355,730

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

G.L. Willis
Chairman

A. Commins
Managing Director

Braeside
26 August 2011

Consolidated Statement of Comprehensive Income
as at 30 June 2011

	Note	2011 $000	2010 $000
Revenue	5	**127,369**	80,819
Other income		**137**	–
Changes in inventories of finished goods and work in progress		**629**	(98)
Raw materials and consumables used		**(55,161)**	(31,948)
Employee benefits expense	5	**(39,325)**	(23,675)
Depreciation and amortisation		**(3,104)**	(2,965)
Other indirect manufacturing costs		**(10,225)**	(5,523)
Occupancy costs		**(4,806)**	(2,699)
Other expenses		**(2,816)**	(2,314)
Profit before tax, acquisition related transactions and finance costs		**12,698**	11,597
Finance costs	5	**(2,478)**	(2,455)
Profit before income tax and acquisition related transactions		**10,220**	9,142
Acquisition related transactions:			
Impairment of intangibles		**(510)**	–
Gain on acquisition		**12,223**	–
Acquisition and transaction costs		**(1,444)**	–
Integration costs		**(2,192)**	–
Total acquisition related transactions:		**8,077**	–
Profit before income tax		**18,297**	9,142
Income tax expense from continuing operations		**(3,160)**	(2,729)
Income tax benefit on acquisition related transactions		**738**	–
Total income tax expense	6	**(2,422)**	(2,729)
Net profit for the period		**15,875**	6,413
Other comprehensive income			
Cash flow hedges			
Gain / (loss) taken to equity		**317**	467
Income tax expense on items of other comprehensive income		**(95)**	(140)
Foreign currency translation		**(92)**	–
Other comprehensive income for the period, net of tax		**130**	327
Total comprehensive income for the period		**16,005**	6,740
Earnings per share (cents per share)			
Basic and diluted on profit for the year attributable to ordinary equity holders of the company	7	**19.56**	7.90

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	2011 $000	2010 $000
Assets			
Current assets			
Cash and cash equivalents	9	**5**	37
Trade and other receivables	10	**38,221**	12,580
Inventories	11	**30,480**	10,248
Other current assets	12	**1,808**	596
Total current assets		**70,514**	23,461
Non-current assets			
Property, plant and equipment	13	**40,582**	27,855
Goodwill and intangible assets	14	**46,134**	46,134
Deferred income tax asset	6	**3,835**	–
Total non-current assets		**90,551**	73,989
Total assets		**161,065**	97,450
Liabilities			
Current liabilities			
Trade and other payables	15	**25,403**	8,620
Interest-bearing loans and borrowings	16	**3,178**	–
Income tax payable		**1,775**	790
Provisions	17	**11,673**	1,713
Derivative financial instruments	19	**170**	–
Total current liabilities		**42,199**	11,123
Non-current liabilities			
Interest-bearing loans and borrowings	16	**31,008**	22,750
Deferred income tax liabilities	6	–	1,398
Provisions	17	**14,271**	931
Derivative financial instruments	19	**312**	799
Total non-current liabilities		**45,591**	25,878
Total liabilities		**87,790**	37,001
Net assets		**73,275**	60,449
Equity			
Contributed equity	18	**39,484**	39,214
Retained profits		**34,220**	21,794
Reserves		**(429)**	(559)
Total equity		**73,275**	60,449

Consolidated Statement of Cash Flow
for the year ended 30 June 2011

	Note	2011 $000 Inflows/ (Outflows)	2010 $000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**131,583**	88,096
Payments to suppliers and employees		**(120,178)**	(75,767)
Interest received	5	**52**	23
Income taxes paid		**(2,625)**	(1,042)
Borrowing costs		**(2,633)**	(2,333)
Net cash flows from operating activities (before acquisition, transaction and integration costs)		**6,199**	8,977
Acquisition, transaction and integration costs		**(3,636)**	–
Net cash flows from operating activities	9	**2,563**	8,977
Cash flows from investing activities			
Purchase of business, net of cash acquired		**(5,000)**	–
Proceeds from sale of property, plant and equipment		**164**	42
Purchase of property, plant and equipment		**(5,744)**	(1,279)
Net cash flows from investing activities		**(10,580)**	(1,237)
Cash flows from financing activities			
Repayment of finance lease principal		**–**	–
Proceeds of borrowings		**8,256**	–
Repayment of borrowings		**–**	(4,750)
Payment of dividends	8	**(3,449)**	(2,638)
Net cash flows from / (used in) financing activities		**4,809**	(7,388)
Net increase / (decrease) in cash and cash equivalents held		**(3,210)**	352
Cash and cash equivalents at the beginning of the year		**37**	(315)
Cash and cash equivalents at the end of the year	9	**(3,173)**	37

Consolidated Statement of Changes in Equity
for the year ended 30 June 2011

	Attributable to equity holders of the company				
	Contributed equity $000	Retained profits $000	Cash flow hedge reserve $000	FX translation reserve $000	Total equity $000
At 1 July 2010	**39,214**	**21,794**	**(559)**	–	**60,449**
Profit for the period	–	**15,875**	–	–	**15,875**
Other comprehensive income	–	–	**222**	**(92)**	**130**
Total comprehensive income for the period	–	**15,875**	**222**	**(92)**	**16,005**
Transactions with owners in their capacity as owners:	–	–	–	–	–
Shares issued	**270**	–	–	–	**270**
Dividends paid	–	**(3,449)**	–	–	**(3,449)**
At 30 June 2011	**39,484**	**34,220**	**(337)**	**(92)**	**73,275**
At 1 July 2009	39,214	18,019	(886)	–	56,347
Profit for the period	–	6,413	–	–	6,413
Other comprehensive income	–	–	327	–	327
Total comprehensive income for the period	–	6,413	327	–	6,740
Transactions with owners in their capacity as owners:	–	–	–	–	–
Dividends paid	–	(2,638)	–	–	(2,638)
At 30 June 2010	39,214	21,794	(559)	–	60,449

Notes to the Consolidated Financial Statements

30 June 2011

1. Corporate Information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 26 August 2011.

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

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

2. Summary of Significant Accounting Policies

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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). 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.

(a) Compliance with IFRS

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

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

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

The company has adopted the following applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010,

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101, 107, 117, 118, 136 & 139] effective 1 July 2010

When the adoption of the Standard Interpretation is deemed to have an impact on the financial statements or performance of the company, its impact is described below:

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash – Settled Share-based Payment Transactions

The amendments clarify the scope of AASB 2 Share-based Payment by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. It did not have an impact on the financial position or performance of the company.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidation and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

Annual Improvements Project

In May 2009 and June 2010 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the company:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the company amended its disclosures in note 11
- AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the company's chief operating decision maker does review segment assets and liabilities, the company has continued to disclose this information in note 4
- AASB 107 State of Cash Flows: States that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement
- AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the company as the annual impairment test is performed before aggregation
- AASB Interpretation 17 Distribution of Non-cash Assets to Owners: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the company.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the company:

- AASB 2 Share-based Payment
- AASB 101 Presentation of Financial Statements
- AASB 117 Leases
- AASB 134 Interim Financial Reporting
- AASB 138 Intangible Assets
- AASB 139 Financial Instruments: Recognition and Measurement
- AASB Interpretation 9 Reassessment of Embedded Derivatives
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the company for the annual reporting period ending 30 June 2011 are outlined in the table below.

Notes to the Consolidated Financial Statements

30 June 2011

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. a) Financial assets are classified based on: (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.	1 January 2011	This standard is expected to have minimal impact on the company.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not de-recognised and introduce new disclosures for assets that are de-recognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

Notes to the Consolidated Financial Statements

30 June 2011

2. Summary of Significant Accounting Policies (continued)

(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 14.

Long Service Leave Provision

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

Estimation of Useful Lives of Assets

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

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(d) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(e) 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.

(f) 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.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(g) Trade and Other Receivables

Trade receivables, which generally have 30 – 60 days terms from the end of the month of invoice, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written-off when identified. An impairment provision is recognised where there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor as supported by an inability to pay over a prolonged period, the award of court judgement against the debtor or the debtor going in to administration or liquidation are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

(h) 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.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(i) 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.

Depreciation rates used for each class of assets vary according to the estimated useful lives at the time of acquisition, and are typically:

Class of fixed asset	Depreciation rates	Method
Leasehold improvements	11 – 18 %	Straight line
Computers and office equipment	20 – 30 %	Straight line
Motor vehicles	18.75 – 22.5 %	Straight line
Plant and equipment	7.5 – 20 %	Straight line
Furniture, fixtures and fittings	3.8 – 60 %	Straight line

Impairment

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

De-Recognition and Disposal

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

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

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(j) 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.

(k) 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.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(q) 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.

(r) Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset in which case they are capitalised.

(s) 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.

Notes to the Consolidated Financial Statements

30 June 2011

2. Summary of Significant Accounting Policies (continued)

(t) 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.

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

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

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

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

(u) 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.

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(v) 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 bank loans. 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.

(w) De-recognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Notes to the Consolidated Financial Statements
30 June 2011

2. Summary of Significant Accounting Policies (continued)

(x) 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. Financial Risk Management Objectives and Policies

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

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

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

Risk Exposures and Responses

Interest Rate Risk

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

The level of debt is disclosed in note 16.

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

	2011 $000	2010 $000
Financial assets		
Cash and cash equivalents	**5**	37
Financial liabilities		
Bank overdrafts	**(3,178)**	–
Bank loans	**(12,008)**	(3,750)
	(15,186)	(3,750)
Net exposure	**(15,181)**	(3,713)

Notes to the Consolidated Financial Statements
30 June 2011

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

Interest rate swap contracts outlined in note 19, with a fair value of $(481,000) (2010: $799,000), are exposed to fair value movements if interest rates change.

The company's policy is to manage its interest cost using a mix of fixed and variable rate debt. The company's policy is to keep more than 50% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the company enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 61% of the company's borrowings are at a fixed rate of interest.

The company regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. It is the company's policy that trading in financial instruments would only be undertaken in special circumstances.

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

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher / (lower)		Equity Higher / (lower)	
	2011 $000	2010 $000	**2011 $000**	2010 $000
+ 1% (100 basis points)	**(84)**	(26)	**279**	353
- 0.5% (50 basis points)	**42**	13	**(72)**	(180)

The movements in profit are due to higher aggregate variable rate debt at the end of the year compared to the prior year that is not covered by interest rate swaps. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity has moved marginally between 2011 and 2010.

Foreign Currency Risk

The company buys virtually all materials and assets in A$ and the New Zealand subsidiary in NZ$ and accordingly rarely has foreign currency derivatives in place at balance date. There were no foreign currency exposures at 30 June.

The company had no forward hedge contracts in existence at the end of 2011. Management believe that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Price Risk

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

Notes to the Consolidated Financial Statements
30 June 2011

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

Credit Risk

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

The company trades only with recognised, creditworthy third parties.

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

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

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

Liquidity Risk

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

The company's policy is that not more than 25% of hire purchase and bank loans should mature in any 12-month period. At 30 June 2011 none of the company's hire purchase and bank loans will mature in less than one year (2010: nil).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2011. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

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

	< 6 months $000	6–12 months $000	1–5 years $000	> 5 years $000	Total $000
Year ended 30 June 2011					
Interest bearing loans and borrowings	**3,178**	–	**31,008**	–	**34,186**
Derivatives	–	**170**	**312**	–	**482**
	3,178	**170**	**31,320**	–	**34,668**
Year ended 30 June 2010					
Interest bearing loans and borrowings	–	–	22,750	–	22,750
Derivatives	–	318	481	–	799
	–	318	23,231	–	23,549

Notes to the Consolidated Financial Statements
30 June 2011

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

Maturity Analysis of Financial Assets and Liabilities Based on Management's Expectation

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

Year ended 30 June 2011	< 6 months $000	6–12 months $000	1–5 years $000	> 5 years $000	Total $000
Financial assets					
Cash and cash equivalents	**5**	–	–	–	**5**
Trade and other receivables	**38,221**	–	–	–	**38,221**
	38,226	–	–	–	**38,226**
Financial liabilities					
Trade and other payables	**25,403**	–	–	–	**25,403**
Interest bearing loans and borrowings	**3,178**	–	**31,008**	–	**34,186**
Derivatives	–	**170**	**312**	–	**482**
	28,581	**170**	**31,320**	–	**60,071**
Net maturity	**9,645**	**(170)**	**(31,320)**	–	**(21,845)**

Year ended 30 June 2010	< 6 months $000	6–12 months $000	1–5 years $000	> 5 years $000	Total $000
Financial assets					
Cash and cash equivalents	37	–	–	–	37
Trade and other receivables	12,580	–	–	–	12,580
	12,617	–	–	–	12,617
Financial liabilities					
Trade and other payables	8,621	–	–	–	8,621
Interest bearing loans and borrowings	–	–	22,750	–	22,750
Derivatives	–	318	481	–	799
	8,621	318	23,231	–	32,170
Net maturity	3,996	(318)	(23,231)	–	(19,553)

Notes to the Consolidated Financial Statements
30 June 2011

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

The company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date, the company has approximately $18,689,000 of unused credit facilities available for its immediate use.

Fair value

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

4. Segment Information

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The accounting policies used in the preparation of the information used by the CODM are aligned to those which are presented in this report. As there are minimal differences, no further disclosures are deemed necessary.

The company operates in Australia and New Zealand under a single reportable operating segment. The reporting segment is based on the operating segment which was determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return.

Types of Products and Services

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

Accounting Policies and Inter-Segment Transactions

The accounting policies used by the group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period except as detailed below:

Segment loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

It is the group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Major Customers

The group has a single customer that contributes external revenues in excess of 10% of the group's revenues (being 15%). In 2010 there were three customers above 10%, aggregating to 41% of external revenues.

Geographic Spread

	Australia $000	New Zealand $000	Total $000
Revenues	116,860	10,509	127,369
Net profit for the period	13,050	2,825	15,875
Total assets	148,553	12,512	161,065

The group's activities were conducted exclusively in Australia during the 2010 financial year.

Notes to the Consolidated Financial Statements
30 June 2011

5. Revenues & Expenses

(a) Specific Items

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

	Note	**2011 $000**	2010 $000
(i) Revenue			
Sales to external customers		**125,548**	80,164
Interest from unrelated persons		**52**	23
Other revenues from external customers		**1,769**	632
		127,369	80,819
(ii) Expenses			
Finance costs			
Interest paid or payable to unrelated persons		**2,460**	2,443
Finance charges payable under finance leases and hire purchase contracts		**18**	12
Total finance costs expensed		**2,478**	2,455
Lease payments included in income statement			
Minimum lease payments – operating leases		**3,369**	1,907
Other expenses includes:			
Doubtful debts		**(9)**	69
Employee benefits expense includes:			
Superannuation		**2,603**	1,605
Senior executive incentive plan		**481**	574
Employee Share issues (included in Integration costs)	18(b)	**270**	–

Notes to the Consolidated Financial Statements
30 June 2011

6. Income Tax

The major components of income tax expense are:

Income Statement

	2011 $000	2010 $000
Current income tax		
Current income tax charge	**3,682**	2,468
Adjustments in respect of current income tax of previous years	**(1)**	(33)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(1,259)**	294
Income tax expense reported in the income statement	**2,422**	2,729

Statement of Changes in Equity

	2011 $000	2010 $000
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of cash flow hedges	**95**	140
Income tax expense reported in equity	**95**	140

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:

	2011 $000	2010 $000
Accounting profit before income tax	**18,297**	9,142
Tax expense at the company's statutory income tax rate (30%)	**5,489**	2,742
• Acquisition costs not allowable for income tax purposes	**342**	–
• Gain on acquisition not assessable	**(3,667)**	–
• Impairment of business name	**153**	–
• Change in tax rate of foreign subsidiary	**50**	–
• Adjustments in respect of current income tax of previous years	**(1)**	(33)
• Investment allowance	–	(14)
• Expenditure not allowable for income tax purposes	**56**	34
Income tax expense reported in the income statement	**2,422**	2,729

Notes to the Consolidated Financial Statements
30 June 2011

6. Income Tax (continued)

Deferred Income Tax

Deferred income tax at 30 June relates to:

	Balance sheet		Income statement	
	2011 $000	2010 $000	**2011 $000**	2010 $000
Deferred income tax assets				
Doubtful debts	**17**	18	**(1)**	(29)
Inventory provisions	**61**	43	**20**	9
Employee benefits	**3,038**	793	**303**	32
Accruals	**4,570**	69	**(268)**	(35)
Acquisition costs	**11**	–	**11**	–
Restructure costs	**19**	34	**(15)**	(10)
Interest swaps (cash flow hedges)	**144**	240	–	–
Gross deferred income tax assets	**7,860**	1,197	–	–
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	**3,999**	2,595	**(273)**	(261)
Acquired debtors & inventory	**26**	–	**1,482**	–
Interest swaps (held for trading)	–	–	–	–
Gross deferred income tax liabilities	**4,025**	2,595	–	–
Deferred income tax charge	–	–	**1,259**	(294)
Net deferred tax liabilities	**(3,835)**	1,398	–	–

7. Earnings per Share

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

	2011	2010
Basic and diluted earnings per share (cents per share)	**19.56**	7.90
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	**81,178,176**	81,155,151
Net profit used in the calculation of basic and diluted earnings per share ($000)	**15,875**	6,413

Subscription or Issues after 30 June 2011

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 Consolidated Financial Statements
30 June 2011

8. Dividends Paid and Proposed

Recognised Amounts

Declared and Paid During the Year:

	2011 $000	2010 $000
Dividends on ordinary shares:		
Final franked dividend for 2010: 1.75 cents (2009: 1.75 cents)	**1,420**	1,420
Special franked dividend for 2010: 1.00 cents (2009: nil cents)	**812**	–
Interim franked dividend for 2011: 1.50 cents (2010: 1.50 cents)	**1,217**	1,218
	3,449	2,638

Unrecognised Amounts:

	2011 $000	2010 $000
Dividends on ordinary shares:		
Final franked dividend for 2011: 1.75 cents (2010: 1.75 cents)	**1,427**	1,420
Special franked dividend for 2011: nil cents (2010: 1.00 cents)	–	812
	1,427	2,232

Franking Credit Balance:

	2011 $000	2010 $000
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% (2010: 30%)	**7,087**	5,941
• Franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year.	**1,883**	790
Amount of franking credits available for future reporting periods	**8,970**	6,731
• 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.	**(612)**	(956)
	8,358	5,775

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

Notes to the Consolidated Financial Statements
30 June 2011

9. Cash and Cash Equivalents

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

At 30 June 2011, the company had available $18,689,000 (2010: $12,124,000) of cash and undrawn committed borrowing facilities in respect of which conditions precedent had been met.

Reconciliation to Statement of Cash Flow

	Note	**2011 $000**	2010 $000
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June:			
Cash on hand		**5**	3
Cash at bank – with overdraft facility	16	**(3,178)**	34
Closing cash balance		**(3,173)**	37

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

	2011 $000	2010 $000
Net profit	**15,875**	6,413
Adjustments for non-cash items:		
Depreciation of non-current assets	**2,850**	2,965
Impairment of intangibles	**510**	–
Net (profit) / loss on disposal of plant and equipment	**(137)**	62
Gain on acquisition	**(12,223)**	–
Shares issued under employee share plan	**270**	–
Changes in assets and liabilities:		
Decrease/(Increase) in assets:		
Trade and other receivables	**(8,247)**	(878)
Inventories	**(301)**	(1,419)
Prepayments [1]	**29**	96
Derivative financial instruments [2]	**–**	–
(Decrease)/Increase in liabilities:		
Trade payables	**(821)**	956
Provisions	**(27)**	108
Other payables	**4,989**	45
Income tax payable	**984**	336
Deferred income tax liabilities	**(1,188)**	293
Net cash from operating activities	**2,563**	8,977

(1) The movement in prepayments excludes $1,241,000 net movement on property, plant & equipment (2010: $10,000).

(2) The movement in Derivative Financial Instruments excludes $317,000 (2010: $467,000) interest swaps taken directly to reserves.

Disclosure of financing facilities – refer to note 16.

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

Notes to the Consolidated Financial Statements
30 June 2011

10. Trade and other Receivables (current)

	Note	2011 $000	2010 $000
Trade receivables		**36,731**	12,079
Allowance for impairment loss	(a)	**(81)**	(60)
		36,650	12,019
Other receivables		**1,571**	561
Total current receivables		**38,221**	12,580

(a) Allowance for Impairment Loss

Trade receivables are non-interest bearing and generally on 30 or 60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. Financial difficulties of the debtor as supported by an inability to pay over a prolonged period, the award of court judgement against the debtor or the debtor going in to administration or liquidation are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows. An impairment loss of $81,000 (2010: $60,000) has been recognised for specific debtors for which such evidence exists. The amount of the impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the provision for impairment loss were as follows:

At 1 July	**60**	158
Charge for the year	**(9)**	69
Acquired in business acquisition	**56**	–
Foreign currency translation	**1**	–
Amounts written-off	**(27)**	(167)
At 30 June	**81**	60

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

0 – 30 days		**19,866**	6,811
31 – 60 days		**4,829**	2,391
31 – 60 days	Past due not impaired	**9,846**	1,910
61 – 90 days	Past due not impaired	**1,277**	565
90+ days	Past due not impaired	**833**	336
90+ days	Considered impaired	**81**	66
At 30 June		**36,732**	12,079

Receivables past due but not considered impaired are $11,956,000 (2010: $2,811,000). Payment terms on these amounts have not been re-negotiated although credit has been stopped until full payment is made in limited instances. The company has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

Notes to the Consolidated Financial Statements
30 June 2011

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

(b) Fair Value and Credit Risk

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

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

(c) Interest Rate Risk

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

11. Inventories (current)

	2011 $000	2010 $000
Raw materials and stores	**15,559**	5,645
Work in progress	**3,499**	1,126
Finished goods	**11,422**	3,477
Total inventories at the lower of cost and net realisable value	**30,480**	10,248

12. Other Current Assets

	2011 $000	2010 $000
Prepayments	**515**	544
Deposits on plant & equipment	**1,293**	52
Total prepayments	**1,808**	596

Notes to the Consolidated Financial Statements

30 June 2011

13. Property, Plant and Equipment

	Leasehold improve-ments	Computers & office equipment	Motor vehicles	Plant & equipment	Furniture, fixtures & fittings	Total
	$000	$000	$000	$000	$000	$000
Year ended 30 June 2011						
At 1 July 2010, net of accumulated depreciation and impairment	**211**	**788**	**75**	**26,645**	**136**	**27,855**
Assets acquired	–	–	–	**11,099**	–	**11,099**
Additions	**220**	**321**	–	**3,944**	**19**	**4,504**
Disposals	–	**(1)**	–	**(26)**	–	**(27)**
Impairment	–	–	–	–	–	–
Depreciation charge for the year	**(58)**	**(366)**	**(31)**	**(2,374)**	**(20)**	**(2,849)**
At 30 June 2011, Net of accumulated depreciation	**373**	**742**	**44**	**39,288**	**135**	**40,582**
At 1 July 2010						
Cost	451	2,019	257	39,784	219	42,730
Accumulated depreciation and impairment	(240)	(1,231)	(182)	(13,139)	(83)	(14,875)
Net carrying amount	211	788	75	26,645	136	27,855
At 30 June 2011						
Cost	**671**	**2,339**	**257**	**54,749**	**238**	**58,254**
Accumulated depreciation and impairment	**(298)**	**(1,597)**	**(214)**	**(15,460)**	**(103)**	**(17,672)**
Net carrying amount	**373**	**742**	**43**	**39,289**	**135**	**40,582**
Year ended 30 June 2010						
At 1 July 2009, net of accumulated depreciation and impairment	245	988	81	28,184	157	29,655
Additions	9	205	13	1,037	5	1,269
Disposals	–	(35)	–	(66)	(3)	(104)
Impairment	–	–	–	–	–	–
Depreciation charge for the year	(43)	(370)	(19)	(2,510)	(23)	(2,965)
At 30 June 2010, Net of accumulated depreciation	211	788	75	26,645	136	27,855
At 1 July 2009						
Cost	442	2,264	244	38,905	218	42,073
Accumulated depreciation and impairment	(197)	(1,276)	(163)	(10,721)	(61)	(12,418)
Net carrying amount	245	988	81	28,184	157	29,655
At 30 June 2010						
Cost	451	2,019	257	39,784	219	42,730
Accumulated depreciation and impairment	(240)	(1,231)	(182)	(13,139)	(83)	(14,875)
Net carrying amount	211	788	75	26,645	136	27,855

Notes to the Consolidated Financial Statements
30 June 2011

13. Property, Plant and Equipment (continued)

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

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 2011 is nil (2010: nil). Additions during the year include nil (2010: 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 did not incur any impairment losses during the year.

14. Goodwill and Intangible Assets (non-current)

	Goodwill $000	Brand name $000	Total $000
Year ended 30 June 2011			
At 1 July 2010, net of impairment losses	**46,134**	–	**46,134**
Additions – acquisition of business	–	**510**	**510**
Impairment losses	–	**(510)**	**(510)**
At 1 July 2011, net of impairment losses	**46,134**	–	**46,134**
At 30 June 2011			
Cost (gross carrying value)	**46,134**	**510**	**46,644**
Impairment	–	**(510)**	**(510)**
Net carrying value	**46,134**	–	**46,134**

The company acquired the brand name “Montage” as part of the acquisition of Carter Holt Harvey’s folding carton operations and ceased using this name in favour of a new name, “Brandpack” prior to 30 June 2011, resulting in an impairment to this intangible asset that has been recognised as an acquisition related transaction in the Statement of Comprehensive Income.

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 13.47% (2010: 13.5%) and the long term growth rate used to extrapolate the cash flows beyond the five year period is 2.5% (2010: 2.5%).

Notes to the Consolidated Financial Statements
30 June 2011

14. Goodwill and Intangible Assets (non-current)(continued)

Impairment Testing of Goodwill (continued)

Key Assumptions used in Value in use Calculations for 30 June 2011 and 30 June 2010

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

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements as well as known factors impacting the following year
- Capital expenditure has been projected at the budget for 2012 and approximating the annual depreciation for the following four years. Capital expenditure beyond year five is projected to be equivalent to annual depreciation
- Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to the company. 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.

Sensitivity to Changes in Assumptions

With regard to the assessment of the value in use for the cash generating unit, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

15. Trade and other Payables (current)

	2011 $000	2010 $000
Unsecured liabilities		
Trade payables	**9,289**	5,243
Other payables	**16,114**	3,377
Total trade and other payables	**25,403**	8,620

(a) Fair Value

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

(b) Related Party Payables

For terms and conditions relating to related party payables refer to note 25.

(c) Interest Rate, Foreign Exchange and Liquidity Risk

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

Notes to the Consolidated Financial Statements

30 June 2011

16. Interest Bearing Loans and Borrowings

	Note	**2011 $000**	2010 $000
Current			
Secured liabilities			
Bank overdraft	(i)	**3,178**	–
Bank loan	(ii), (iii)	**–**	–
Obligations under finance leases and hire purchase contracts	20(b)	**–**	–
Total current interest bearing liabilities		**3,178**	–
Non-current			
Secured liabilities			
Bank loans	(ii), (iii)	**31,008**	22,750
Obligations under finance leases and hire purchase contracts	20(b)	**–**	–
Total non-current interest bearing liabilities		**31,008**	22,750

(i) Bank overdrafts are provided under facilities with the National Australia Bank Limited and the Bank of New Zealand, with an aggregate facility limit of $2,920,000 at 30 June 2011 (2010: $3,000,000). These facilities expire on 31 August 2012 and it is anticipated that the facilities will be extended in the normal course of business. The average interest rate applicable at 30 June 2011 was 12.03% (2010: 10.98%) plus a line fee of 2.40%.

(ii) Bank loans are provided under facilities with the National Australia Bank Limited and the Bank of New Zealand, with an aggregate facility limit of $46,760,000 at 30 June 2011 (2010: $31,850,000). These facilities expire on 1 September 2013 and it is anticipated that the facilities will be extended in the normal course of business. There is no ongoing repayment requirement on the loan facilities and it is the company's intention to extend these facilities upon expiry. The average interest rate payable at 30 June 2011 on the fixed and floating bills under these facilities was 9.17% (2010: 8.65%), inclusive of bank margins.

(iii) All interest-bearing liabilities are secured by a fixed and floating charge over the company's assets.

(a) Fair Values

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

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

Notes to the Consolidated Financial Statements
30 June 2011

16. Interest Bearing Loans and Borrowings (continued)

(b) Interest Rate, Foreign Exchange and Liquidity Risk

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

(c) Assets Pledged as Security

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

	2011 $000	2010 $000
Current		
Floating charge		
Cash and cash equivalents	**5**	37
Receivables	**38,221**	12,580
Inventories	**30,480**	10,249
Prepayments	**1,807**	596
Total current assets pledged as security	**70,513**	23,462
Non-current		
Floating charge		
Plant and equipment	**40,582**	27,855
Goodwill and intangible assets	**46,134**	46,134
Deferred income tax asset	**3,836**	–
Total non-current assets pledged as security	**90,552**	73,989
Total assets pledged as security	**161,065**	97,451

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

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

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

Notes to the Consolidated Financial Statements

30 June 2011

16. Interest Bearing Loans and Borrowings (continued)

(d) Defaults and Breaches

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

Financing Facilities Available

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

30 June 2011	Accessible $000	Drawn down $000	Unused $000
Hire purchase and leasing finance	–	–	–
Bank bills	**46,756**	**31,008**	**15,748**
Trade finance / equipment loan	**3,200**	–	**3,200**
Overdraft	**2,919**	**3,178**	**(259)**
Bank guarantees	**3,748**	**1,295**	**2,453**

30 June 2010	Accessible $000	Drawn down $000	Unused $000
Hire purchase and leasing finance	–	–	–
Bank bills	31,850	22,750	9,100
Trade finance / equipment loan	–	–	–
Overdraft	3,000	–	3,000
Bank guarantees	800	761	39

Security & Conditions

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

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

- A financial charges covenant;
- A leverage covenant;
- Maintenance of a minimum level of shareholder funds; and
- Maximum limit on dividend distributions without prior bank approval.

Facility Review

These facilities are provided by the National Australia Bank Limited and the Bank of New Zealand. Subject to annual review and unless otherwise extended, the bank bill facilities expire on 1 September 2013, the trade finance / equipment loan facility on 30 April 2014 and the other bank facilities expire on 31 August 2012.

Notes to the Consolidated Financial Statements

30 June 2011

17. Provisions

	2011 $000	2010 $000
Current		
Employee leave benefits	**8,230**	1,713
Unfavourable contracts	**2,309**	–
Unfavourable leases	**1,134**	–
Total current provisions	**11,673**	1,713
Non-current		
Employee leave benefits	**2,561**	931
Unfavourable contracts	**4,450**	–
Unfavourable leases	**3,825**	–
Property make-good	**3,435**	–
Total non-current provisions	**14,271**	931

For a description of the nature and timing of cash flows associated with the above provisions, refer to section (b) below.

(a) Movements in Provisions

Movements in each class of provision during the financial year, other than provisions related to employee benefits, are set-out below:

	Unfavourable Contracts $000	Unfavourable Leases $000	Property Make-good $000	Total $000
At 1 July 2010	–	–	–	–
Acquisition of business (note 21)	6,407	6,685	3,435	16,527
Utilised	(1,003)	(371)	–	(1,374)
At 30 June 2011	**5,404**	**6,314**	**3,435**	**15,153**
Current 2011	**2,059**	**1,384**	**–**	**3,443**
Non-current 2011	**3,345**	**4,930**	**3,435**	**11,710**
	5,404	**6,314**	**3,435**	**15,153**

(b) Nature and timing of provisions

Unfavourable contracts

The Carter Holt Harvey folding carton operations acquired during the year and explained in note 21 held contracts with various customers for periods of up to 4 years. As at the acquisition date, the prices on some of these contracts were considered to be uneconomic. As part of the business combination accounting, these unfavourable customer contracts were assigned a fair value of $6,407,000 and recognised as a liability.

Notes to the Consolidated Financial Statements
30 June 2011

17. Provisions (continued)

(b) Nature and Timing of Provisions (continued)

Unfavourable Leases

The purchased folding carton operations held contracts with various landlords at fixed prices for a certain period. As at the acquisition date, these prices were not at market rates and were considered unfavourable. As part of the business combination accounting, these unfavourable lease contracts were assigned a fair value of $6,685,000 and recognised as a liability. The leases have terms of up to six years to run.

Property Make-Good

In accordance with lease agreements on the acquired properties, the group must restore, at the end of each lease term, the respective leased premises to their conditions at the commencement of those leases. A provision of $3,435,000 was raised upon acquisition of the folding carton operations acquired during the year and explained in note 21.

Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

18. Contributed Equity and Reserves

This note should be read in conjunction with the Statement of Changes in Equity shown on page 40 of this Annual Report.

(a) Issued and Paid-up Capital:

	2011 $000	2010 $000
Ordinary shares	**39,484**	39,214
Total contributed equity	**39,484**	39,214

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

(b) Movements in Ordinary Shares on Issue:

The company issued 382,000 fully paid ordinary shares on 9 June 2011, being 500 shares issued to each employee of the company and its wholly owned subsidiary (for nil consideration) pursuant to the Colorpak Employee Share Ownership Plan. The weighted average share price for the 5 trading days prior to allotment was $0.7069.

(c) Shares Under Escrow

As at 30 June 2011, 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.

Notes to the Consolidated Financial Statements
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18. Contributed Equity and Reserves (continued)

(e) Nature and Purpose of Reserves

Cash Flow Hedge Reserve

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

Foreign Currency Translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record gains and losses on hedges of the net investments in foreign operations.

(f) Capital Management

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

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

During 2011, the company paid dividends of $3,449,000 (2010: $2,637,000), of which $3,449,000 (2010: $2,638,000) was satisfied in cash and nil (2010: nil) in shares under the dividend reinvestment plan.

The company has no current plans to issue further shares on the market.

The company monitors capital through the gearing ratio (net debt / debt + equity). The target for the company's gearing ratio is between 25% to 50%. The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	2011 $000	2010 $000
Interest bearing loans and borrowings	**34,186**	22,750
Cash and cash equivalents	**(5)**	(37)
Net debt	**34,181**	22,713
Total equity	**73,374**	60,449
Total capital employed	**107,555**	83,162
Gearing (debt / debt+equity)	**31.8%**	27.3%

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

Notes to the Consolidated Financial Statements
30 June 2011

19. Derivative Financial Instruments

	2011 $000	2010 $000
Current liabilities		
Interest rate swap contracts – cash flow hedges	**170**	–
	170	–
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	**312**	799
	312	799

(a) Instruments used by the Company

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

Interest Rate Swaps – Cash Flow Hedges

Interest bearing loans of the company currently bear a variable interest rate of 4.96%. In order to protect against rising interest rates the company has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 61% (2010: 84%) of the principal outstanding and are timed to expire at selected dates over the next 4 years, with the earliest expiry being June 2012. The fixed interest rates range between 5.7% and 7.6% (2010: 5.7% and 7.6%) and the comparable variable rate based on the 90 day bank bill rate at balance date was 4.96% (2010: 4.8%). In addition, a margin over the bill and fixed rates are payable to the banks.

At 30 June 2011, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2011 $000	2010 $000
0 – 1 years	**6,000**	–
1 – 2 years	**6,000**	4,500
2 – 3 years	**7,000**	7,500
3 – 5 years	**–**	7,000
5+ years	**–**	–
	19,000	19,000

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

Notes to the Consolidated Financial Statements
30 June 2011

19. Derivative Financial Instruments (continued)

(a) Instruments used by the Company (continued)

Movement in Cash Flow Hedge Reserve

	2011 $000	2010 $000
Opening balance	**(559)**	(886)
Transferred to interest expense	–	–
Charged to equity:		
Increase in value of interest swaps	**317**	467
Deferred tax on change in value of interest swaps	**(95)**	(140)
Closing balance	**(337)**	(559)

The company has entered into interest rate swap contracts that are timed to expire at selected dates over the next 3 years, with the earliest expiry being June 2012. The interest rates relevant to these swaps are set out above under the heading, interest rate swaps – cash flow hedges.

Variable interest rates on bank bills have remained fairly neutral over the past 12 months and with shortening term to maturity on the interest swaps held, this has resulted in a $222,000 reduction in the value of the reserve held at 30 June 2011.

(b) Interest Rate Risk

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

(c) Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contracted arrangements. The company's maximum credit risk exposure in relation to these is limited to the fair value of the interest rate swap agreements, which at the reporting date was $481,000 (2010: $799,000).

Notes to the Consolidated Financial Statements

30 June 2011

20. Commitments and Contingencies

(a) Capital Expenditure Commitments

At 30 June 2011 the company has commitments contracted for but not recognised as liabilities of $nil (2010: nil).

(b) Hire Purchase Commitments

At 30 June 2011 the company has commitments contracted for but not recognised as liabilities for future minimum lease payments under hire purchase contracts of $nil (2010: nil).

(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:

	2011 $000	2010 $000
• Not later than one year	**6,338**	1,961
• Later than one year but not later than five years	**19,368**	5,044
• Later than five years	**420**	1,681
Aggregate operating lease expenditure contracted for at reporting date	**26,126**	8,686

(d) Remuneration Commitments

	2011 $000	2010 $000
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
• Within one year	**1,115**	921
• After one year but not later than five years	**138**	820
Aggregate remuneration commitments contracted for at reporting date	**1,253**	1,741

Amounts disclosed as remuneration commitments include commitments arising from executive director and executive service contracts referred to in note 25 that are not recognised as liabilities and are not included in the directors' or executives' remuneration. The contracts for Mr A. Commins and Mr H. Commins expire on 31 August 2012 and the contract for Mr P. Commins expires on 31 March 2012.

(e) Guarantees and Indemnities

The company has the following guarantees at 30 June 2011:

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 $1,295,000 (2010: $762,000).

Notes to the Consolidated Financial Statements
30 June 2011

21. Business Combinations

Colorpak announced on 11 October 2010 its intention to acquire, subject to satisfactory due diligence, Carter Holt Harvey's (CHH) folding carton operations in Australia and New Zealand. On 29 December 2010, Colorpak further announced that it had signed a sale agreement for the acquisition of this business, excluding the Smithfield operations which will be purchased by another industry participant. This acquisition completed on 1 March 2011.

Initial consideration of $5,000,000 was paid in cash on completion. A further $4,327,000 owing as at 30 June 2011 pursuant to a working capital adjustment formula in the acquisition agreement was paid in cash on 18 July 2011.

The fair values of the identifiable assets and liabilities of the purchased folding carton operations in Australia and New Zealand as of the date of acquisition were:

	Consolidated fair value at acquisition date $000
Plant and equipment	**11,190**
Deferred tax asset	**4,140**
Trade and other receivables	**17,395**
Inventories	**19,930**
Brand name (1)	**510**
Existing customer contracts and lists	**400**
	53,565
Trade payables	**(4,867)**
Other payables	**(3,334)**
Employee entitlements	**(7,291)**
Provision for unfavourable contracts	**(6,407)**
Provision for unfavourable leases	**(6,685)**
Provision for make good	**(3,431)**
	(32,015)
Provisional fair value of identifiable net assets	**21,550**
Gain arising on acquisition	**(12,223)**
	9,327
Acquisition-date fair-value of consideration transferred:	
Cash paid	**5,000**
Liability outstanding at 30 June 2011	**4,327**
Consideration transferred	**9,327**
Direct costs relating to the acquisition (included in acquisition related transactions)	**1,444**
The cash outflow on acquisition is as follows Cash paid	**5,000**
Cash still to be paid	**4,327**
Net consolidated cash outflow	**10,771**

(1) The brand name "Montage" was dropped in favour of a new name, "Brandpack" prior to 30 June 2011, resulting in an impairment to this intangible asset that has been recognised as a significant item in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements
30 June 2011

21. Business Combinations (continued)

A precise measure of the contributions to revenues and profit of the acquired folding carton operations in Australia and New Zealand is not possible because integration activities commenced shortly after acquisition. As an approximation, the consolidated statement of comprehensive income includes sales revenue and net profit from operations (excluding the impact of acquisition, transaction and integration costs and the gain on acquisition) for the year ended 30 June 2011 of around $40,900,000 and $400,000 respectively. The full impact of this acquisition if it had occurred at the beginning of the reporting period, is not reliably known.

A $12,223,000 gain on acquisition has arisen because the purchase price is substantially less than the value of the fixed assets and working capital acquired, which in turn is a factor of the low profitability of the acquired businesses. The company expects synergies to be achieved as a result of combining the purchased folding carton operations in Australia and New Zealand with the existing businesses. The gain recognised is not assessable for income tax purposes.

The purchased folding carton operations in Australia and New Zealand held contracts with various landlords at fixed prices for a certain period. As at acquisition date these prices were not at market rates and were considered unfavourable. As part of the business combination accounting, these unfavourable lease contracts, including make-good obligations, have been assigned a fair value and recognised as a liability. The leases have terms of up to six years to run.

The purchased folding carton operations in Australia and New Zealand held contracts with various customers for periods of up to 4 years. As at acquisition date the prices on some of these contracts were considered to be uneconomic. As part of the business combination accounting, these unfavourable customer contracts have been assigned a fair value and recognised as a liability.

Included in the business acquired were receivables with a gross contractual and fair value of $17,395,000 resulting from trade sales with customers. Management expects these amounts to be collected in full and converted to cash consistent with customer terms.

22. Related Party Disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of Colorpak Limited and the subsidiaries listed in the following table:

		% Equity interest		Investment $000	
Name	**Country of incorporation**	**2011**	2010	**2011**	2010
Colorpak NZ Limited	New Zealand	**100**	–	–	–

(b) Key Management Personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 25.

(c) Other Related Party Transactions

Mr Walter Commins provides advice directly to the Chairman on an ad-hoc basis and received nil consideration for this advice in 2011 (2010 nil consideration).

Other than referred to above and identified in note 25, there were no other related party transactions.

Notes to the Consolidated Financial Statements
30 June 2011

23. Auditors' Remuneration

The auditor of Colorpak Limited is Ernst & Young.

	2011 $	2010 $
Amounts received or due and receivable, by Ernst & Young (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**263,900**	106,500
Other services in relation to the entity and any other entity in the consolidated group, included in the Income Statement:		
• Tax compliance	**26,700**	–
• Due diligence services	**177,000**	–
• Transaction related accounting advice	**58,650**	
• Post transaction integration advice	**93,380**	
Other services, not included in the Income Statement	–	–
	619,630	106,500
Amounts received or due and receivable, by related practices of Ernst & Young (Australia) for:		
Other services in relation to an overseas subsidiary included in the Income Statement:		
• Tax compliance	**8,000**	–
	627,630	–
Amounts received or due and receivable, by non Ernst & Young audit firms for:		
Non audit services	**90,000**	–

24. Events after the Balance Sheet Date

On 18 July 2011, the company settled $4,327,000 in liabilities owing to Carter Holt Harvey in accordance with the working capital adjustment formula under the acquisition of the CHH carton operations.

On 29 July 2011, the company entered into a Deed of Variation with each of the National Australia Bank Limited and the Bank of New Zealand to reduce the Australian bank bill facility by $2,400,000 and to increase the New Zealand facility by the same amount.

On 10 August 2011, the company announced the relocation of the company's folding carton converting operations from the Reservoir plant to the other Melbourne sites. If all employees accepted termination, then up to $6,700,000 in redundancy costs and up to $2,000,000 in leave entitlements will be paid in the six months to December 2011.

Other than the above, no significant events material to 30 June 2011 have arisen since that date.

Notes to the Consolidated Financial Statements
30 June 2011

25. Key Management Personnel (KMP)

(a) Details of KMP

(i) Directors

G. Willis	Chairman
A. Commins	Managing Director & CEO
P. Commins	Operations Development Director
B. Constance	Director (non-executive)
D. Heaney	Director (non-executive)
I. Wightwick	Director (non-executive)

(ii) Executives

H. Commins	National Manufacturing Director (alternate director)
S. Nicholls	Company Secretary and Chief Financial Officer
D. Johnson	General Manager – NSW
M. Johnson	Sales Manager – VIC
L. Bremner	National Human Resources Manager
C. Cleary	National Industrial Relations Manager (member of the KMP since 8 November 2010)

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 KMP

	2011 $	2010 $
Short-term employee benefits	**2,465,410**	2,379,444
Post employment benefits	**268,768**	243,470
Other long-term benefits	**41,583**	30,340
Total compensation	**2,775,761**	2,653,254

Notes to the Consolidated Financial Statements
30 June 2011

25. Key Management Personnel (continued)

(c) Shareholdings of KMP

	Balance at beginning of year 1 July 2010	Granted as remuneration	Other movements	**Balance at end of year 30 June 2011**
(i) Directors				
G. Willis	263,221	–	–	**263,221**
A. Commins [1.]	26,596,541	–	–	**26,596,541**
P. Commins [1.]	26,028,534	–	–	**26,028,534**
B. Constance	–	–	–	–
D. Heaney	828,000	–	–	**828,000**
I. Wightwick	100,000	–	–	**100,000**
(ii) Executives				
H. Commins [1.]	26,278,053	–	(150,000)	**26,128,053**
S. Nicholls	25,000	–	–	**25,000**
D. Johnson	1,000	500	–	**1,500**
M. Johnson	1,000	500	–	**1,500**
L. Bremner	–	500	–	**500**
C. Cleary	–	500	–	**500**

1. Mr A Commins, Mr P Commins and Mr H Commins are beneficiaries of the Walter Commins Family Trust. The trustee of this trust, Carton Services Pty Ltd, holds 26,018,534 shares in the company.

(d) Other Transactions and Balances with KMP

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.

26. Information Relating to Colorpak Limited

	2011 $	2010 $
Current assets	**61,163**	23,461
Total assets	**148,553**	97,450
Current liabilities	**33,305**	11,123
Total liabilities	**78,011**	37,001
Issued capital	**39,484**	39,214
Retained earnings	**31,395**	21,794
Reserves	**(337)**	(429)
	70,542	73,374
Profit or loss of parent entity	**13,050**	6,413
Total comprehensive income of the parent entity	**13,272**	6,740

Colorpak Limited
Directors' Declaration

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

1. In the opinion of the directors:

   (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of Colorpak Limited for the financial year ended 30 June 2011 are in accordance with the Corporations Act 2001, including:

   [i] giving a true and fair view of its financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   [ii] complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) the financial statements and notes also comply with International Financial Reporting Standards as issued disclosed in note 2(a); and

   (c) 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 2011.

On behalf of the board

G.L. Willis
Chairman

A. Commins
Managing Director

Braeside
26 August 2011

Ernst & Young Building
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Independent Auditor's Report to the Members of Colorpak Limited

Report on the Financial Report

We have audited the accompanying financial report of Colorpak Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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 complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Colorpak Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion, the Remuneration Report of Colorpak Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Ernst + Young

Ernst & Young

Ashley Butler
Partner
Melbourne
26 August 2011

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Auditor's Independence Declaration to the Directors of Colorpak Limited

In relation to our audit of the financial report of Colorpak Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne
26 August 2011

ASX Additional Information

Additional information required by the ASX Limited and not shown elsewhere in this report, together with other relevant information for shareholders, is set-out below. The information is current as at 12 August 2011.

Stock Exchange Listings

Colorpak Limited shares are quoted on the Australian Securities 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: colorpak.com.au.

Annual Report

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

Share Registrar

Link Market Services Limited.

Level 12, 680 George Street

Sydney, NSW, 2000

www.linkmarketservices.com.au

Escrow

There were no shares subject to escrow arrangements at 30 June 2011.

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	970	567,084
1,001 to 5,000	280	929,111
5,001 to 10,000	191	1,671,328
10,001 to 100,000	482	16,929,016
100,001 and over	56	61,440,612
Total	1,979	81,537,151
The number of shareholders holding less than a $500 marketable parcel of shares	781	380,953

ASX Additional Information (continued)

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 Limited	26,018,534	31.91
2	J P Morgan Nominees Australia Limited	9,173,393	11.25
3	RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C>	4,921,349	6.04
4	Argo Investments Limited	4,049,000	4.97
5	Mirrabooka Investments Limited	2,400,000	2.94
6	RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	2,056,440	2.52
7	GT Lingard Holdings Pty Ltd	1,661,415	2.04
8	Andrew Roy Newberry Sisson	890,000	1.09
9	Cogent Nominees Pty Ltd	833,602	1.02
10	David James Heaney & Samantha Elizabeth Chandler	828,000	1.02
11	Cossey Investments Pty Ltd	539,772	0.66
12	Blue Drive Pty Ltd	528,007	0.65
13	Oscarsborg Fort Pty Ltd	500,993	0.61
14	Premier Mushrooms Pty Ltd	334,319	0.41
15	Matthew Charles Goodson	330,000	0.40
16	Stephen John Lane & Beverly Ann Lane	303,261	0.37
17	Sherrard Superannuation Pty Ltd <SHERRARD SUPER NO 2 A/C>	276,307	0.34
18	Sherrard Superannuation Pty Ltd <SHERRARD SUPER FUND A/C>	272,702	0.33
19	Pejali Pty Ltd	235,000	0.29
20	Rosalie Catherine Vaughan	230,000	0.28
		56,382,094	69.15

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 Limited	26,018,534
Hunter Hall Limited	8,887,018
Perpetual Limited	6,044,951
Argo Investments Limited	4,149,000

ASX Additional Information (continued)

Inquiries about your Shareholding

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

Change of Address

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

Direct Dividend Deposit into Bank Accounts

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

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

Tax File Number

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

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

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

Combining Multiple Shareholdings

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

Calendar of Events

23 September 2011

Annual Report dispatched to shareholders

28 October 2011

Annual General Meeting

Early February 2012

Announce 2011/2012 Half Year results

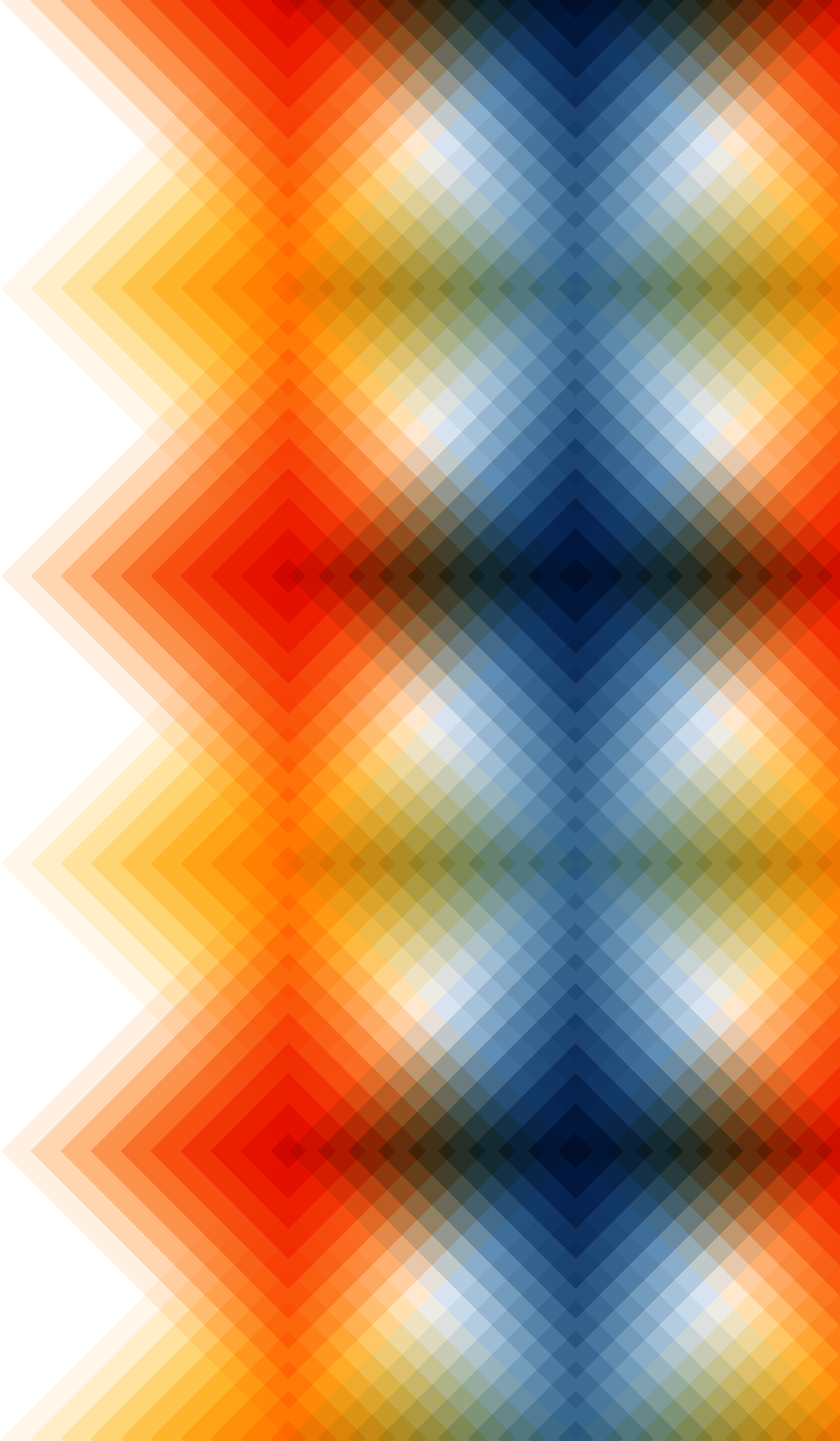
Early August 2012

Announce 2011/2012 Full Year Results

Building towards a standout future

In May of this year we invested in the very best, European made, paper cup technology. Our superior manufacturing precision means higher speed filling and greater reliability on the packaging line. Needless to say, our paper cup division meets the cleanroom standards of the most demanding Food and Beverage manufacturers.

As a result, we can offer complete paper cup solution from a single supplier: from design and artwork, printing and die cutting, to production in a range of sizes. Another example of thinking outside the box....



colorpak.com.au