



Annual Report 2010



## contents

05	Chairman's Report
08	Managing Director's Report
12	Board Of Directors & Secretary
16	Corporate Governance Statement
22	Financial Statements
80	ASX Additional Information

## annual general meeting

The Annual General Meeting of Colorpak Limited will be held at: The Westin, 205 Collins Street Melbourne VIC 3000 on Friday, 22 October 2010 at 11.00 a.m., where this report will be presented. A separate notice of meeting and proxy will be provided.

## company details

### Directors

G Willis  
Chairman and  
Non-executive Director

A Commins  
Managing Director

P Commins  
Executive Director

D Heaney  
Non-executive Director

I Wightwick  
Non-executive Director

### Company Secretary

S Nicholls

### Registered Office

63 – 73 Woodlands Drive  
Braeside Vic 3195  
Tel: 61 3 9586 4700  
Fax: 61 3 9587 8162

### Auditors

Ernst & Young

### Solicitors

Freehills

### Banker

National Australia  
Bank Limited

### Share Register

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

### Internet Address

[www.colorpak.com.au](http://www.colorpak.com.au)

Colorpak has produced the strongest ever financial results in the company's history and emerged in great shape, in 2010. With record profit and our lowest debt levels to date, Colorpak has delivered shareholders an earnings per share increase of 13.8%.

The foundation of this strong performance continues to be the management team's progressive strategic plan that includes consolidating partnerships with major customers and reinvesting in the latest technology, allowing the company to continue to adapt and grow while shaping our future.



great  
shape

On behalf of the Board of Directors and the management it is my pleasure to present Colorpak's Annual Report for the year ended 30th June 2010. The company traded very successfully throughout the year. Sales have now grown to more than \$80 million and net profit after tax increased to a record level of \$6.4 million for the year. Production efficiencies in the company's world class facilities and careful cost control within the business enabled this record level of profitability to be achieved in an economic climate that remained challenging.

Earnings per share amounted to 7.9 cents which is a pleasing lift of 14% on the 6.9 cents reported in 2009. Ordinary dividend was lifted to 3.25 cents in respect of the 2010 year and a special dividend of one cent per share was also declared. Once again all the dividends are fully franked and valuable franking credits are available for the future.

**profit  
up 14%  
to \$6.4m**

I am pleased to report that another year of strong cash flow has resulted in Colorpak being very well placed financially. Gearing at 30th June 2010 was 27% debt to debt plus equity and banking arrangements are both ample for future trading needs and secured well into the future. The company's strong balance sheet provides resilience in the current economic conditions and will enable further growth steps to be considered as the opportunities arise.

Over the past few years Colorpak's executive management team has actively encouraged the development of the next line of managers and the company is now well served by an experienced and motivated team. The benefits of this depth of experience is reflected in the efficiencies and the cost control. Process improvements are also lifting customer satisfaction ratings and continue to improve the overall safety record.

The Board continues to genuinely embrace best practice governance processes and once again was fully compliant throughout the year with the Corporate Governance Council's principles and recommendations. I am most grateful to the Directors who have diligently guided the company's progress.

Finally, I would like to thank the entire Colorpak staff for another year of commitment and dedication to customer service. It is the attention to detail "day in and day out" that builds the Colorpak brand and in the long-run builds shareholder wealth.



**G.L. Willis**  
Chairman

positioned for  
emerging  
opportunities







The 2010 year has seen Colorpak deliver its best result in the company's history. Modest revenue growth of 3.2% produced net sales of \$80.164 million which was a new high for the company.

In conjunction with a very disciplined operational and customer focussed performance, this enabled us to deliver a record profit of \$6.413 million, which was 14.1% ahead of the previous year.

The company ran all year in what a sportsman would describe as "the sweet spot". Consistent, reliable and internationally competitive! The solid investment program we embarked upon over the past five years, with an investment of around \$26 million on world class equipment has delivered an exceptional platform of quality and efficiency, whilst leaving plenty of head room for future organic growth.

We saw a very light year of capital expenditure in 2010, as announced last year, and this enabled us to retire a significant (\$5.1 million) proportion of our debt. This has left our balance sheet in the healthiest state, as measured by our gearing ratio (net debt/net debt+equity) of only 27.3%, since we listed in 2004.

#### Operational highlights for the year

- Our capital expenditure, whilst relatively light at only \$1.2 million for the year, provided important improvements:
  - The company invested in two cartonpack machines, essentially doubling our throughput in the packing section on the relevant lines.
  - \$0.450 million of our capital expenditure was applied in the Remedies purchase, a distressed business which had gone into voluntary administration. This acquisition has expanded our product offering within our flexibles division with the addition of a near new 8 colour narrow web flexographic printing machine. We also secured an annual stream of uncontracted revenues of between one and two million dollars.
- Stability in customer relationships remains one of our focal strengths and has enabled us to achieve our current market position and financial strength. Most of our major customers are under contract and those that are due for re-negotiation during 2011 are the ones which come up under our regular re-negotiation program.
- Sadly, we saw the slippage of yet another manufacturer offshore with a mid-tier customer in the cosmetics sector withdrawing during the year. This tempered our organic sales growth rate to 3% for the year from what would otherwise have been a growth rate of 6%.

- Compound sales growth over the last ten years has averaged 12% pa. Strong performance in customer key performance indicators, innovation offerings, consistently high quality and value add to their businesses has helped underpin our customer relationships.
- We commenced a program of rolling out introductory "Six Sigma" training across all of our line supervisory staff. Six Sigma techniques promote appropriate decision making based on measured data, reduced process variations, increased production capability and delivering new products to market effectively. Through Six Sigma we intend to continue building a culture of working smarter and think laterally to solve problems.

#### International connections

In May of this year, a small management delegation was sent to the IPEX (International Print Expo) exhibition in the United Kingdom. Research was undertaken in relation to emerging industry trends and latest opportunities in world class machinery.

A number of European plant tours were also conducted, which are invaluable opportunities to gain insights into best practice behaviours in other developed countries.





Colorpak is a member of an international industry collaboration, The Global Packaging Alliance (GPA), which is an organization of independent packaging experts proficient at managing all aspects of the supply chain.

With state-of-the-art production facilities and logistics centres around the world, the GPA provides responsive, localized service, award-winning creative designs, uniformity in product specifications and consistent brand recognition, resulting in unparalleled global packaging support. Members include:

- Diamond Packaging  
Rochester, NY USA
- rlc | packaging group  
Hannover Germany
- Colorpak Limited  
Melbourne Australia
- Gonçalves SA Indústria Gráfica  
Sao Paulo Brazil
- Polygrafoformlenie - Flexo  
St. Petersburg Russia
- Yau Bon Offset Printing  
Shenzhen China
- Cartmont Packaging  
Tlalnepantla Mexico
- Kumar Printers  
Gurgaon India
- Masterpack  
Johannesburg South Africa

GPA members practice packaging management geared toward the needs of international companies, including Bayer, Beiersdorf, GlaxoSmithKline, Kraft Foods, L'Oreal, Nestlé, Procter & Gamble, Schering Plough, and Unilever. This includes designing and producing innovative paperboard and plastic packaging, as well as providing logistical services such as fulfilment and Point of Purchase management. The GPA's goal is to support clients in launching new brands or products, while significantly reducing time-to-market.

The annual Global Packaging Alliance conference this year was in northern Europe and involved exchanges of views over new technologies and production processes and valuable plant tours of state-of-the-art, completely automated flexographic printing processes.

#### Summary

The last two years has shown Colorpak's business to be very resilient. During the GFC year of 2009, we saw a modest decrease in volume largely driven by a 'one off' destocking phenomena as customers reined in their balance sheets by reducing inventories.

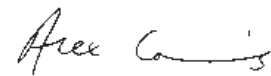
In reality, our manufactured products fall largely into the category of consumer non-discretionary spending. If times are tough, the average person still consumes packaging as part of their everyday life.

In 2010, Colorpak capitalised on the hard yards that had been won in previous years to further build a world class, efficient, service and solutions driven organisation that allows its customers to compete on the local and international stage. A testament to that fact is that Colorpak has recently been awarded an exclusive pharmaceutical carton contract from a local, internationally recognised pharmaceutical brand to support their contract to supply product into an overseas market. Colorpak was considered the only company in Australia capable of the onerous quality requirements demanded of that market.

In addition, we see a solid sales pipeline that presents good opportunities to potentially crystallize in the 2011 year across new and existing customers and market segments.

Colorpak remains one of this industry's major players. We remain alert to opportunities, both within and outside of our core capabilities, to take our next growth steps. We have strengthened our balance sheet considerably in 2010 and remain committed to that agenda whilst not losing sight of the fact that strategic investments must also be made to seize new projects as and when they present.

Our record result continues to be driven by a team that remains loyal, committed and determined to succeed in a challenging environment. I would like to extend a very big thank you to each and every member of the Colorpak team. Further, on behalf of the management team I would also like to extend our sincere gratitude to our Board of Directors as our progress and shape as a listed entity is in no small way due to the experience and wisdom which they bring to the company.

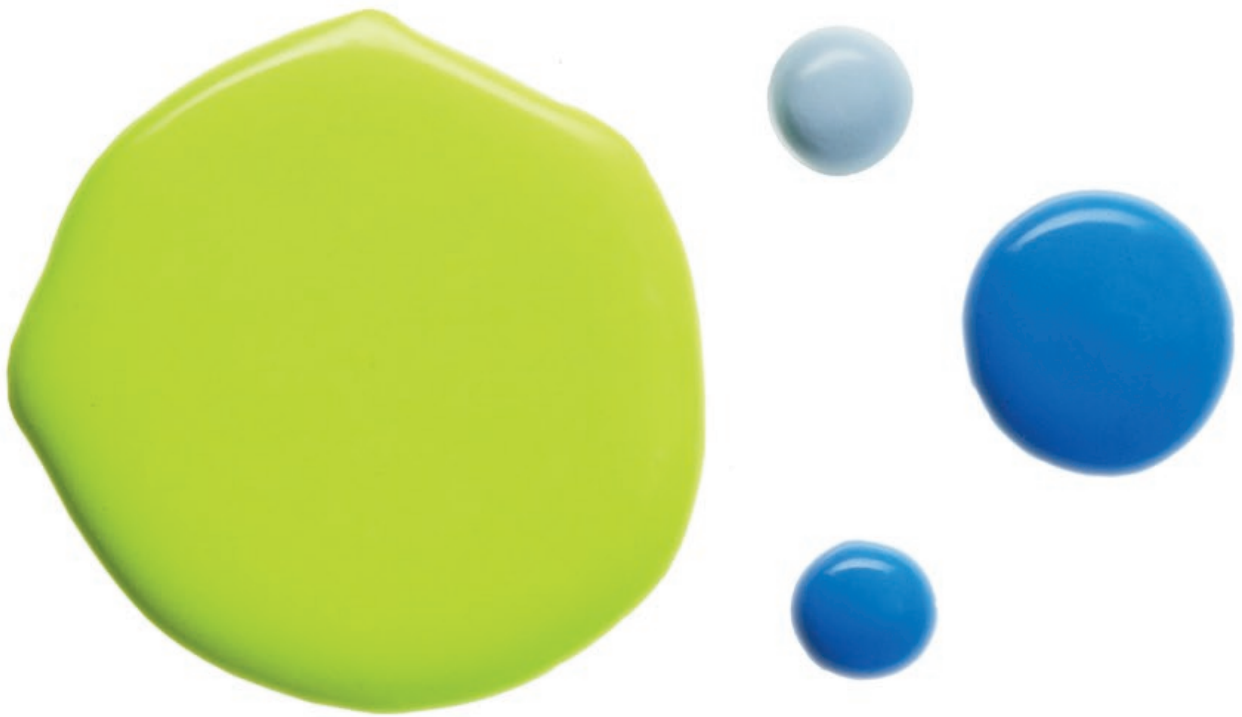


**Alex Commins**  
Managing Director

# debt level

# rest





diverse  
client base

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, 62**

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

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

He has been Chairman of Colorpak since 12 January 2004.

Geoff was the CEO of Hydro Tasmania from 1999 to 2006 and prior to that appointment he was a member of the Amcor senior management team from 1982 to 1998.

Geoff is currently Chair of the Tasmanian Water & Sewerage Corporations, a director of Aurora Energy Pty Ltd, Chair of the Tasmanian Symphony Orchestra and a Trustee of the Tasmanian Museum & Art Gallery.



**Mr Alex Commins, 43**

B.Bus (Acc)  
Managing Director

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

Since then Alex has worked in all areas of Colorpak with particular emphasis on expanding existing customer business relationships and new business development.

Alex has played a major role in Colorpak's acquisition negotiations and has been responsible for Colorpak's entry into and continued involvement in its global alliances. Alex is currently the secretary of the Global Packaging Alliance.

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

Alex was recently appointed a board member of the Victoria Chapter of the French Australian Chamber of Commerce and Industry.



**Mr Paul Commins, 49**

B.Bus (Acc)  
Executive Director

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

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

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

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



**Mr David Heaney, 66**

Non-executive Director  
Chairman; Audit, Risk Management and Compliance Committee; Member, Nomination & 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, 71**

Dip.App.Chem., BEc,  
MAdmin(Monash), FAICD.  
Non-executive Director; Chairman,  
Nomination & Remuneration  
Committee; Member, Audit,  
Risk Management and  
Compliance Committee

Ian is currently Chairman of  
Plantic Technologies Limited. He  
also provides advisory consulting  
services to an international  
consulting group.

Until his retirement 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, with around A\$8 billion  
sales, 10,000 employees and  
marketing paper in 40 countries,  
predominantly in Australia, New  
Zealand, UK, Continental Europe,  
Canada, USA and SE Asia.

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



**Mr Tony Dynon, 57,**

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

Tony joined Colorpak on 12  
January 2004 and resigned on  
23 October 2009. Tony had over  
20 years corporate experience in  
senior general management and  
finance roles. The majority of  
Tony's career was with the HJ  
Heinz Company. More recently  
he has been Managing Director  
of Farm Pride Foods Limited,  
CEO of Teangi Stockfeed, CEO  
of Palm Springs Limited and is  
Group CEO of James & Son (Grain  
Merchants) Ltd, an international  
stockfeed business.



**Mr Harry Commins, 47**

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

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



**Secretary**

**Mr Stephen Nicholls, 54,**

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

Stephen joined Colorpak in  
January 2004 as CFO and  
Secretary. Prior to holding this  
position he had a successful  
career in senior financial positions  
with medium and large commercial  
organisations in the IT and service  
industries. Stephen has been  
a Chartered Accountant for  
over 30 years.

people who  
shape  
us





regents  
park



the shape  
of the  
future

The Board of Directors of Colopak 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 Colopak 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.
<b>Principle 1 - Lay solid foundations for management and oversight</b>		
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	
<b>Principle 2 - Structure the board to add value</b>		
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	
<b>Principle 3 - Promote ethical and responsible decision-making</b>		
3.1 Companies should establish a code of conduct and disclose on the Website the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• The practices necessary to maintain confidence in the company's integrity.</li> <li>• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li> <li>• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	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	
<b>Principle 4 - Safeguard integrity in financial reporting</b>		
4.1 The board should establish an audit committee.	Yes	
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists only of non-executive directors</li> <li>• Consists of a majority of independent directors</li> <li>• Is chaired by an independent chair, who is not chair of the board</li> <li>• Has at least three members</li> </ul>	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.
<b>Principle 5 - Make timely and balanced disclosure</b>		
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	
<b>Principle 6 - Respect the rights of shareholders</b>		
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	
<b>Principle 7 - Recognise and manage risk</b>		
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	
<b>Principle 8 - Remunerate fairly and responsibly</b>		
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 2009 to 30 June 2010 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 our website, [www.colorpak.com.au](http://www.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 12 & 13 of this Annual Report. Directors of Colorpak Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement.

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

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

Name	Position
G Willis	Chairman
D Heaney	Non-executive director
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	6 years and 8 months
A Commins	6 years and 9 months
P Commins	6 years and 9 months
D Heaney	6 years and 8 months
I Wightwick	12 months

## Performance

It is the company's intention that the performance of the Board is reviewed at least once in every 18 months, and key executives annually, against both measurable and qualitative indicators.

The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Colorpak Limited. A performance review for the Board was conducted in July 2010. A performance review for each of the key executives was undertaken in December 2009.

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 acknowledgement of the Managing Director to do so and a director must first inform and receive acknowledgement 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 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), Mr D. Heaney and Mr G. Willis. Mr T. Dynon served as a committee member until his resignation as a director effective 23 October 2009.

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

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

For details of the amount of remuneration and all monetary and non-monetary components for each of the specified (non-director) executives during the period and for all directors, refer to the Remuneration Report within the Directors Report 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 our website.

#### Audit, Risk Management and Compliance Committee

The Board has established an audit, risk management and compliance committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators. The Board has delegated the responsibility of the establishment and maintenance of a framework of internal control and ethical standards for the management of the company to the audit, 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), Mr I. Wightwick and Mr G. Willis. Mr T. Dynon served as the committee Chairman until his resignation as a director effective 23 October 2009. 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 12 & 13 of this Annual Report.

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

## 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 Chief Executive, 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.
- 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 these written statements.

## 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 [www.colorpak.com.au/investors.aspx](http://www.colorpak.com.au/investors.aspx)
- The company's website [www.colorpak.com.au](http://www.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 committee's of the Board held during the period and the attendees at those meetings, refer to page 33 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.



# dividends

**41.7% rise**





financial statements' contents

23	Directors' Report
34	Statement of Comprehensive Income
35	Statement of Financial Position
36	Statement of Cash Flow
37	Statement of Changes in Equity
38	Notes to the Financial Statements
76	Directors' Declaration
77	Independent Audit Report
79	Auditor's Independence Declaration
80	ASX Additional Information

# the figures

Colorpak Limited  
ABN 56 107 485 898

We are pleased to present our  
Financial Statements for the year  
ended 30 June 2010. Great shape.



## 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 2010.

### 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

D. Heaney

I. Wightwick (appointed 28 August 2009)

T. Dynon (resigned 23 October 2009)

The details of the directors and each director's qualifications, age, experience and special responsibilities are included on pages 12 & 13 of this Annual Report.

### Secretary

Details of the secretary of the company in office during the financial year and until the date of this report, and the secretary's qualifications, age and experience are included on page 13 of this Annual Report.

### Directors' interests

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

Colorpak Limited Ordinary Shares	
G Willis	263,221
A Commins <sup>1</sup> .	26,596,541
P Commins <sup>1</sup> .	26,028,534
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, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point-of-sale displays and other value added paperboard packaging products for specific end-use markets.

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

### Earnings per share

	Cents
Basic and diluted earnings per share	7.90

## Directors' report

### Dividends

	Cents	\$000
Final dividend recommended on ordinary shares	1.75	1,420
Special dividend on ordinary shares	1.00	812
Interim dividend recommended paid in the year on ordinary shares	1.50	1,217
Total dividend in respect of the year	4.25	3,449

### Operating and financial review

#### Financial Performance

The company achieved a record NPAT of \$6.413 million for 2009/10 which was up 14.1% from \$5.620 million in the prior year. Earnings per share amounted to 7.90 cents per share which was 13.8% up from 6.94 cents per share in the previous year as a consequence of the higher NPAT and offset slightly by a higher number of weighted shares on issue for the current year compared to the previous year.

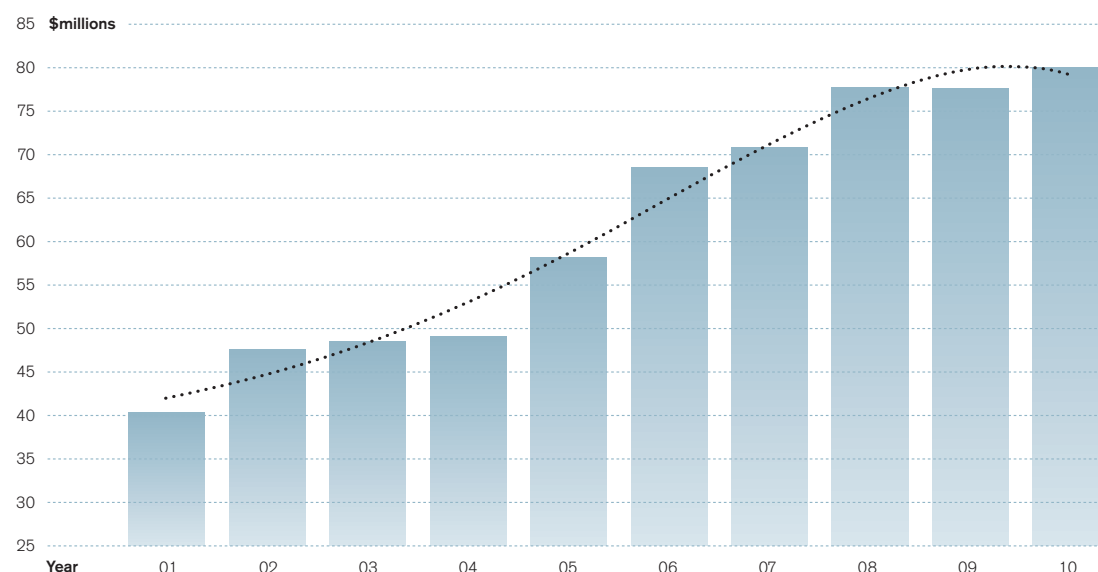
Revenue from sale of goods amounted to \$80.164 million, an increase of 3.2% on the previous year. This increase came from a combination of solid sales growth from existing customers in the Pharmaceutical, Beverage and fast moving consumer goods sectors. This sales increase whilst modest is pleasing given the fact we lost a major cosmetics carton contract offshore valued at \$1.9 million pa during this year due to the closure of their local manufacture operation.

The improved NPAT was a result of increased revenues together with improved factory efficiencies across most areas of the business. Employee benefit expense reduced by 0.8% to 29.5% (on revenues from sale of goods), raw material cost of sales reduced by 0.3% to 40.0% and other indirect manufacturing costs reduced by 0.7% to 6.9%.

Management's delivery of the strong financial performance for the company has achieved all of the established milestones for the senior executive incentive plan and an amount of \$0.574 million has been included in the result for the year in respect of this plan.

Compound sales growth over the last 10 years has averaged 11.8% pa. Colorpak's revenue history, incorporating revenues from the Colorpak and Foilmasters' predecessor businesses, is set out in the following table:

#### Sales Growth



The market has been apprised of the preliminary status of the AstraZeneca account in the company's 18 December 2009 announcement. AstraZeneca has now advised the company that they intend to close their Australian operations by the end of the 2012 calendar year. AstraZeneca's decision may impact on Colorpak's results from 2012 however it remains too early to accurately predict the effect and the company considers there is ample time to secure replacement business.

## Directors' report

### Operating and financial review (continued)

#### Cash Flow

Cash generation from operations for the year saw a strong inflow of \$8.977 million, with net working capital well controlled with an increase of \$0.797 million on increased revenues. Pleasingly, overdue debtors reduced by \$0.331 million to \$2.811 million.

The company had a relatively modest year on capital expenditure which was only \$1.2 million for the year, meeting the February 2010 outlook of less than \$1.5 million for the year. The main item of expenditure for the year was a near new 8 colour, narrow web, flexo press, being the key item acquired in the acquisition of the Remedies print business on 20 April 2010. Net capital expenditure in 2011 is expected to be in the order of \$4 million. The majority of this capex will be put towards an increase in Colorpak's product offering which will help drive additional sales and profit growth.

The company over achieved its planned debt reduction with net debt at 30 June 2010 amounting to \$22.7 million. Gearing, as measured by net debt / net debt+equity has fallen to 27.3% and continues to hit new record lows. Colorpak maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

#### Operating Activities

Despite a much lower capex investment during the year, several smaller items that were purchased in the finishing area of the business have led to strong contributions in line packing efficiency from increased machine speeds and reduced labour costs. Internally driven initiatives of this nature have been key contributors to our increased profit result.

Our strong focus on consistent quality and service has seen us maintain very strong KPI's with our customers. These underpin our long term customer relationships. In order that we remain a "value for money" supplier to our customers, we have managed rising input costs by offsetting much of these against changes in process or material substitution.

Environmental focus remains a key part of our daily mantra and our committees make consistent in-roads through the reduction of our in-process wastes, ensuring that we can recycle, re-use or responsibly dispose of this manufacturing bi-product. These systems are of course formally supported by our Environmental Certification - ISO 14001 which we achieved in December 2008.

We have commenced a program of rolling out introductory "Six Sigma" training across all of our line supervisory staff. Six Sigma techniques promote appropriate decision making based on measured data, reduced process variations, increased production capability and delivering new products to market effectively. Through Six Sigma we intend to continue building a culture of working smarter to solve problems and think laterally.

In May of this year, a small delegation was sent to the IPEX exhibition in the United Kingdom. Research was carried out at the expo in relation to emerging trends and latest opportunities in world class machinery. A number of European plant tours were also undertaken which are invaluable opportunities to gain insights into best practice behaviours in other developed countries.

On 20 April 2010, the company acquired, for \$0.400 million, the Remedies printing business which included all of the operating assets and the customer base of that business. The business has been integrated with Colorpak's flexibles division and has been relocated to our Regents Park facility. A near new 8 colour, narrow web, flexo press will provide Colorpak with the benefit of greater speed and flexibility as well as enabling us to produce a broader range of flexible materials. The acquisition will also contribute additional revenues of \$1 million to \$2 million pa to our flexibles operation.

#### Shareholder Returns

The company has delivered the following returns to shareholders:

	Notes	2010	2009	2008	2007	2006
Basic earnings per share (cents)		<b>7.90</b>	6.94	7.72	6.28	5.59
Return on assets (%)		<b>6.6</b>	5.8	6.2	5.2	4.8
Return on equity (%)		<b>11.2</b>	10.5	12.0	10.4	9.9
Gearing (debt / debt+equity) (%)		<b>27.3</b>	33.0	34.9	39.3	40.1
Dividend payout ratio (%)	1.	<b>53.8</b>	43.3	51.8	43.8	49.2
Total shareholder return (%)	2.	<b>22.5</b>	(6.4)	(7.4)	14.8	(22.7)
Available franking credits (\$'000)		<b>5,941</b>	4,971	3,978	3,520	3,365

1. Includes the proposed final dividend payable in October

2. Includes dividends paid during the year only (excludes the final and special dividend). Based on the share price of \$0.46 at 30 June 2010.

## Directors' report

### Operating and financial review (continued)

#### Asset and Capital Structure

	2010 \$000	2009 \$000
Debt:		
Interest bearing loans and borrowings	22,750	27,500
Cash and cash equivalents	(37)	315
Net debt	22,713	27,815
Total equity	60,449	56,347
Total capital employed	83,162	84,162
Gearing (debt / debt+equity)	27.3%	33.0%

The company's balance sheet continues to strengthen as a consequence of its 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. The Board has introduced a capital management initiative with the announcement of a 1.0 cent per share special dividend in conjunction with the final dividend for the year.

Aggregate debt has steadily reduced during the year and net debt has reduced by \$5.102 million, consistent with the company's declared focus on debt retirement.

#### Treasury

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

	2010 \$000	2009 \$000
Current		
Bank overdraft	-	318
	-	318
Non-current		
Bank loans – secured by debenture security	22,750	27,500
	22,750	27,500
	22,750	27,818

The company had \$12.1 million in cash and immediately drawable overdraft and bill facilities at 30 June 2010. There are no debt repayment requirements before May 2012, 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.

83.5% of the company's drawn debt was fixed at 30 June 2010 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.



## Directors' report

### Operating and financial review (continued)

#### Investments for Future Performance

The company's facilities are modern and efficient and the capital investment program since listing has substantially lifted capacity. There will be further investment to support opportunities that exist in ancillary product offerings to the carton business. Taking this into account, capital expenditures in 2011 are expected to be around \$4 million and over the following few years are expected to align fairly closely with the annual depreciation charge.

#### Outlook

In the current economic environment and market conditions, the company expects modest growth in sales and profitability for the 2011 financial year. Cash flows from operations are expected to continue to be robust, further strengthening the company's Balance Sheet and enabling planned and opportunistic growth options to be considered.

#### Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 5 October 2010. In addition, the company is also pleased to announce a special dividend of 1.00 cents per share, fully franked, which will also be paid on 5 October 2010. This special dividend is in recognition of the company's strong financial performance for the year.

This brings the full year dividend for 2010 to 4.25 cents per share, fully franked, an increase of 41.7% on the previous year. Whilst the dividend payout ratio is 53.8%, this level of dividend related to the share price at 30 June 2010 of 46.0 cents provides a dividend yield of 9.2%, fully franked.

#### 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

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

#### Likely developments and future results

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

#### Environment regulation and performance

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. 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 of \$270,000 per year.

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

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

## 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 he or she sits.

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 2010 is detailed in the table on page 32 of this report.

### Executive director and senior manager remuneration

#### Objective

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

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

#### Structure

Fixed term employment contracts have been entered into with the Managing Director, the Operations Director and National Production Manager. Details of these contracts are provided on page 31. All other senior managers have employment contracts with no fixed term.

Remuneration consists of the following key elements:

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

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

The table on page 32 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 32.

## 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 our 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 our employee wellbeing. The aggregate of annual STI payments available for executives across the company is subject to approval of the Nomination and Remuneration Committee.

In respect of the grant under the EIP for the 2010 financial year, the financial performance condition was based on achievement of a sliding scale of pre-determined earnings that commenced on achievement of the Board approved budget for the year. The actual earnings achieved in 2010 substantially exceeded this target and accordingly, the financial performance incentive of \$484,496 is payable, subject to individual executive kpi achievements, in full. The company also achieved its safety benchmarks for the 2010 year and 10% of the STI, being \$53,833, will be payable and shared in proportion amongst the STI participants.

In respect of the 2011 year:

- the financial performance condition is based on achievement of the higher of the 2010 NPAT or the Board approved 2011 budget. No financial performance incentive will be payable unless this condition is achieved. 90% 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 certain pre-set target. 10% of the STI will be allocated to this condition.
- the maximum amount payable is \$579,000 and the minimum amount payable is nil.

In respect of the 2009 year, only the safety conditions were achieved and \$50,973 of the STI was paid.

## Directors' report

### Remuneration report (audited) (continued)

#### Employment contracts

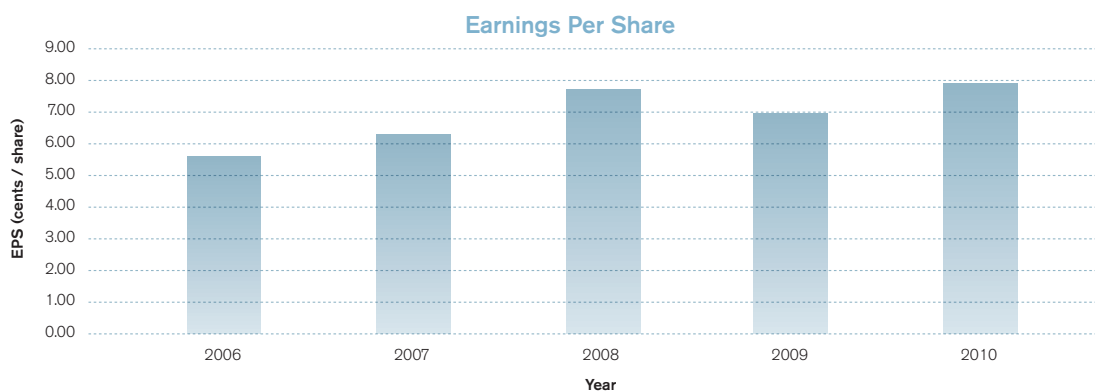
The Managing Director, Mr A. Commins, the Operations Director, Mr P. Commins, and the National Production Manager, Mr H. Commins are each employed under contract with the company. The current employment contracts terminate on 31 August 2012, 31 August 2011 and 31 August 2012 respectively, at which time 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 6 months written notice. On resignation, subject to the board's discretion, rights to any STI where the entitlement has not then crystallised will be forfeited.
- The company may terminate the senior executive's employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of the senior executive's remuneration). Having regard to the nature of the termination, the board may in its discretion pay some or all of the STI in circumstances where the entitlement has not then crystallised.
- The company may terminate the relevant contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the senior executive is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

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

#### Company Performance

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



## Directors' report

### Remuneration report (audited) (continued)

#### Compensation of Key Management Personnel

		Short term benefits			Post employment	Long term benefits		
		Base Salary \$	Non Monetary \$	Cash STI \$	Super-annuation \$	Leave Benefits \$	Total \$	Performance Related %
<b>Non-executive Directors</b>								
G Willis (Chairman)	<b>2010</b> 2009	<b>64,064</b> 27,733	– –	– –	<b>20,800</b> 53,867	– –	<b>84,864</b> 81,600	– –
D Heaney	<b>2010</b> 2009	<b>8,531</b> –	– –	– –	<b>46,191</b> 52,618	– –	<b>54,722</b> 52,618	– –
I Wightwick	<b>2010</b> 2009	<b>46,194</b> –	– –	– –	– –	– –	<b>46,194</b> –	– –
T Dynon	<b>2010</b> 2009	<b>16,729</b> 52,618	– –	– –	– –	– –	<b>16,729</b> 52,618	– –
<b>Executive Directors</b>								
A Commins (Managing Director)	<b>2010</b> 2009	<b>282,536</b> 262,191	<b>34,630</b> 41,861	<b>102,149</b> 5,664	<b>23,351</b> 23,351	<b>3,724</b> 5,460	<b>446,390</b> 338,527	<b>30.0</b> 1.7
P Commins (Operations Director)	<b>2010</b> 2009	<b>189,096</b> 207,480	<b>39,260</b> 39,260	<b>75,069</b> 5,664	<b>23,351</b> 23,351	<b>5,477</b> 935	<b>332,253</b> 276,690	<b>29.8</b> 2.1
<b>Executive Officers</b>								
H Commins (National Prodn Manager)	<b>2010</b> 2009	<b>257,230</b> 241,509	<b>32,205</b> 35,896	<b>93,836</b> 5,664	<b>23,351</b> 23,351	<b>4,522</b> 5,339	<b>411,144</b> 311,759	<b>30.0</b> 1.9
S Nicholls (Chief Financial Officer)	<b>2010</b> 2009	<b>162,579</b> 149,562	<b>15,555</b> 13,442	<b>66,961</b> 5,664	<b>50,000</b> 42,000	<b>6,916</b> 4,364	<b>302,011</b> 215,032	<b>29.4</b> 2.8
D Johnson (COO – NSW)	<b>2010</b> 2009	<b>244,736</b> 232,607	<b>37,248</b> 37,248	<b>74,725</b> 5,664	<b>15,266</b> 15,266	<b>3,133</b> 3,990	<b>375,108</b> 294,775	<b>25.1</b> 2.0
M Johnson (Sales Manager)	<b>2010</b> 2009	<b>152,112</b> 145,410	<b>25,678</b> 25,300	<b>37,313</b> 5,664	<b>13,516</b> 12,965	<b>2,814</b> 2,619	<b>231,433</b> 191,958	<b>19.5</b> 3.1
P Veigel (Production Mgr NSW)	<b>2010</b> 2009	<b>122,414</b> 118,785	<b>21,384</b> 21,384	<b>25,986</b> 5,664	<b>12,743</b> 12,615	<b>2,021</b> 1,215	<b>184,548</b> 159,663	<b>16.6</b> 3.7
L Bremner (HR Manager)	<b>2010</b> 2009	<b>120,885</b> 114,164	<b>15,237</b> 16,661	<b>15,102</b> 5,664	<b>14,901</b> 14,390	<b>1,733</b> 833	<b>167,858</b> 151,712	<b>10.0</b> 3.9

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

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

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



## Directors' report

### Directors' meetings

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

	Meetings of Committees		
	Directors' Meetings	Audit, Risk Management & Compliance	Nomination and Remuneration
Number of meetings held:	14	4	4
Number of meetings attended:			
G Willis	14	4	4
A Commins	14	–	–
P Commins	13	–	–
H Commins (alternate)	1	–	–
D Heaney	14	4	4
I Wightwick (note 1)	12	3	3
T Dynon (resigned 23 October 2009) (note 2)	2	1	1

Note 1 – I Wightwick attended all board and committee meetings for which he was eligible.

Note 2 – T Dynon attended all committee meetings for which he was eligible and was eligible to attend 4 board meetings.

The details of the functions and memberships of the committees of the Board are presented in the Corporate Governance section included on pages 16 to 20 of this Annual Report.

### Indemnification and insurance of directors and officers

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

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

### Rounding

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

### Auditor independence and non-audit services

#### Independence Declaration

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

#### Non-audit services

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



**G.L. Willis**  
Chairman



**A. Commins**  
Managing Director

Braeside, 27 August 2010

## Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	2010 \$000	2009 \$000
Revenue	5	80,819	78,764
Other income		-	-
Changes in inventories of finished goods and work in progress		(98)	723
Raw materials and consumables used		(31,948)	(32,051)
Employee benefits expense	5	(23,675)	(23,594)
Depreciation and amortisation		(2,965)	(3,005)
Impairment of plant and equipment	13	-	26
Other indirect manufacturing costs		(5,523)	(5,888)
Occupancy costs		(2,699)	(2,513)
Other expenses		(2,314)	(1,989)
<b>Profit before tax and finance costs</b>		<b>11,597</b>	10,473
Finance costs	5	(2,455)	(2,467)
<b>Profit before income tax</b>		<b>9,142</b>	8,006
Income tax expense	6	(2,729)	(2,386)
<b>Net profit for the period</b>		<b>6,413</b>	5,620
<b>Other comprehensive income</b>			
Cash flow hedges			
Gain / (loss) taken to equity		467	(1,937)
Income tax expense on items of other comprehensive income		(140)	581
Other comprehensive income for the period, net of tax		327	(1,356)
<b>Total comprehensive income for the period</b>		<b>6,740</b>	4,264
<b>Earnings per share (cents per share)</b>			
Basic and diluted on profit for the year attributable to ordinary equity holders of the company	7	7.90	6.94

## Statement of Financial Position

### as at 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	37	3
Trade and other receivables	10	12,580	11,702
Inventories	11	10,248	8,830
Other current assets	12	596	684
<b>Total Current Assets</b>		<b>23,461</b>	21,219
<b>Non-current Assets</b>			
Property, plant and equipment	13	27,855	29,655
Goodwill	14	46,134	46,134
<b>Total Non-current Assets</b>		<b>73,989</b>	75,789
<b>Total assets</b>		<b>97,450</b>	97,008
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	8,620	7,620
Interest-bearing loans and borrowings	16	-	318
Income tax payable		799	455
Provisions	17	1,713	1,637
Derivative financial instruments	19	-	165
<b>Total Current Liabilities</b>		<b>11,123</b>	10,195
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings	16	22,750	27,500
Deferred income tax liabilities	6	1,398	965
Provisions	17	931	900
Derivative financial instruments	19	799	1,101
<b>Total Non-current Liabilities</b>		<b>25,878</b>	30,466
<b>Total liabilities</b>		<b>37,001</b>	40,661
<b>Net assets</b>		<b>60,449</b>	56,347
<b>Equity</b>			
Contributed equity	18	39,214	39,214
Retained profits		21,794	18,019
Reserves		(559)	(886)
<b>Total equity</b>		<b>60,449</b>	56,347

## Statement of Cash Flow

for the year ended 30 June 2010

	Note	2010 \$000 Inflows/ (Outflows)	2009 \$000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Receipts from customers		<b>88,096</b>	88,477
Payments to suppliers and employees		<b>(75,767)</b>	(73,698)
Interest received	5	<b>23</b>	24
Income taxes paid		<b>(1,042)</b>	(2,377)
Borrowing costs		<b>(2,333)</b>	(2,377)
<b>Net cash flows from operating activities</b>	9	<b>8,977</b>	10,049
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		<b>42</b>	49
Purchase of property, plant and equipment(*)		<b>(1,279)</b>	(5,571)
<b>Net cash flows used in investing activities</b>		<b>(1,237)</b>	(5,522)
<b>Cash flows from financing activities</b>			
Repayment of finance lease principal		<b>-</b>	(1,943)
Repayment of borrowings		<b>(4,750)</b>	(1,500)
Payment of dividends	8	<b>(2,638)</b>	(2,875)
<b>Net cash flows (used in) / from financing activities</b>		<b>(7,388)</b>	(6,318)
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>352</b>	(1,791)
Cash and cash equivalents at the beginning of the year		<b>(315)</b>	1,476
Cash and cash equivalents at the end of the year	9	<b>37</b>	(315)

(\*) Purchase of property, plant & equipment includes the acquisition of the Remedies printing business on 20 April 2010 for \$0.400 million, with the full acquisition value allocated to the cost of an 8 colour, narrow web, flexo press owned by the Remedies business.

## Statement of Changes in Equity

for the year ended 30 June 2010

Attributable to equity holders of the company				
	Contributed equity	Retained profits	Cash flow hedge reserve	Total equity
	\$000	\$000	\$000	\$000
<b>At 1 July 2009</b>	<b>39,214</b>	<b>18,019</b>	<b>(886)</b>	<b>56,347</b>
Profit for the period	-	<b>6,413</b>	-	<b>6,413</b>
Other comprehensive income	-	-	<b>327</b>	<b>327</b>
Total comprehensive income for the period	-	<b>6,413</b>	<b>327</b>	<b>6,740</b>
Equity dividends	-	<b>(2,638)</b>	-	<b>(2,638)</b>
<b>At 30 June 2010</b>	<b>39,214</b>	<b>21,794</b>	<b>(559)</b>	<b>60,449</b>
<b>At 1 July 2008</b>	38,861	15,627	470	54,958
Profit for the period	-	5,620	-	5,620
Other comprehensive income	-	-	(1,356)	(1,356)
Total comprehensive income for the period	-	5,620	(1,356)	4,264
Issued capital during the period	353	-	-	353
Equity dividends	-	(3,228)	-	(3,228)
<b>At 30 June 2009</b>	39,214	18,019	(886)	56,347

# Notes to the financial statements

## 30 June 2010

### 1. Corporate information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 27 August 2010.

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

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

### 2. Summary of significant accounting policies

#### 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. 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.

#### (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 2009,

- AASB 3 Business Combinations (revised 2008) effective 1 July 2009
- AASB 7 Financial Instruments: Disclosures effective 1 July 2009
- AASB 8 Operating Segments effective 1 July 2009
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009
- AASB 123 Borrowing Costs (revised 2007) effective 1 July 2009
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1 & AASB 5) effective 1 July 2009
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010
- AASB 2009-6 Amendments to Australian Accounting Standards operative for periods beginning on or after 1 July 2009 that end on or after 30 June 2009



## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations (continued)

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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 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised-2008)**

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations from 1 July 2009. 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.

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

#### **AASB 7 Financial Instruments: Disclosures**

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 3.

#### **AASB 8 Operating Segments**

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The company concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 4, including the related revised comparative information.

#### **AASB 123 Borrowing Costs**

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the company has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009. The company did not capitalise any borrowing costs in the current year.

#### **Annual Improvements Project**

In May 2008 and April 2009 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.

## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations (continued)

- 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. The company has no non-current assets held for sale and this change has no application.
- 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 101 Presentation of Financial Statements: assets and liabilities classified as held for trading in accordance with AASB 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The company amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the statement of statement of financial position.
- AASB 116 Property, Plant and Equipment: replace the term "net selling price" with "fair value less costs to sell". The company amended its accounting policy accordingly, which did not result in any change in the financial position.
- AASB 123 Borrowing Costs: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with AASB 139. The company has amended its accounting policy accordingly which did not result in any change in its statement of financial position.
- AASB 136 Impairment of Assets: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The company has amended its disclosures accordingly in note 14.
- The amendment also clarified 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 company has a single reportable operating segment.
- AASB 138 Intangible Assets: expenditure on advertising and promotional activities is recognised as an expense when the company either has the right to access the goods or has received the service. This amendment has no impact on the company because it does not enter into such promotional activities.

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 108 Accounting Policies, Change in Accounting Estimates and Error
- AASB 110 Events after the Reporting Period
- AASB 117 Leases
- AASB 118 Revenue
- AASB 119 Employee Benefits
- AASB 120 Accounting for Government Grants & Disclosures of Government Assistance
- AASB 128 Investment in Associates
- AASB 131 interests in Joint Ventures
- AASB 138 Intangible Assets
- AASB 140 Investment Property

## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended which may have application to the company but are not yet effective and have not been adopted for the annual reporting period ending 30 June 2010 are outlined in the table below.

Ref	Title	Summary	Applctn date of standard*	Impact on financial report	Applctn date for company*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project  [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> <li>• has primary responsibility for providing the goods or service;</li> <li>• has inventory risk;</li> <li>• has discretion in establishing prices;</li> <li>• bears the credit risk.</li> </ul>	1 January 2010	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

# Notes to the financial statements

## 30 June 2010

### 2. Summary of significant accounting policies (continued)

#### (b) New Accounting Standards and Interpretations (continued)

Ref	Title	Summary	Applctn date of standard*	Impact on financial report	Applctn date for company*
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 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.</p>	1 January 2010	The company has not undertaken any cash-settled share-based payment transactions and accordingly, this amendment is not expected to have any impact.	1 July 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	<p>The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.</p> <p>Specifically, the amendments:</p> <ul style="list-style-type: none"> <li>• exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets</li> <li>• exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result</li> </ul>	1 January 2010	The company is not a first time adopter and accordingly, this amendment has no impact.	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The company has not made any rights issues and accordingly, this amendment is not expected to have any impact.	1 July 2010

## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations (continued)

Ref	Title	Summary	Applctn date of standard*	Impact on financial report	Applctn date for company*
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]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> <li>• two categories for financial assets being amortised: cost or fair value</li> <li>• removal of the requirement to separate embedded derivatives in financial assets</li> <li>• strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows</li> <li>• an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on de-recognition</li> <li>• reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes</li> <li>• changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income</li> </ul>	1 January 2013	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)</p>	1 January 2011	The company has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter to apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The company is not a first time adopter and accordingly, this amendment has no impact.	1 July 2010

## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations (continued)

Ref	Title	Summary	Applctn date of standard*	Impact on financial report	Applctn date for company*
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2011	The company does not participate in any defined benefit assets and accordingly, this amendment is not expected to have any impact.	1 July 2011
Interpretation 19**	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	<p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	The company has not issued any equity instruments to creditors and accordingly, this amendment is not expected to have any impact.	1 July 2010

\* designates the beginning of the applicable annual reporting period unless otherwise stated

\*\* pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.



# Notes to the financial statements

## 30 June 2010

### 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 at 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.

#### 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".

## Notes to the financial statements

### 30 June 2010

#### 2. Summary of significant accounting policies (continued)

##### (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.

##### (g) Trade and other receivables

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

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

##### (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 financial statements

### 30 June 2010

## 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.

The depreciation rates used for each class of assets are:

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

### Impairment

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

### De-recognition and disposal

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

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

### (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.

## Notes to the financial statements

### 30 June 2010

## 2. Summary of significant accounting policies (continued)

### (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.

### (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.

# Notes to the financial statements

## 30 June 2010

### 2. Summary of significant accounting policies (continued)

#### (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.

#### (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.

#### (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 financial statements

### 30 June 2010

#### 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.

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

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

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

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

##### (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 financial statements

## 30 June 2010

### 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.

#### (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.

## Notes to the financial statements

### 30 June 2010

### 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:

	2010 \$000	2009 \$000
<b>Financial Assets</b>		
Cash and cash equivalents	37	3
<b>Financial Liabilities</b>		
Bank overdrafts	-	(318)
Bank loans	(3,750)	(1,500)
	(3,750)	(1,818)
Net exposure	(3,713)	(1,815)

Interest rate swap contracts outlined in note 19, with a fair value of \$(0.799) million (2009: \$1.266 million), are exposed to fair value movements if interest rates change.

The company's policy is to manage its interest cost using a mix of fixed and variable rate debt. The company's policy is to keep more than 50% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the company enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 83% of the company's borrowings are at a fixed rate of interest.

## Notes to the financial statements

### 30 June 2010

### 3. Financial risk management objectives and policies (continued)

#### Risk Exposures and Responses (continued)

##### Interest rate risk (continued)

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

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

*At 30 June 2010, 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)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
+ 1% (100 basis points)	(26)	(11)	353	394
– 0.5% (50 basis points)	13	5	(180)	(201)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity has moved marginally between 2010 and 2009.

##### Foreign currency risk

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

The company had no forward hedge contracts in existence at the end of 2010. 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.

##### 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.

## Notes to the financial statements

### 30 June 2010

### 3. Financial risk management objectives and policies (continued)

#### Risk Exposures and Responses (continued)

##### 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 2010 none of the company's hire purchase and bank loans will mature in less than one year (2009: nil).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2010. 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 2010.

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

	2010 \$000	2009 \$000
6 months or less	-	318
6 – 12 months	318	165
1 – 5 years	23,230	28,600
	<b>23,548</b>	<b>29,083</b>

## Notes to the financial statements

### 30 June 2010

### 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 our ongoing operations such as plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the company's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the company has established comprehensive risk reporting covering its business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2010	< 6 months \$000	6–12 months \$000	1–5 years \$000	< 5 years \$000	Total \$000
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#### 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)

Year ended 30 June 2009	< 6 months \$000	6–12 months \$000	1–5 years \$000	< 5 years \$000	Total \$000
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#### Financial assets

Cash and cash equivalents	3	-	-	-	3
Trade and other receivables	11,702	-	-	-	11,702
	11,705	-	-	-	11,705

#### Financial liabilities

Trade and other payables	7,620	-	-	-	7,620
Interest bearing loans and borrowings	318	-	27,500	-	27,818
Derivatives	-	165	1,101	-	1,266
	7,938	165	28,601	-	36,704
Net maturity	3,767	(165)	(28,601)	-	(24,999)

The company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date, the company has approximately \$12.1 million of unused credit facilities available for its immediate use.

#### Fair value

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

## Notes to the financial statements

### 30 June 2010

#### 4. Segment Information

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

The chief operating decision maker (CODM) has been determined as the Management Committee. 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 entirely in Australia under a single reportable operating segment.

Three customers each contribute revenues in excess of 10% of the company's revenues and which aggregate to 41% (2009 39%) of revenues.

#### 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	2010 \$000	2009 \$000
<b>(i) Revenue</b>			
Sale of goods and services		<b>80,164</b>	77,664
Interest from unrelated persons		<b>23</b>	24
Other revenue		<b>632</b>	1,076
		<b>80,819</b>	78,764
<b>(ii) Expenses</b>			
<b>Finance costs</b>			
Interest paid or payable to unrelated persons		<b>2,443</b>	2,371
Finance charges payable under finance leases and hire purchase contracts		<b>12</b>	96
Total finance costs		<b>2,455</b>	2,467
Fair value change on interest rate swaps	19	-	-
Total finance costs expensed		<b>2,455</b>	2,467
<b>Impairment of plant and equipment:</b>			
Other impairment losses	13	-	-
Reversal prior period impairment loss on asset disposal		-	(26)
		-	(26)
<b>Lease payments included in income statement</b>			
Minimum lease payments – operating leases		<b>1,907</b>	1,837
<b>Other expenses includes:</b>			
Doubtful debts		<b>69</b>	169
<b>Employee benefits expense includes:</b>			
Superannuation		<b>1,605</b>	1,587
Senior executive incentive plan		<b>574</b>	59



## Notes to the financial statements

### 30 June 2010

#### 6. Income Tax

The major components of income tax expense are:

##### Income Statement

	2010 \$000	2009 \$000
<b>Current income tax</b>		
Current income tax charge	<b>2,468</b>	1,712
Adjustments in respect of current income tax of previous years	<b>(33)</b>	(1)
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	<b>294</b>	674
Income tax expense reported in the income statement	<b>2,729</b>	2,385

##### Statement of changes in equity

<b>Deferred income tax related to items charged or credited directly to equity</b>		
Net gain on revaluation of cash flow hedges	<b>140</b>	(581)
Income tax expense reported in equity	<b>140</b>	(581)

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

Accounting profit before income tax	<b>9,142</b>	8,006
Tax expense at the company's statutory income tax rate (30%)	<b>2,742</b>	2,401
• Adjustments in respect of current income tax of previous years	<b>(33)</b>	(1)
• Investment allowance	<b>(14)</b>	<b>(41)</b>
• Expenditure not allowable for income tax purposes	<b>34</b>	26
Income tax expense reported in the income statement	<b>2,729</b>	2,385

## Notes to the financial statements

### 30 June 2010

#### 6. Income Tax (continued)

##### Deferred Income Tax

Deferred income tax at 30 June relates to:

	Balance sheet		Income statement	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Deferred income tax assets</b>				
Doubtful debts	18	47	(29)	45
Inventory provisions	43	33	9	(11)
Employee benefits	793	761	32	(105)
Accruals	69	104	(35)	(144)
Acquisition costs	-	-	-	(7)
Restructure costs	34	44	(10)	(16)
Gross deferred income tax assets	957	989		
<b>Deferred income tax liabilities</b>				
Accelerated depreciation for tax purposes	2,595	2,334	(261)	(436)
Interest swaps (held for trading)	-	-	-	-
Interest swaps (cash flow hedges)	(240)	(380)	-	-
Gross deferred income tax liabilities	2,355	1,954		
Deferred income tax charge			(294)	(674)
Net deferred tax liabilities	1,398	965		

#### 7. Earnings per share

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

	2010	2009
Basic and diluted earnings per share (cents per share)	7.90	6.94
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	81,155,151	80,974,884
Net profit used in the calculation of basic and diluted earnings per share (\$000)	6,413	5,620

##### Subscription or issues after 30 June 2010

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

## Notes to the financial statements

### 30 June 2010

#### 8. Dividends paid and proposed

##### (a) Recognised amounts

Declared and paid during the year:

	2010 \$000	2009 \$000
<b>Dividends on ordinary shares:</b>		
Final franked dividend for 2009: 1.75 cents (2008: 1.75 cents)	1,420	1,408
Special franked dividend for 2009: nil cents (2008: 1.00 cents)	-	805
Interim franked dividend for 2010: 1.50 cents (2009: 1.25 cents)	1,218	1,014
	<b>2,638</b>	3,227

##### (b) Unrecognised amounts:

	2010 \$000	2009 \$000
<b>Dividends on ordinary shares:</b>		
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	-
	<b>2,232</b>	1,420

##### (c) Franking credit balance:

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

	2010 \$000	2009 \$000
Franking account balance as at the end of the financial year at 30% (2009: 30%)	5,941	4,971
Franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year	790	455
Amount of franking credits available for future reporting periods	6,731	5,426
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	(956)	(609)
	<b>5,775</b>	4,817

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

## Notes to the financial statements

### 30 June 2010

#### 9. Cash and cash equivalents

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

At 30 June 2010, the company had available \$12.124 million (2009: \$10.323 million) of cash and undrawn committed borrowing facilities in respect of which conditions precedent had been met.

#### Reconciliation to Statement of Cash Flow

	Note	2010 \$000	2009 \$000
--	------	---------------	---------------

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

Cash on hand		3	3
Cash at bank – with overdraft facility	16	34	(318)
Closing cash balance		37	(315)

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

	2010 \$000	2009 \$000
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Net profit	6,413	5,620
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#### Adjustments for non-cash items:

Depreciation of non-current assets	2,965	3,004
Impairment of non-current assets	-	(26)
Net (profit) / loss on disposal of plant & equipment	62	4

#### Changes in assets and liabilities:

#### Decrease/(Increase) in assets:

Trade and other receivables	(878)	2,013
Inventories	(1,419)	734
Prepayments <sup>(1)</sup>	96	134
Derivative financial instruments <sup>(2)</sup>	-	-

#### (Decrease)/Increase in liabilities:

Trade payables	956	(1,156)
Provisions	108	(350)
Other payables	45	63
Income tax payable	336	(665)
Deferred income tax liabilities	293	674
Net cash from operating activities	8,977	10,049

(1) The movement in prepayments excludes \$0.010 million net movement on property, plant & equipment (2009: \$0.156 million).

(2) The movement in Derivative Financial Instruments excludes \$0.467 million (2009: \$1.937 million) interest swaps taken directly to reserves.

Disclosure of financing facilities – refer to note 16.

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

## Notes to the financial statements

### 30 June 2010

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

	Note	2010 \$000	2009 \$000
Trade receivables		<b>12,079</b>	11,473
Allowance for impairment loss	(a)	<b>(60)</b>	(158)
		<b>12,019</b>	11,315
Other receivables		<b>561</b>	387
Total current receivables		<b>12,580</b>	11,702

##### (a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 or 60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An impairment loss of \$0.060 million (2009: \$0.158 million) has been recognised for specific debtors for which such evidence exists. The amount of the impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the provision for impairment loss were as follows

At 1 July	<b>158</b>	8
Charge for the year	<b>69</b>	169
Amounts written-off (included in Other Expenses)	<b>(167)</b>	(19)
At 30 June	<b>60</b>	158

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

0 – 30 days	<b>6,811</b>	6,794
31 – 60 days	<b>2,391</b>	1,362
31 – 60 days – Past due not impaired	<b>1,910</b>	2,672
61 – 90 days – Past due not impaired	<b>565</b>	323
90+ days – Past due not impaired	<b>336</b>	147
90+ days – Considered impaired	<b>66</b>	175
At 30 June	<b>12,079</b>	11,473

Receivables past due but not considered impaired are \$2.811 million (2009: \$3.142 million). 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.

##### (b) Related party receivables

For terms and conditions of related party receivables refer to note 25.

## Notes to the financial statements

### 30 June 2010

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

##### (c) Fair value and credit risk

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

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

##### (d) Interest rate risk

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

#### 11. Inventories (Current)

	2010 \$000	2009 \$000
At cost:		
Raw materials and stores	5,715	4,167
Work in progress	1,154	1,604
Finished goods	3,522	3,171
	10,391	8,942
Less, provision for impairment loss	(143)	(112)
Total inventories at the lower of cost and net realisable value	10,248	8,830

#### 12. Other current assets

	2010 \$000	2009 \$000
Prepayments	544	642
Deposits on plant & equipment	52	42
Total prepayments	596	684

## Notes to the financial statements

### 30 June 2010

#### 13. Property, plant and equipment

	Leasehold Improvements	Computers & Office Equipment	Motor Vehicles	Plant & Equipment	Furniture, Fixtures & Fittings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Year Ended 30 June 2010</b>						
At 1 July 2009, net of accumulated depreciation and impairment	<b>245</b>	<b>988</b>	<b>81</b>	<b>28,184</b>	<b>157</b>	<b>29,655</b>
Additions	<b>9</b>	<b>205</b>	<b>13</b>	<b>1,037</b>	<b>5</b>	<b>1,269</b>
Disposals	-	<b>(35)</b>	-	<b>(66)</b>	<b>(3)</b>	<b>(104)</b>
Impairment	-	-	-	-	-	-
Depreciation charge for the year	<b>(43)</b>	<b>(370)</b>	<b>(19)</b>	<b>(2,510)</b>	<b>(23)</b>	<b>(2,965)</b>
At 30 June 2010, net of accumulated depreciation	<b>211</b>	<b>788</b>	<b>75</b>	<b>26,645</b>	<b>136</b>	<b>27,855</b>
<b>At 1 July 2009</b>						
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
<b>At 30 June 2010</b>						
Cost	<b>451</b>	<b>1,953</b>	<b>257</b>	<b>39,750</b>	<b>219</b>	<b>42,630</b>
Accumulated depreciation and impairment	<b>(240)</b>	<b>(1,165)</b>	<b>(182)</b>	<b>(13,105)</b>	<b>(83)</b>	<b>(14,775)</b>
Net carrying amount	<b>211</b>	<b>788</b>	<b>75</b>	<b>26,645</b>	<b>136</b>	<b>27,855</b>
<b>Year Ended 30 June 2009</b>						
At 1 July 2008, net of accumulated depreciation and impairment	264	706	104	25,744	142	26,960
Additions	30	687	20	4,947	42	5,726
Disposals	-	-	(19)	(33)	-	(52)
Impairment	-	-	-	26	-	26
Depreciation charge for the year	(49)	(405)	(24)	(2,500)	(27)	(3,005)
At 30 June 2009, net of accumulated depreciation	245	988	81	28,184	157	29,655
<b>At 1 July 2008</b>						
Cost	412	1,576	278	34,119	177	36,562
Accumulated depreciation and impairment	(148)	(870)	(174)	(8,375)	(35)	(9,602)
Net carrying amount	264	706	104	25,744	142	26,960
<b>At 30 June 2009</b>						
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



## Notes to the financial statements

### 30 June 2010

#### 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 2010 is nil (2009: nil). Additions during the year include nil (2009: 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 (non-current)

	2010 \$000	2009 \$000
<b>Goodwill</b>		
Cost (gross carrying amount)	<b>46,134</b>	46,134
Impairment losses	-	-
Net carrying amount	<b>46,134</b>	46,134
At 1 July, net of impairment losses	<b>46,134</b>	46,134
Impairment	-	-
At 30 June, net of impairment losses	<b>46,134</b>	46,134

No impairment loss existed for the 2010 financial year.

#### Impairment testing of goodwill

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

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

The pre-tax discount rate applied to cash flow projections is 13.5% (2009: 14.1%) and the long term growth rate used to extrapolate the cash flows beyond the five year period is 2.5% (2009: 2.5%).

## Notes to the financial statements

### 30 June 2010

#### 14. Goodwill (non-current) (continued)

##### Impairment testing of goodwill (continued)

###### Key assumptions used in value in use calculations for 30 June 2010 and 30 June 2009

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 2011 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.

#### 15. Trade and other payables (current)

	2010 \$000	2009 \$000
<b>Unsecured liabilities</b>		
Trade payables	<b>5,243</b>	4,287
Other payables	<b>3,377</b>	3,333
Total trade and other payables	<b>8,620</b>	7,620

##### (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 financial statements

### 30 June 2010

#### 16. Interest bearing loans and borrowings

	Note	2010 \$000	2009 \$000
<b>Current</b>			
<b>Secured liabilities</b>			
Bank overdraft	(i)	-	318
Bank loan	(ii), (iii)	-	-
Obligations under finance leases and hire purchase contracts	21(b)	-	-
Total current interest bearing liabilities		-	318
<b>Non-current</b>			
<b>Secured liabilities</b>			
Bank Loans	(ii), (iii)	22,750	27,500
Obligations under finance leases and hire purchase contracts	21(b)	-	-
Total non-current interest bearing liabilities		22,750	27,500

(i) Bank overdraft is provided under a \$3 million facility expiring on 31 May 2011. The interest rate applicable at 30 June 2010 was 10.98% (2009: 11.38%) plus a line fee of 0.40% on the limit.

(ii) Bank loans are provided under a facility with the National Australia Bank Limited, with an aggregate facility limit of \$31.85 million at 30 June 2010 (2009: \$31.85 million). This facility expires, unless extended, on 31 May 2012. There is no ongoing repayment requirement on the loan facilities and it is the company's intention to extend this facility upon expiry. The average interest rate payable at 30 June 2010 on the fixed and floating bills under this facility was 8.65% (2009: 8.41%).

(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 21. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the company. No material losses are expected and as such, the fair values disclosed are the directors estimate of amounts that will be payable by the company.

#### (b) Interest rate, foreign exchange and liquidity risk

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

## Notes to the financial statements

### 30 June 2010

#### 16. Interest bearing loans and borrowings (continued)

##### (c) Assets pledged as security

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

	2010 \$000	2009 \$000
<b>Current</b>		
<b>Floating Charge</b>		
Cash and cash equivalents	37	3
Receivables	12,580	11,702
Inventories	10,249	8,830
Prepayments	596	682
Total current assets pledged as security	23,462	21,217
<b>Non-current</b>		
<b>Floating charge</b>		
Plant and equipment	27,855	29,655
Goodwill	46,134	46,134
Total non-current assets pledged as security	73,989	75,789
Total assets pledged as security	97,451	97,006

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

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

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

## Notes to the financial statements

### 30 June 2010

#### 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

For a number of years the company has adopted a two bank policy. Following a favourable negotiation with National Australia Bank Limited, the company consolidated its facilities with that bank and at the same time reduced the overall accessible limits by \$6 million in recognition of the improved debt position.

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

2010	Accessible \$000	Drawn down \$000	Unused \$000
Hire purchase and leasing finance	-	-	-
Bank bills	31,850	22,750	9,100
Overdraft	3,000	-	3,000
Bank guarantees	800	761	39
2009	Accessible \$000	Drawn down \$000	Unused \$000
Hire purchase and leasing finance	-	-	-
Bank bills	31,850	27,500	4,350
Overdraft	3,000	318	2,682
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; and
- maintenance of a minimum level of shareholder funds.

##### Facility Review

These facilities are provided by National Australia Bank Limited. Subject to annual review and unless otherwise extended, the bank bill facility expires on 31 May 2012 and the other bank facilities expire on 31 May 2011.

## Notes to the financial statements

### 30 June 2010

#### 17. Provisions

	2010 \$000	2009 \$000
<b>Current</b>		
Employee leave benefits	1,713	1,637
Total current provisions	1,713	1,637
<b>Non-current</b>		
Employee leave benefits	931	900
Total non-current provisions	931	900

#### 18. Contributed equity and reserves

This note should be read in conjunction with the Statement of Changes in Equity shown on page 37 of this Annual Report.

##### (a) Issued and paid-up capital:

	2010 \$000	2009 \$000
Ordinary shares	39,214	39,214
Total contributed equity	39,214	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:

There were no movements in ordinary shares on issue during the year. During the preceding year, the company issued 498,056 ordinary shares on 6 October 2008 at 52 cents per share pursuant to the company's dividend re-investment plan.

##### (c) Shares under escrow

As at 30 June 2010, 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 financial statements

### 30 June 2010

#### 18. Contributed equity and reserves (continued)

##### (e) Nature and purpose of reserves

###### Cash flow hedge reserve

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

##### (f) Capital management

When managing capital, the company's objective is to ensure that it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The company also aims to maintain a capital structure that ensures 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 2010, the company paid dividends of \$2.637 million (2009: \$3.228 million), of which \$2.637 million (2009: \$2.875 million) was satisfied in cash and nil (2009: \$0.353 million) 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 / total capital). The target for the company's gearing ratio is between 25% to 50%. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	2010 \$000	2009 \$000
Interest bearing loans and borrowings	22,750	27,500
Cash and cash equivalents	(37)	315
Net debt	22,713	27,815
Total equity	60,449	56,347
Total capital employed	83,162	84,162
Gearing (debt / debt+equity)	27.3%	33.0%

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



## Notes to the financial statements

### 30 June 2010

#### 19. Derivative financial instruments

	2010 \$000	2009 \$000
<b>Current liabilities</b>		
Interest rate swap contracts – cash flow hedges	-	165
	-	165
<b>Non-current liabilities</b>		
Interest rate swap contracts – cash flow hedges	799	1,101
	799	1,101

##### (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 4.77%. 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 84% (2009: 95%) 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% (2009: 5.9% and 7.6%) and the comparable variable rate based on the 90 day bank bill rate at balance date was 4.8% (2009: 3.2%). In addition, a margin over the bill and fixed rates are payable to the banks.

At 30 June 2010, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2010 \$000	2009 \$000
0 – 1 years	-	7,000
1 – 2 years	4,500	7,000
2 – 3 years	7,500	4,500
3 – 5 years	7,000	7,500
5+ years	-	-
	19,000	26,000

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

## Notes to the financial statements

### 30 June 2010

#### 19. Derivative financial instruments (continued)

##### (a) Instruments used by the company (continued)

###### Movement in cash flow hedge reserve

	2010 \$000	2009 \$000
Opening balance	(886)	470
Transferred to interest expense	-	-
Charged to Equity	327	(1,356)
Closing balance	(559)	(886)

The company has entered into interest rate swap contracts that are timed to expire at selected dates over the next 4 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 increased since the height of the global financial crisis, leading to an improvement in the fair value of the company's interest swaps and resulting in a \$0.327 million lift in the value of the reserve held at 30 June 2010

##### (b) Interest rate risk

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

##### (c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contracted arrangements. The company's maximum credit risk exposure in relation to these is limited to the fair value of the interest rate swap agreements, which at the reporting date was \$0.799 million (2009: \$1.266 million).

#### 20. Business combinations

On 20 April 2010, the company acquired the Remedies printing business in Silverwater, NSW for a cash consideration of \$0.400 million to the administrator of that business.

The acquisition included all of the operating assets and the uncontracted customer base of the print business. No customer contracts were acquired and with the business having previously lost money, there was no goodwill to be recorded. The full purchase price was allocated to a near new 8 colour, narrow web, flexo press.

The Remedies business has been relocated to our Regents Park facility and has been fully incorporated into the company's flexibles division and separate sales and profit recording for the Remedies business does not occur. Revenues of between \$1 to \$2 million pa are expected from this business.

## Notes to the financial statements

### 30 June 2010

## 21. Commitments and contingencies

### (a) Capital expenditure commitments

At 30 June 2010 the company has commitments contracted for but not recognised as liabilities of \$nil (2009: nil).

### (b) Hire purchase commitments

At 30 June 2010 the company has commitments contracted for but not recognised as liabilities for future minimum lease payments under hire purchase contracts of \$nil (2009: 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:

	2010 \$000	2009 \$000
– not later than one year	1,961	1,815
– later than one year but not later than five years	5,044	6,288
– later than five years	1,681	1,595
Aggregate operating lease expenditure contracted for at reporting date	8,686	9,698

### (d) Remuneration commitments

	2010 \$000	2009 \$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	921	320
– after one year but not later than five years	820	-
Aggregate remuneration commitments contracted for at reporting date	1,741	320

Amounts disclosed as remuneration commitments include commitments arising from 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 August 2011..

### (e) Guarantees and indemnities

The company has the following guarantees at 30 June 2010:

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

Bank guarantees under premises leases total \$0.762 million (2009: \$0.762 million).

## Notes to the financial statements

### 30 June 2010

## 22. Related Party Disclosures

### (a) Other related party transactions

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

## 23. Auditors' Remuneration

The auditor of Colorpak Limited is Ernst & Young.

	2010 \$	2009
<b>Amounts received or due and receivable, by Ernst &amp; Young for:</b>		
an audit or review of the financial report of the company	<b>106,500</b>	103,000
other services, included in the Income Statement:		
– tax compliance	–	–
– assurance related	–	–
other services, not included in the Income Statement	–	–
	<b>106,500</b>	103,000

## 24. Events after the balance sheet date

The company placed orders totalling \$2.572 million for various capital items subsequent to 30 June 2010.

Apart from the capital items referred to above, there have been no significant events subsequent to 30 June 2010.

## 25. Director and executive disclosures

### (a) Details of Key Management Personnel

#### (i) Directors

G Willis	Chairman
A Commins	Managing Director & CEO
P Commins	Operations Director
D Heaney	Director (non-executive)
I Wightwick	Director (non-executive) – appointed 28 August 2009
T Dynon	Director (non-executive) – resigned 23 October 2009

#### (ii) Executives

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

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

## Notes to the financial statements

### 30 June 2010

#### 25. Director and executive disclosures (continued)

##### (b) Compensation of Key Management Personnel

	2010 \$	2009 \$
Short-term employee benefits	<b>2,379,444</b>	1,828,419
Post employment benefits	<b>243,470</b>	273,774
Other Long-term benefits	<b>30,340</b>	12,818
Total compensation	<b>2,653,254</b>	2,115,011

##### (c) Shareholdings of Key Management Personnel

	Balance at beginning of year 1 July 2009	Granted as Remuneration	Net Change Other	Balance at end of year 30 June 2010
<b>(i) Directors</b>				
G Willis	263,221	-	-	<b>263,221</b>
A Commins <sup>1.</sup>	26,536,541	-	60,000	<b>26,596,541</b>
P Commins <sup>1.</sup>	26,028,534	-	-	<b>26,028,534</b>
D Heaney	828,000	-	-	<b>828,000</b>
I Wightwick	-	-	100,000	<b>100,000</b>
<b>(ii) Executives</b>				
H Commins <sup>1.</sup>	26,278,053	-	-	<b>26,278,053</b>
S Nicholls	25,000	-	-	<b>25,000</b>
D Johnson	1,000	-	-	<b>1,000</b>
M Johnson	1,000	-	-	<b>1,000</b>
P Veigel	-	-	-	-
L Bremner	-	-	-	-

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

2. Mr I. Wightwick was appointed a non-executive director on 28 August 2009 and reported 100,000 shares under his initial director's interest notice.

##### (d) Other transactions and balances with Key Management Personnel

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

## Directors declaration

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

1. In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

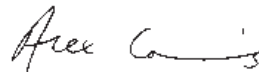
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

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

On behalf of the Board



**G.L. Willis**  
Chairman



**A. Commins**  
Managing Director

Braeside  
27 August 2010

## Independent auditor's report to the members of Colorpak Limited

### Report on the Financial Report

We have audited the accompanying financial report of Colorpak Ltd, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### Directors' Responsibility for the Financial Report

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

#### Auditor's Responsibility

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

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

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

#### Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



#### **Auditor's Opinion**

In our opinion:

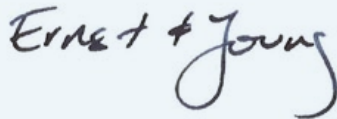
1. the financial report of Colopak Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Colopak Ltd at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Auditor's Opinion**

In our opinion the Remuneration Report of Colopak Ltd for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

**Ernst & Young**

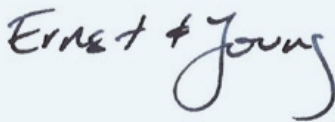
A handwritten signature in blue ink, likely belonging to Ashley C. Butler, the Partner mentioned in the text below.

**Ashley C. Butler**

Ashley Butler  
Partner  
Melbourne  
27 August 2010

## Auditor's Independence Declaration To The Directors Of Colorpak Limited

In relation to our audit of the financial report of Colorpak Ltd for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

**Ernst & Young**

A handwritten signature in black ink, appearing to be 'Ashley C. Butler', written in a cursive style.

**Ashley C. Butler**

Ashley Butler  
Partner  
Melbourne  
27 August 2010

## ASX Additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report, together with other relevant information for shareholders, is set-out below. The information is current as at 10 August 2010.

### Stock Exchange Listings

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Colorpak Limited shares are quoted on the Australian Stock Exchange.

### Website

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

### Annual Report

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

### Share Registrar

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Link Market Services Limited.  
Level 12, 680 George Street  
Sydney, NSW, 2000  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Escrow

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There were no shares subject to escrow arrangements at 30 June 2010.

### Shareholder Transactions

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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.

## ASX Additional information

### Distribution of Shareholdings

The number of ordinary shareholders by size of holding are:

Size of Holding	Number of holders	Number of shares
1 to 1,000	187	170,672
1,001 to 5,000	272	895,405
5,001 to 10,000	198	1,727,060
10,001 to 100,000	452	15,368,608
100,001 and over	49	62,993,406
<b>Total</b>	<b>1,158</b>	<b>81,155,151</b>
The number of shareholders holding less than a \$500 marketable parcel of shares	24	7,672

### 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	32.06
2 Cogent Nominees Pty Ltd	10,146,370	12.50
3 RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C>	10,096,212	12.44
4 Argo Investments Limited	4,049,000	4.99
5 GT Lingard Holdings Pty Ltd	3,308,392	4.08
6 David James Heaney & Samantha Elizabeth Chandler	828,000	1.02
7 Andrew Roy Newberry Sisson	790,000	0.97
8 Blue Drive Pty Ltd	528,007	0.65
9 Ralph Norman Madsen & Suzanne Margaret Madsen & Benjamin Ralph Madsen	500,994	0.62
10 Linh Ly	452,603	0.56
11 Matthew Charles Goodson	330,000	0.41
12 Icy Creek Investments Pty Ltd	300,000	0.37
13 Stephen John Lane & Beverly Ann Lane	283,761	0.35
14 Di Iulio Homes Pty Ltd	280,000	0.35
15 Snowflake Super Pty Ltd	259,519	0.32
16 Pejali Pty Ltd	235,000	0.29
17 Rosalie Catherine Vaughan	230,000	0.28
18 John William Brownbill & Helen Gae Sestero	218,586	0.27
19 Premier Mushrooms Pty Ltd	208,000	0.26
20 Gemfield Cove Pty Ltd	195,000	0.24
	<b>59,257,978</b>	<b>73.02</b>

## ASX Additional information

### Substantial Shareholders

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

	Number of shares
Carton Services Pty Ltd	26,018,534
Perpetual Limited	11,357,182
Hunter Hall Limited	8,887,018
Argo Investments Limited	4,149,000

### Inquiries About Your Shareholding

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

### Change of Address

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

### Direct Dividend Deposit into Bank Accounts

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

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

### Tax File Number

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

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

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

## ASX Additional information

### Combining Multiple Shareholdings

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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

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**21 September 2010**

Annual Report dispatched to shareholders

**22 October 2010**

Annual General Meeting

**Early February 2011**

Announce 2010/2011 Half Year results

**Early August 2011**

Announce 2010/2011 Full Year Results