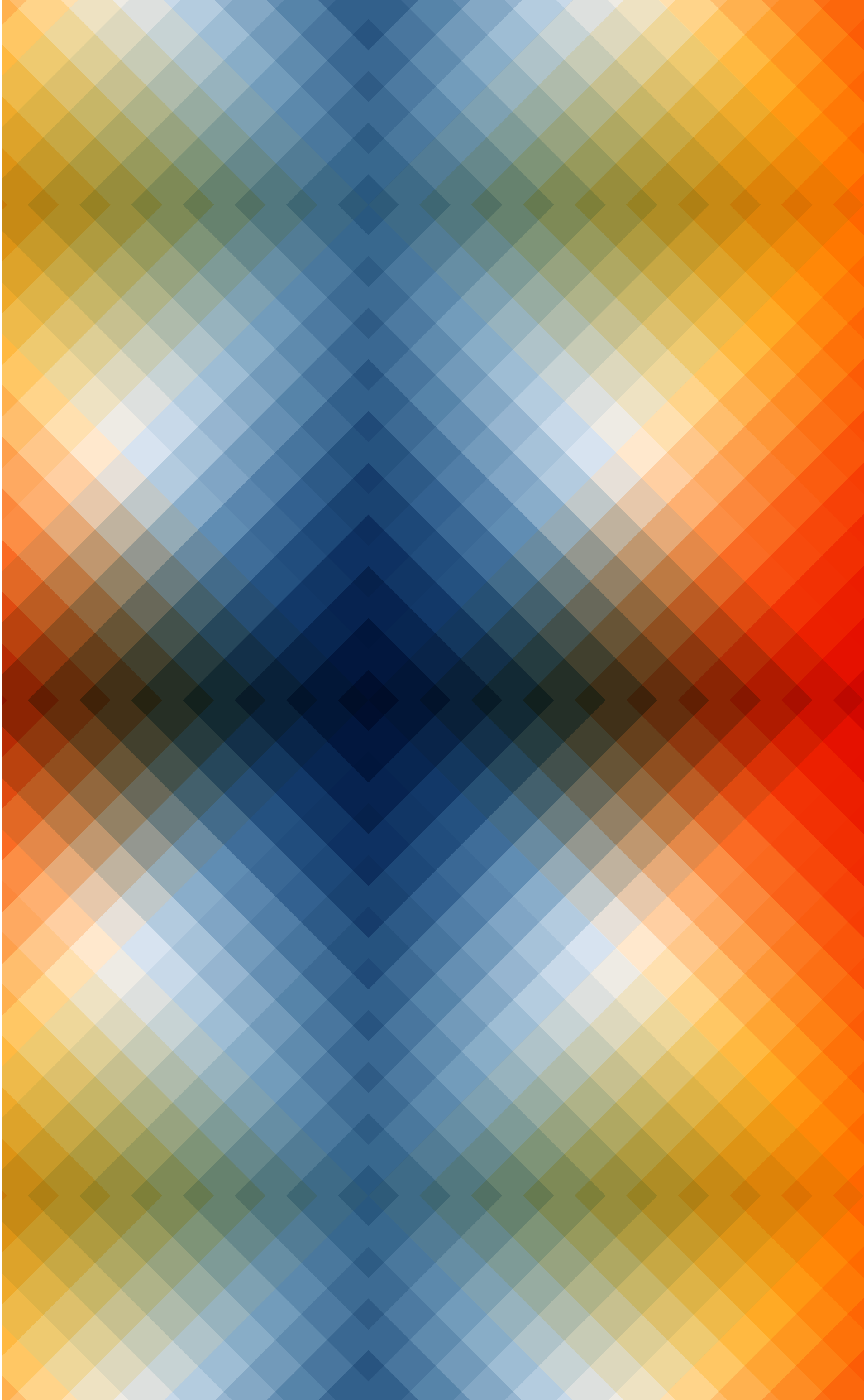
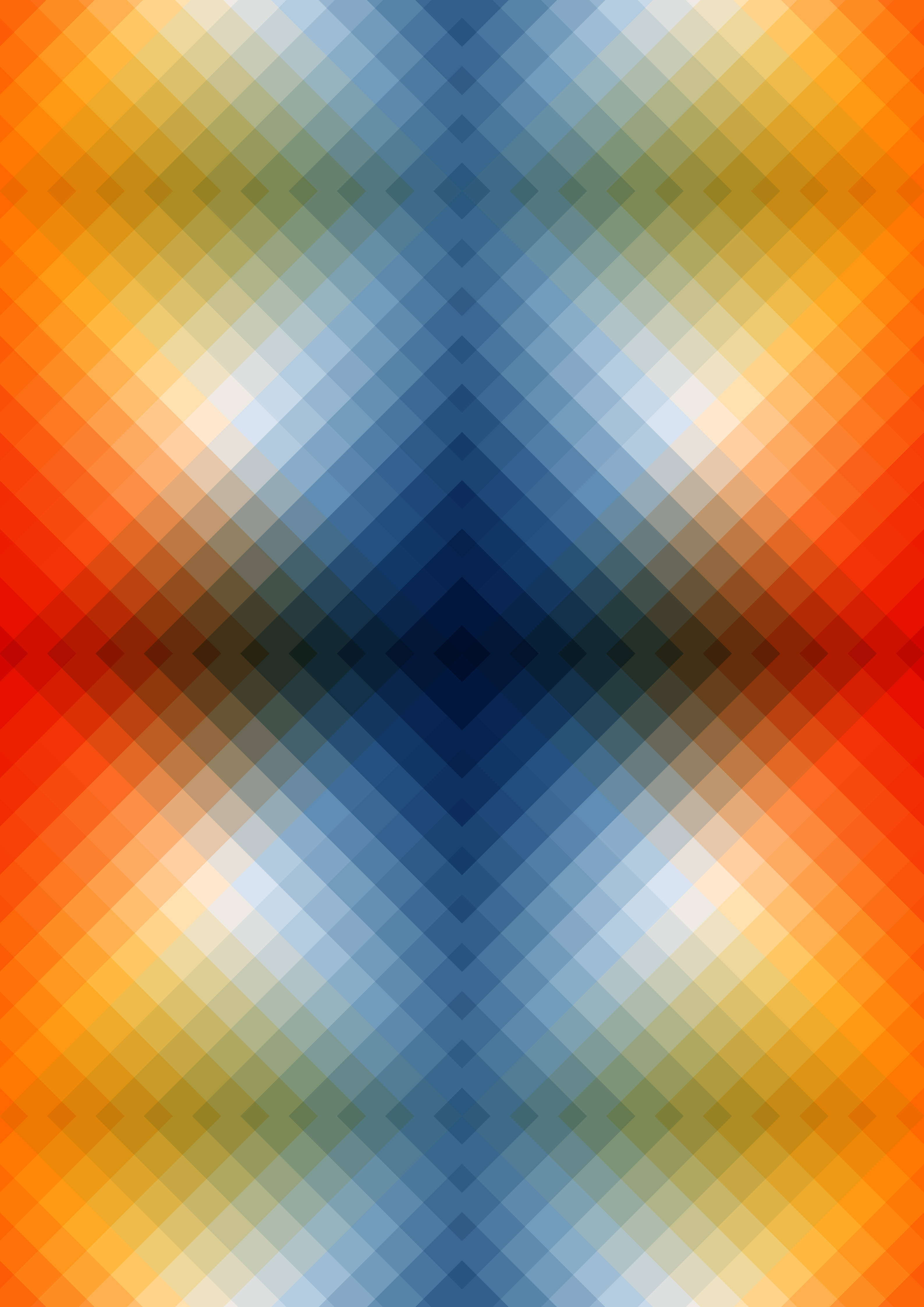
colorpak

ANNUAL REPORT 2012

OUR customers' WORLD


INNOVATION
THINKING
OUR customers' SUCCESS
ADAPTABILITY





Annual General Meeting

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

The Westin
205 Collins Street
Melbourne VIC 3000
on Friday, 26 October 2012
at 11.00 a.m., where this report will be presented.

A separate notice of meeting and proxy will be provided.

Company Details

Directors

Geoff Willis
Chairman and
Non-executive Director

Alex Commins
Managing Director

Bronwyn Constance
Non-executive Director

David Heaney
Non-executive Director

Ian Wightwick
Non-executive Director

Company Secretary

Stephen Nicholls

Registered Office

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

Auditors

Ernst & Young

Solicitors

Freehills

Bankers

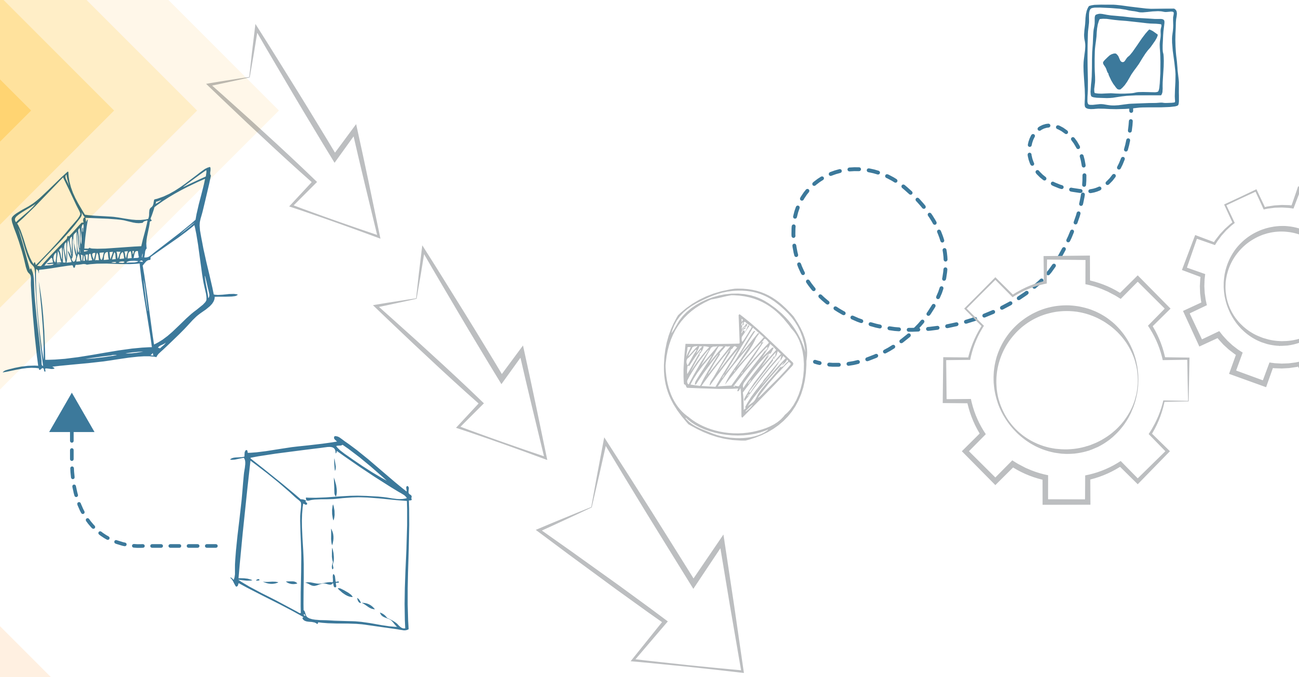
National Australia Bank Limited
Bank of New Zealand

Share Register

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

Website

colorpak.com.au



Adopt. Adapt. Adjust.

We never stand still. We adapt to suit the ever-changing landscape.

Chairman's Report

On behalf of your Board I am pleased to inform you that the Colorpak business was further strengthened in 2012.

We have seen a year of systematic effort to achieve the integration of the acquired Carter Holt Harvey carton business into Colorpak's operations and the company is now rewarded with a very broad customer base supported by state-of-the-art facilities in Melbourne and Sydney. Every aspect of the business was examined and improved processes have been widely adopted. Importantly, the company was prepared to move away from high volume/low margin business to focus on customers where our value-adding capabilities can be rewarded. Operational changes have been extensive, including plant rationalisation, work flow changes, system upgrades and a re-invigoration of our people. The company's dedication to customer service and quality, and an endless drive for safety and efficiency served us well throughout a challenging year.

The 2012 NPAT before acquisition-related transactions (restructuring and business combination costs), which we refer to as the underlying result, amounted to $7.660 million, which is an 8.5% increase on the previous year. The 2012 financial report goes on to elaborate on significant items within this underlying result and the various restructuring and business combination costs which together resulted in an overall loss after tax of $3.227 million. Our own way of looking at the financial report is to consider the underlying business result and at this level the business achieved an improved outcome on 2011 in what was a demanding and competitive trading environment.

A review of the impact of the acquisition-related transactions for 2011 and 2012 shows that the company booked an after tax gain of $8.8 million last year and an after tax loss this year of $10.9 million for an overall impact of $2.1 million since the acquisition. When this overall impact is added to the $5 million paid for the Carter Holt Harvey business we are well satisfied with the price we have paid for the increased scale and efficiency that now underpins the business. The management team has worked long and hard to achieve this result and they are to be commended for delivering an improved underlying result concurrent with a smooth integration of the acquired activities.

As we are now accustomed to doing, the dividend distribution this year has been assessed against the underlying result and takes account of the current debt position. The Board is pleased to maintain the final dividend at 1.75 cents, taking the dividend distribution in respect of 2012 to 3.25 cents. This is a payout ratio of 34.6% of underlying NPAT and once again all dividends are fully franked.

Cash flow from operations was very strong for 2012, however, there were substantial redundancy and plant closure costs which resulted in net debt increasing from $34.2 million to $38.9 million. At this level of debt the company is still conservatively geared at 36.7% debt and adequate cash reserves and bank credit facilities are available to meet foreseeable needs.

Over the past decade we have seen an ebb and flow in our customer base with a notable number of customers moving offshore and this has been generally offset by an equal or greater volume of business growth to take its place. However, the confluence of a high Australian dollar, the all-pervasive trends being driven by supermarkets and general economic conditions including carbon abatement imposts have conspired to put our customers, the Australian manufacturers, under enormous pressure. Colorpak continues to draw on all its strengths with world-class facilities and dedication to customer service but we have to conclude that whilst manufacturing in this country is under such extreme pressure, we will need to strive for even greater efficiencies and cost savings. Against this backdrop, I would like to thank management and staff throughout the business for their outstanding contribution in 2012 and to thank my Board colleagues for their diligence and business acumen in a year where these skills clearly added to the company's success.

G.L. Willis
Chairman

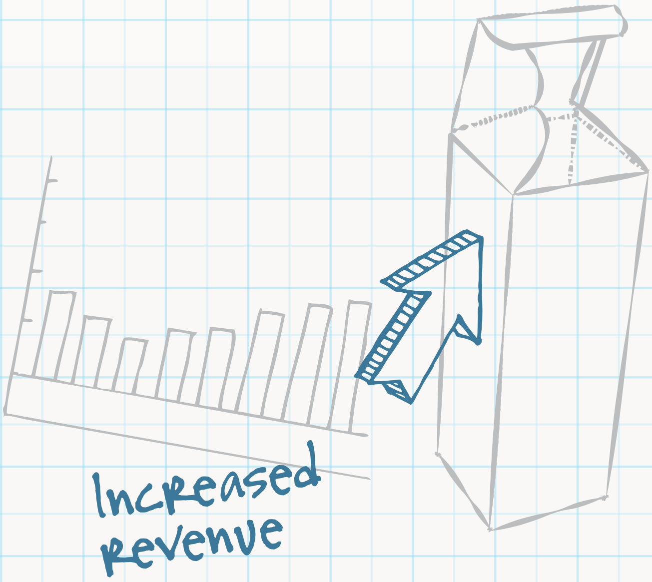

90°
45°
DESIGN
OFFERING
Construction
Pre-press
ONE STOP
SOLUTION
brandpack

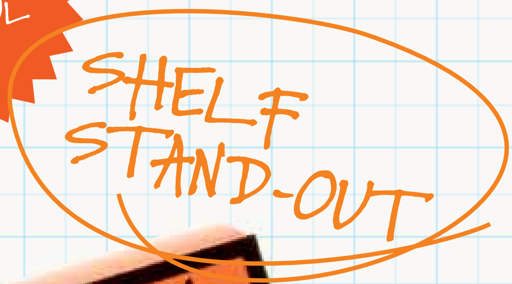
Braeside facility

Innovation seeking

We're always looking for new efficiencies, new sources and new ways to be sustainable.


HIGHLY DECORATED AND TACTILE
Jurlique
Jurlique
Hand Picked
Hand Cream
Duo





Jurlique

Client: Jurlique

Project: Jurlique Seasonal Range

Jurlique is a brand synonymous with natural skin care products. Its humble Australian beginnings built a strong reputation to establish an internationally recognised brand. The brand owner had a clear objective to drive increased market share by leveraging off their well-known "hero" products via a gift range aimed at recruiting new customers and rewarding existing ones.

The Solution
Our packaging architects carefully designed a range of highly decorated tactile and visual solutions. It consisted of a family of four different gift sets, putting the hero product front and centre of the pack, whilst engaging the customer at the vital first moment of truth. Each range had a common design aspect which linked all the products and gave breadth to the choice of the consumer.

The Outcome
One of the most successful Jurlique seasonal ranges ever launched. The products were able to stand out on the shelf versus its competitors during an extremely busy and competitive trading period. Furthermore, the increase in revenue confirmed a successful strategy with the purpose of engaging and recruiting new customers.

Just-in-time production

WE UTILISE VOLUMES IN MORE EFFICIENT WAYS

Saving time, saving costs

We scrutinise every step of every process to deliver customers important advantages.

100%
attention to detail

Saxa Salt

Client: Cerebos

Project: Saxa Sea Salt Flakes Carton

Saxa Salt has been a key ingredient in the lives of Australian families for generations. The Brand Owner wished to repackage the iconic salt product to a more environmentally and user friendly option. All this to be achieved without compromise to the output efficiency of the Brand Owner during their production packing operation.

The Solution
Moving from a plastic bag, we created a web-cornered, sift-proof, folding carton which allows for dispersing of the salt in an easy-to-use, resealable format.

The Outcome
The Brand Owner was able, through the redesign, to position itself in a new market space in the premium salt segment. The reusability function paid dividends with greater shelf presence and an increased market share. By replacing their original pack from plastic to carton board, the Brand Owner has ticked the environmental box also. This product went on to win the Women's Weekly Product of the Year Award.

Wild Turkey

Client: Graphic Packaging International – Australia, along with Co-Pack Beverages Australia

Project: American Honey: Wild Turkey and Cola Carry Pack

The Brand Owner wanted to create a beverage wrap that would deliver strong shelf presence whilst ensuring the design would still be able to run on high speed automated packing lines.

The Solution
Leveraging the in-house capability of our Foilmasters division we were able to hone in on key graphic design elements that would stand out. Our technical team produced a combination of techniques including hot foil stamping contrasting against the varnished sections of the wrap. Embossed areas gave further shelf and tactile impact.

The Outcome
The Brand Owner is delighted with the visual impact on shelf of the revised design. With great competition in this segment, the technical finishes incorporated in the finished product ensure the "first moment of truth" for this product are captivating.


CLEAN ROOM FACILITY
REDUCING LEAD TIMES
CONNOISSEUR
CONNOISS

Serving up opportunities

We never stop thinking of ways to help our customers stay ahead.

We've repositioned our company – to underpin our customers' success

The 2012 financial year will be remembered as the year of "heavy lifting" as the major Victorian plant rationalisation took place. In March 2011, following the acquisition of the distressed CHH assets, our senior management team developed a highly detailed integration plan – the subsequent execution of which could best be described as outstanding!

Our clear vision to close the Reservoir site, relocate the majority of the machinery together with $36 million of customer contracts and to recruit close to 50 new staff without any adverse impact to our customers was always going to be a challenge. Proudly, our team rarely let our customers down during the relocation into the expanded Mt Waverley and Braeside sites.

We also moved the Foilmasters division at Dandenong as well as the Brandpack division at Mt Waverley to the expanded Braeside facilities.

The 2012 results yielded an NPAT result on a normalised basis of $7.660 million, which included a positive one-off deferred tax adjustment of $1.220 million. Although the result implies an 8.5% lift in earnings per share, it does not truly reflect the effort, nor the progress made, by our team in a short period. Soft retail spending, cautious behaviour from our customers in uncertain economic conditions and a strong local currency collaborated to put a cap on the potential upside to the results.

Managing Director's Report

Sales revenues lifted by 52.7% to $192 million for the 2012 year as the full run rate of the CHH business flowed through. The year saw the loss of our fast food customers in the New Zealand business as they chose to offshore the majority of their commoditised-style packaging to Asia. Sadly, on 1 July 2012, one of our long-standing and loyal customers in the fast-moving consumer goods sector announced the closure of its plant and the relocation of its assets offshore. Despite these events, we still have a larger revenue base which has mitigated customer concentration risk with only one customer holding more than ten per cent of our sales base. That particular customer is a market leader in the global beverage sector and has solid future prospects. We have been able to re-sign a number of key customer contracts throughout the year and have also won several new accounts from competitors. Our strong relationship-based approach to doing business, underpinned by key success factors of innovation, quality and service, remains as relevant today as it has always been. Our commitment to help our customers "stand out and stay ahead" reinforces our focus to drive our business as a small, fast, and reliable supplier, notwithstanding our increased scale.

Some of the other highlights of the 2012 year include:

- Signing up new EBA's at each operational site, with the next EBA negotiation now at least two years away;
- Removal of our reliance on CHH for IT support with the successful implementation of our legacy MIS system at both the Penrose (New Zealand) and Mt Waverley (Victoria) sites;
- Re-branding for the group is complete and supports the single Colorpak culture. Our new brand has been positively embraced by all of our stakeholders;
- A heavy program of repairs and maintenance has been undertaken on the strong suite of plant and equipment which came as part of the acquisition and excess machines have been sold; and
- In mid June 2012 we announced the rationalisation of our NSW operations which will see the Villawood operation relocate from a circa 1960s facility to the expanded Regents Park site which was developed as a greenfield operation in 2006. Our entire team, customer contracts and all machinery will be moved before year end. All costs associated with the relocation, excluding approximately $2 million for new capital infrastructure, have been provided for in the 2012 financials.

Our debt position closed the year at around $38.7 million, largely in line with expectations of the level of funds that we would require to set a combined Colorpak/CHH business on a sustainable path forward. We consider that we have seen the peak of our debt cycle and the bottom of our margin cycle in the 2012 result.

Looking forward to the 2013 year, we expect further contraction at the revenue line as some of the customer losses have yet to fully flow through. Despite this, we are confident that internally driven productivity gains from Victoria which have not yet been fully realised, together with similar benefits from the imminent NSW rationalisation, will offset the financial impact from the top line contraction and translate to modest growth in operating profit before tax.

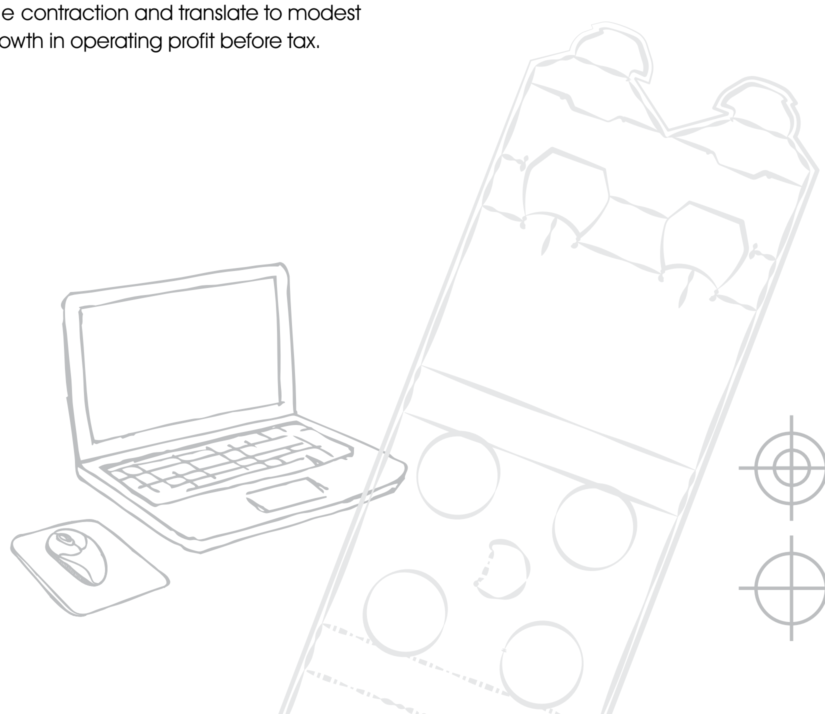
With many strings to our bow, our team is confident that they will drive growth in segments beyond ice-cream for the paper cup division, and develop new revenue streams from our agency style approach under the Brandpack umbrella.

The focus of our team is firmly set on continued margin improvement to generate free cash flow, and subsequently enable reduction of debt.

2012 saw more challenges thrown at our team than any year we can recall historically. The response of our team was focused, determined and precise. A sincere thank you to each and every employee of our company who drove ahead in a tough year to build a solid foundation for our future.

A special thank you also to our board, whose collective experience cannot be underestimated as they have guided and encouraged our team every step of the journey.

A. Commins
Managing Director



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

Board of Directors

Mr Geoff Willis
64, B.Comm, MBA, CPA, AICD
Chairman
Member, Audit, Risk Management and Compliance Committee.
Member, Nomination and Remuneration Committee.

Geoff has a strong commercial and industrial background and has undertaken a number of senior leadership positions 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 Aurora Energy Pty Ltd, Chair of the Tasmanian Symphony Orchestra and a Trustee of the Tasmanian Museum and Art Gallery.

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

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

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

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

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

Mr Paul Commins
51, B.Bus (Acc)
Resigned 24 August 2012
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 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. For the past two years Paul has led the integration of the CHH operations with the company's existing operations and in this capacity he reported directly to the board's Integration Sub Committee.

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

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

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

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

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

Mr David Heaney
68
Non-executive Director
Chairman, Audit, Risk Management and Compliance Committee
Member, Nomination and Remuneration Committee

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

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

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

Mr Ian Wightwick
73, Dip.App.Chem., BEc, MAdmin, FAICD
Non-executive Director
Chairman, Nomination and Remuneration Committee
Member, Audit, Risk Management and Compliance Committee

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

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

His earlier career encompassed over 20 years in the food industry with a period in private practice as a business consultant.

During the past three years Ian also served as chairman of Plantic Technologies Ltd. which was listed on the AIM board of the London Stock Exchange.

Ian also currently consults in a partnership (Link X-Co) to assist governments and corporations in optimising processes and cost-effective co-operation for major new developments.

Mr Harry Commins
49
Alternate Director until 24 August 2012

Harry is the company's National Manufacturing Director and was an alternate director for Paul Commins until Paul's resignation on 24 August 2012.

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

Company Secretary

Mr Stephen Nicholls
56, BA (Economic and 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.

Steve played a key role in the extensive background modelling and due diligence work that enabled the acquisition of the CHH operations to take place.

The Board of Directors of Colorpak Limited is responsible for establishing the corporate governance framework of the company having regard to the ASX Corporate Governance Council (CGC) published guidelines, as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of Colorpak Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the CGC's recommendations. The reference is shown if the principle is not dealt with in this Corporate Governance Statement.

Recommendation		Comply Yes/No	Ref.
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the board to add value			
2.1	A majority of the board should be independent directors.	Yes	
2.2	The chair should be an independent director.	Yes	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
2.4	The board should establish a nomination committee.	Yes	
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose on the Website the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	Refer to Diversity at Colorpak on page 23
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Refer to Diversity at Colorpak on page 23
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	
4.2	The audit committee should be structured so that it: • Consists only of non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent chair, who is not chair of the board; and • Has at least three members.	Yes	
4.3	The audit committee should have a formal charter.	Yes	
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Website

Recommendation		Comply Yes/No	Ref.
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	Yes	
7.3	The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	Yes	
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors; • Is chaired by an independent chair; and • Has at least three members.	Yes	
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Refer to Remuneration Report
8.4	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 2011 to 30 June 2012 and, with the exception of principles 3.2 and 3.3 which is explained in the section on Diversity at Colorpak on page 23, were fully compliant with the Council's best practice recommendations.

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

Board Functions

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

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

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

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

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

- Audit, Risk Management and Compliance; and
- 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 shareholder'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; and
- 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; and
- 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 16 and 17 of this Annual Report. Directors of Colorpak Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement.

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

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

Name	Position
G. Willis	Chairman
B. Constance	Non-executive Director
D. Heaney	Non-executive Director
I. Wightwick	Non-executive Director

The board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director.

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

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

Name	Term in Office
G. Willis	8 years and 8 months
A. Commins	8 years and 9 months
P. Commins	8 years and 9 months[1]
B. Constance	1 year and 3 months
D. Heaney	8 years and 8 months
I. Wightwick	3 years

[1]P. Commins resigned on 24 August 2012.

Directors who reach the age of 70 prior to each year's Annual General Meeting will be asked each year if they are prepared to commit to another year. When such director is prepared to re-commit, subject to the board considering that the director continues to contribute strongly and that no other succession or skills mix issues exist should the director be re-appointed, then the director will be encouraged to nominate for re-appointment for another year.

Performance

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

The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Colorpak Limited. A performance review for the board was last conducted in December 2011. The board amended the timing of the conduct of performance reviews of the Managing Director to coincide with the end of the financial year, hence the next Managing Director performance review is to be conducted early in the 2012/13 year. The last performance review of the Managing Director was undertaken in December 2010.

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

Trading Policy

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

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

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

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

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

Nomination and Remuneration Committee

The board has established a nomination and remuneration committee, which operates under a charter which is reviewed annually and approved by the board. The committee has been established to ensure that the board continues to operate within the established guidelines including, when necessary, selecting candidates for the position of director. The committee comprises Mr I. Wightwick (Chairman), Ms B. Constance, Mr D. Heaney and Mr G. Willis.

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

- Retention and motivation of key executives;
- Attraction of quality management to the company; and
- Performance incentives which allow executives to share rewards of the success of Colorpak Limited.

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

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

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

For additional details regarding the committee, please refer to the company's website.

Audit, Risk Management and Compliance Committee

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

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

The committee comprises Mr D. Heaney (Chairman), Ms B. Constance, Mr I. Wightwick and Mr G. Willis. The Managing Director and Chief Financial Officer regularly attend meetings by invitation. The audit, risk management and compliance committee has appropriate financial expertise and all members have a working knowledge of the industry in which the company operates.

The qualifications of committee members is set out on pages 16 and 17 of this Annual Report.

For additional details regarding the committee, please refer to the company's website.

Integration Sub-Committee

The board has also established an integration sub-committee comprising the company's non-executive and executive directors and select senior management to oversee the integration of the acquired CHH businesses into Colorpak's operations. The sub-committee met fortnightly until October 2011, when it was discontinued with further significant integration activities being addressed directly by the board.

Risk

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

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

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

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

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

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

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

CEO and CFO Certification

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

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

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

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

Shareholder Communication Policy

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

Colorpak Limited is committed to:

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

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

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

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

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

Diversity at Colorpak

The company recognises the contribution to the organisation by employing people of each gender as well as with varying skills, cultural backgrounds, ethnicity and experience. Colorpak believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The company actively values and embraces the diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly and where discrimination, harassment and inequity are not tolerated. Whilst Colorpak is committed to fostering diversity at all levels, the company's primary selection criteria is to best match the skills and ability of each candidate and to observe equal employment opportunities and by rigorously pursuing this aim the result is delivering considerable gender diversity which is reflected in the table below. The company has not set specific policies to achieve gender diversity and accordingly has responded "no" to principles 3.2 and 3.3.

The company continually monitors the number of females in executive, manager, supervisory and other non roles in the business. A summary of the number of females and males in the company records:

	Women	Men
Non-executive Directors	1	3
Executive Managers	2	5
Manager	7	31
Supervisor/Graduate/ Sales/Technical	24	91
Admin/Clerical	32	17
Factory	102	397
Total	168	544

The company also maintains a flexible working policy to provide flexible working arrangements including part time, job share and working from home, to ensure employees with pre-school age and school age children are able to continue working and meet their home responsibilities. The company actively assists people returning to work from maternity or paternity leave by offering flexible work arrangements. The table below indicates the number of people who have accessed the flexible working arrangement during the year.

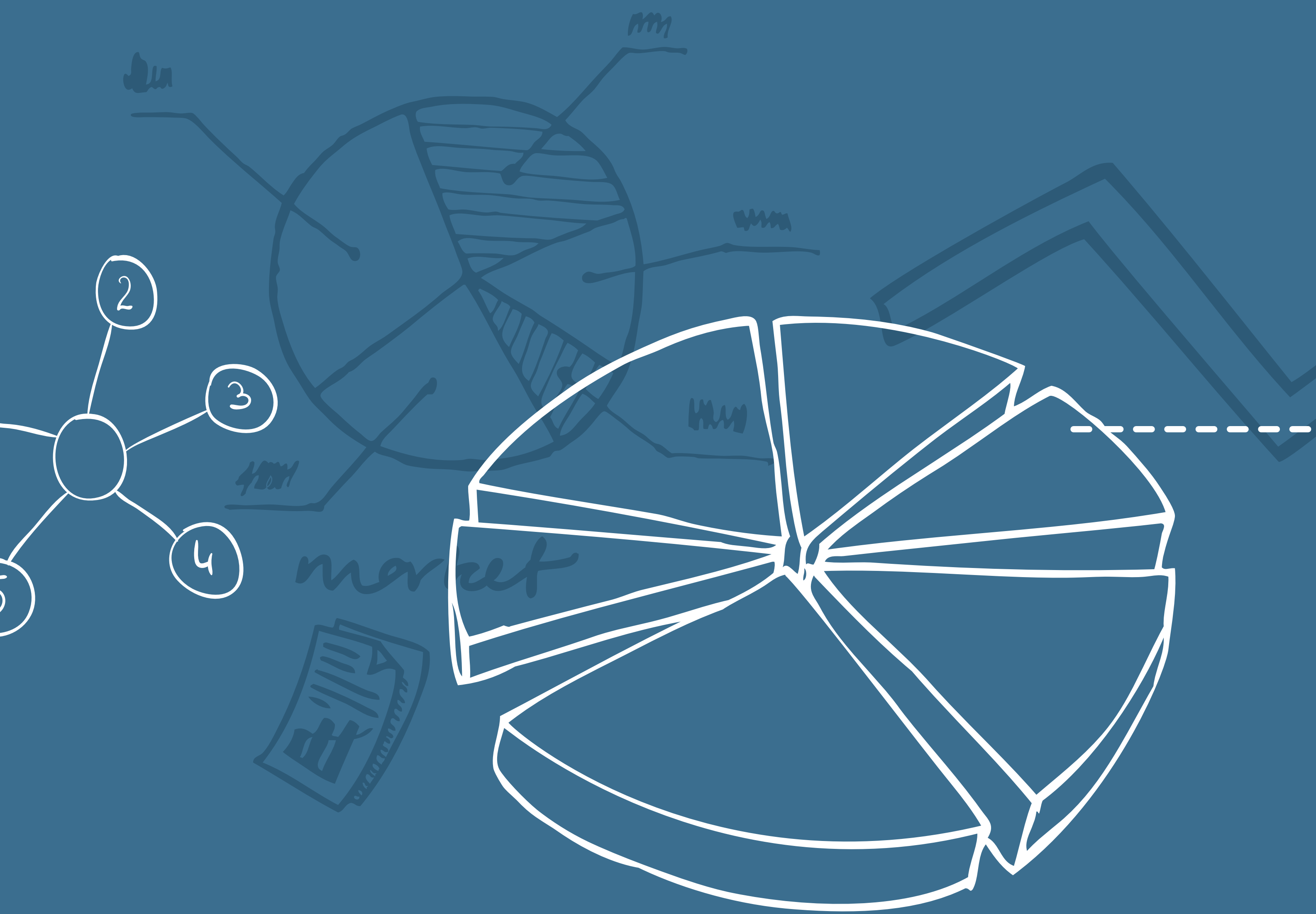
	Women	Men
Part Time	20	3
Work Home	20	25
Maternity / Paternity	16	4

Committee Attendance

For details on the number of meetings of the committees of the board held during the period and the attendees at those meetings, refer to page 38 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.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FINANCIAL STATEMENTS

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Colorpak Limited
ABN 56 107 485 898

Directors' Report

The directors of Colorpak Limited (hereinafter referred to as "the company") present their report together with the financial statements of the company for the year ended 30 June 2012.

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 (resigned 24 August 2012)

B. Constance

D. Heaney

I. Wightwick

The details of the directors and each director's qualifications, age, experience and special responsibilities are included on pages 16 and 17 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 17 of this Annual Report.

Directors' Interests

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

	Colorpak Limited Ordinary Shares
G. Willis	263,221
A. Commins [1.]	26,597,341
B. Constance	80,119
D. Heaney	828,000
I. Wightwick	100,000

1. Mr A. Commins is a beneficiary of the Walter Commins Family Trust. The trustee of this trust, Carton Services Pty Ltd, holds 26,018,534 shares in the company.

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

Principal Activities

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

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

Earnings Per Share

	Cents
Basic and diluted earnings per share	(3.80)

Directors' Report

Dividends

	Cents	$000
Final dividend recommended on ordinary shares	1.75	1,427
Interim dividend paid in the year on ordinary shares	1.50	1,223
Total dividend in respect of the year	3.25	2,650

Operating and Financial Review

Financial Performance

Revenue from sale of goods amounted to $191,661,000, 52.7% up on the corresponding prior comparable period ("pcp") of $125,548,000. This large uplift follows inclusion of a full twelve months trading of the acquired Carter Holt Harvey's (CHH) folding carton operations in Australia and New Zealand. The acquired business has been fully integrated with the traditional Colorpak business.

Notwithstanding the substantial lift in revenue, the market conditions were generally difficult throughout the year and the landscape remains competitive.

Colorpak's financial performance for the year has been significantly impacted by the restructure activities necessary to improve returns on the acquired CHH business.

The company's reported NPAT was a loss of $3,227,000 (2011: profit of $15,875,000). This reported result includes a total of $10,887,000 of restructuring and business combination costs (2011: positive contribution of $8,815,000) considered to be of a one-off nature. Given the importance of the restructuring and business combination costs they are set out in detail in note 5 and then eliminated in the table below to present an analysis of the company's ongoing trading operations, which has been termed the "underlying result":

	2012		2011	
	NPBT $000	**NPAT $000**	NPBT $000	NPAT $000
Reported result	**(6,289)**	**(3,227)**	18,297	15,875
Add back, restructuring and business combination costs	**(15,541)**	**(10,887)**	8,077	8,815
Underlying result	**9,252**	**7,660**	10,220	7,060

The numbers in the table above have been audited.

The "underlying result" for the year is shown to have increased by 8.5% to $7,660,000. However, it should be noted that this "underlying result" includes a benefit from a one-off adjustment of $1,220,000 to the prior year deferred tax position related to the acquisition and it also includes the impact of additional factory costs arising from the Victorian site rationalisation which could not be quantified. The tax benefit is included in income tax expense and disclosed in note 6 as an adjustment to the prior year.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[1] margins, as measured against sale of goods and after exclusion of restructuring and business combination costs, fell from 12.5% to 8.7%, reflective of the lower margin business acquired and the tough economic and competitive environment. Finance costs increased because of the higher debt and depreciation was higher with the inclusion of the acquired fixed assets.

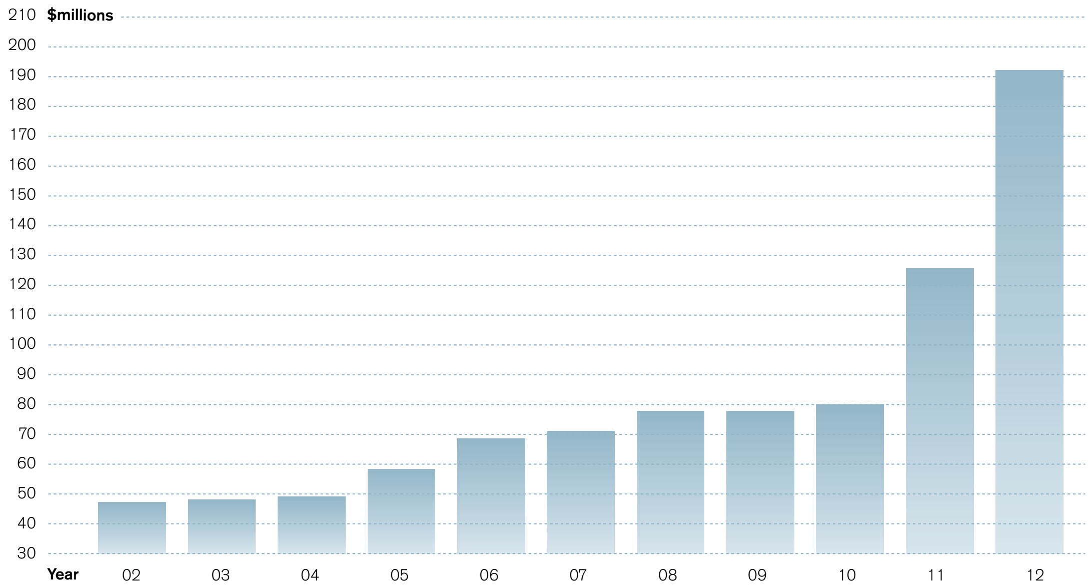
The increase in operating profit from the continuing operations (excluding restructuring and business combination transactions) has raised EPS on the "underlying result" to 9.39 cents per share, which was 7.9% up from the 8.70 cents per share in the previous year. Reported EPS was (3.96) cents per share. This level of underlying profitability is considered to be another solid achievement in the current economic environment. The company continues to apply intense attention to increase margins through pricing, innovation and cost reduction measures, including benefits of site rationalisations.

[1] EBITDA is the profit before tax, acquisition and restructure related transactions, finance charges and depreciation and amortisation.

Directors' Report

Compound sales growth over the last 10 years has averaged 14.9% pa. Colorpak's revenue history is set out in the following table:

Sales Growth – Sales of Goods and Services



Cash Flow

Cash generation from operations for the year, before restructuring and business combination costs, was an inflow of $17,165,000, up $10,966,000 on the pcp. Costs associated with the restructure of the company's operations, principally the closure of the Reservoir site, as well as ongoing costs associated with integrating the acquired business in 2012 amounted to an outflow of $11,677,000, reducing reported net cash flows from operating activities to an inflow of $5,488,000, which is $2,925,000 up on the pcp.

The company incurred capital expenditure, net of proceeds on disposal of assets, of $3,229,000 for the year. The company also paid $4,341,000 in the final settlement under the acquisition agreement for the CHH businesses for the precise amount of working capital taken over at the date of acquisition.

Debt, net of cash at bank, increased from $34,186,000 to $38,913,000. The company remains conservatively geared with gearing of 36.7% and maintains adequate cash reserves and undrawn bank credit limits to meet its expected working capital and capital expenditure requirements for the foreseeable future. Non-current debt at 30 June 2012 was $36,241,000 with agreements which will next be subject to review in September 2013.

Directors' Report

Operating Activities

The integration of the CHH business assets into Colorpak was the key management focus throughout the year. The company can report that considerable progress has been made in building a strong platform to continue to provide customers with stand-out packaging solutions for their products. Whilst the up front financial impacts have been significant it has been extremely important that long-run cost efficient customer focused solutions have been implemented because the market landscape, especially in the last six months, has become relatively tough. Soft retail spending, cautious behaviour from our customers and a strong local currency have all conspired to make trading conditions difficult.

The company's focus on cost competitiveness continues and on 18 June 2012 the rationalisation of the company's NSW operations was announced. The Villawood site, acquired in the CHH acquisition, will be vacated in preference for an expanded Regents Park site, itself a greenfield development from 2006 which typifies the streamlined way that Colorpak operates. Not only will this pave the way for the company to manufacture from the most modern world class facilities but it will avoid many duplicated costs associated with running two sites in NSW, including one less upgrade to an MIS system had we remained at Villawood. All expected costs associated with the NSW rationalisation have been captured in this year's financial statements. We do not expect any redundancies to be crystallised as a result of this part of the integration as all machines, customers and staff will make the short move.

The Victorian operations have also undergone major change with the Reservoir closure and Braeside expansion going well. The Foilmasters and Brandpack businesses have been relocated from Dandenong and Mt Waverley respectively and now operate from purpose-designed facilities adjacent to the Braeside carton operations.

The paper cup division is performing well with manufacturing efficiencies increasing post the initial commissioning period. Pipeline opportunities are strong with existing and potential customers in both ice-cream and other fast moving consumer good categories.

Every division has had its EBA renewed and the industrial relations environment remains harmonious. Safety performance continues to improve and lean manufacturing training is taking place at Braeside.

Customer satisfaction is at a high level as measured independently and by customer interactions. The company's relentless drive for quality, service and innovation has seen a number of important supply contracts renewed during the year despite the competitive environment.

Shareholder Returns

The company has delivered the following returns to shareholders:

	2012	2011	2010	2009	2008
Basic earnings per share (cents)	**(3.96)** [(1)]	19.56 [(1)]	7.90	6.94	7.72
Return on assets (%)	**(2.1)**	9.9	6.6	5.8	6.2
Return on equity (%)	**(4.7)**	24.3	11.2	10.5	12.0
Gearing (debt/debt+equity) (%)	**36.7**	31.8	27.3	33.0	34.9
Dividend payout ratio (%)	**(82.1)** [(1)]	16.7 [(1)]	53.8 [(2)]	43.3	51.8 [(2)]
Total shareholder return (%) [(3)]	**(16.1)**	60.9	22.5	(6.4)	(7.4)
Available franking credits ($000)	**8,466**	7,087	5,941	4,971	3,978

1. EPS on the underlying result, which excludes restructuring and business combination transactions, was 9.39 cents (2011: 8.70 cents) and the dividend payout ratio was 34.6% (2011: 37.5%).
2. Includes the 1.0 cent special dividend.
3. Includes dividends paid during the year only (excludes the final and special dividends). Based on the share price of $0.555 at 30 June 2012.

Directors' Report

Asset and Capital Structure

	2012 $000	2011 $000
Debt		
Interest-bearing loans and borrowings	**38,917**	34,186
Cash and cash equivalents	**(4)**	(5)
Net debt	**38,913**	34,181
Total equity	**67,001**	73,275
Total capital employed	**105,914**	107,456
Gearing (debt/debt+equity)	**36.7%**	31.8%

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

Treasury

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

	2012 $000	2011 $000
Current		
Bank overdraft	**445**	3,178
Trade finance	**985**	–
	1,430	3,178
Non-current		
Bank loans – secured by debenture security	**36,241**	31,008
Trade finance	**1,246**	–
	37,487	31,008
	38,917	34,186

The company had $12,989,000 in cash and immediately drawable overdraft and bill facilities at 30 June 2012. With the exception of payments on the trade finance facility, there are no debt repayment requirements on the company's core bill facilities before September 2013, at which time those facilities are expected to be renewed. The company continues to generate steady cash flows and the company's capacity to create business development opportunities continues to improve.

72.5% of the company's drawn debt was fixed at 30 June 2012 with a relatively even reduction in fixed debt exposures across the years 2013 to 2016. The company has a policy of reviewing and adjusting its level of debt that is subject to fixed interest rates periodically in response to prevailing market conditions.

Directors' Report

Investments for Future Performance

The company's main facilities at Braeside in Victoria and Regents Park in NSW have been substantially developed as a result of the rationalisation work over the past year and, in conjunction with the capital investment program lifting capacity, has set the foundation for productivity improvements in the future. Capital expenditures in 2013 are expected to be around $4,500,000 to increase automation and efficiencies and adopt latest global technologies 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 underlying profit before tax for the 2013 financial year, despite an expected decline in sales. Cash flows from operations are expected to continue to be robust allowing a concerted reduction in debt, further strengthening the company's balance sheet and enabling planned and opportunistic growth options to be pursued.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 2 October 2012.

This brings the full year dividend for 2012 to 3.25 cents per share, fully franked. The dividend payout ratio is (82.1)% measured against reported NPAT and 34.6% measured against NPAT from the underlying operations. Based on the share price at 30 June 2012 of 55.5 cents, this provides a dividend yield of 5.8%, 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

Other than is disclosed in note 24, no matter or circumstance has arisen since 30 June 2012 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 that 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.

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 agreed at the company's 2011 Annual General Meeting, when the shareholders approved an aggregate remuneration cap of $500,000 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. Additional fees are paid to non-executive directors who chair the board and its committees to reflect their extra work load and in accordance with market practice.

Directors' Report

Remuneration Report (audited) (continued)

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

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

The remuneration of non-executive directors for the period ending 30 June 2012 is detailed in the table on page 37 of this Annual Report.

Executive Director and Senior Manager Remuneration

Objective

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

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

Structure

Fixed term employment contracts have been entered into with the Managing Director, the Operations Development Director and National Manufacturing Director. Details of these contracts are provided on page 35. All other senior managers have employment contracts with no fixed term.

Remuneration consists of the following key elements:

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

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

The table on page 37 details the fixed and variable components of key management personnel, of which the five 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 five most highly remunerated senior executives is detailed on page 37.

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, thus putting an element of the executives' remuneration "at risk". 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. 60% of the STI is tied to operating targets for financial performance, based on achievement of pre-determined earnings per share (EPS) and/or NPAT. The EPS and/or NPAT benchmark has been used because it drives short-term performance, aligning executive short-term interests with shareholders' interests. 30% of the STI is tied to individual senior executive objectives. 10% of the STI is tied to the company's performance on safety benchmarks in recognition of the importance that the company places on the physical workplace and employee wellbeing. The aggregate of annual STI payments available for executives across the company is subject to board approval on the recommendation of the Nomination and Remuneration Committee.

In respect of the grant under the EIP for the 2012 financial year, the financial performance condition was based on achievement of a pro-rata of pre-determined earnings that commenced on achievement of the board approved budget for the year. The actual earnings achieved in 2012 as measured by the NPAT from operations (excluding acquisition related transactions) were below this target and accordingly no financial performance incentive is payable. Achievement of safety benchmarks and individual objectives has resulted in a total of $205,000 being payable. This represents 30% of the aggregate EIP potentially achievable.

Directors' Report

Remuneration Report (audited) (continued)

Variable Remuneration – Short-term Incentive (STI) (continued)

In respect of the 2013 year:

- The financial performance condition is subject to the achievement of the board approved 2013 budget. No financial performance incentive will be payable unless this condition is achieved. 80% of the STI will be allocated to financial targets starting with achievement of the 2013 budget and over-budget achievement steps, and will be awarded to STI participants on a sliding scale above the performance hurdle;
- The safety performance condition is based on achieving a lost time injury frequency rate below a board approved pre-set target. 5% of the STI will be allocated to this condition;
- Individual performance conditions have been established for all executives. 15% of the STI will be allocated to this condition. No STI in relation to this condition will be payable unless the company exceeds 90% of the board approved 2013 budget; and
- The maximum total amount payable to members of the key management personnel is $706,000 and the minimum amount payable is nil.

In respect of the 2011 year, the financial target conditions were exceeded but the company narrowly missed to achieve its safety benchmarks and total of $480,815 of the STI was paid, representing 85% of the aggregate achievable.

In addition to the EIP, the company also operates a short-term incentive plan to reward key executives who are not members of the key management personnel. Participation in this plan is at the discretion of the Managing Director. Targets are established tailored to each participant and using a combination of safety, financial and individual performance measures. In respect of the 2012 year a total of $115,000 of the STI was paid, representing 39% of the aggregate potentially achievable. The maximum payable under this plan for the 2013 year is currently set at $316,000, with the minimum amount payable being nil.

Employment Contracts

The Managing Director, Mr A. Commins and the National Manufacturing Director, Mr H. Commins are each employed under contract with the company. The current employment contracts terminate on 31 August 2015, at which time the company may choose to commence negotiation to enter into a new employment contract with the respective senior executive. Under the terms of the present contracts:

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

The Operations Development Director, Mr P. Commins, was employed under a contract to expire on 31 December 2012 on the same terms as outlined above. Mr P. Commins resigned on 24 August 2012 and details of his termination are set-out in the subsequent events section of this Remuneration Report.

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

Directors' Report

Remuneration Report (audited) (continued)

Subsequent Events

The Operations Development Director, Mr P. Commins, was employed under an employment contract that was due to expire on 31 December 2012. Under the terms of that contract the senior executive was able to resign from his position and thus terminate his contract at any time within six months of expiry of his contract by giving six months written notice. On resignation, subject to the board's discretion, rights to any STI where the entitlement has not then crystallised will be forfeited.

Mr P. Commins resigned from the company on 24 August 2012 and the company has agreed to pay the following:

- $198,636 in consideration of 6 months notice under his contract; plus
- $81,000 in employee entitlements; plus
- $128,000 as an ex-gratia payment.

The above amounts have been paid in the 2013 financial year and are not included in the table on page 37.

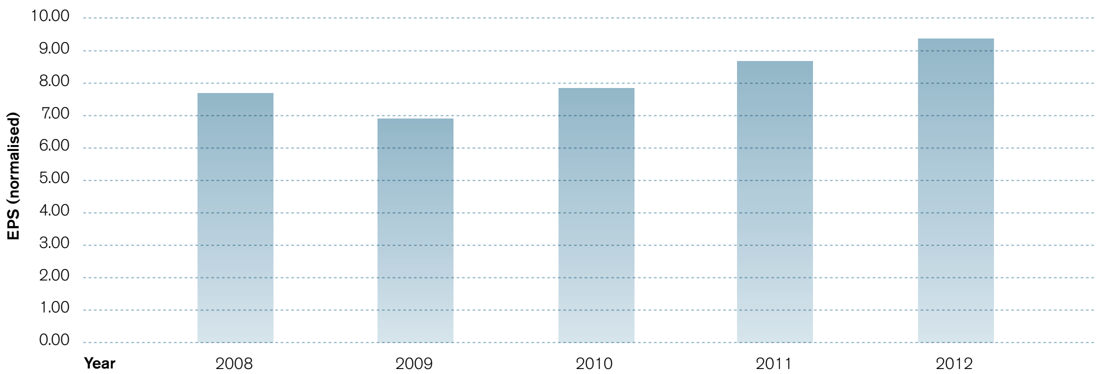
The ex-gratia payment has been made in consideration of the valued contribution by P. Commins in the evaluation of the CHH acquisition in March 2011 and then subsequently leading the integration of those operations with the company's existing operations.

The senior executive has agreed not to compete with the company for a period of twelve months after his cessation of employment.

Company Performance

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

Earnings Per Share (from underlying operations)



A graph of net profit after tax, normalised to exclude acquisition related transactions, does not materially differ to the above table due to minimal numbers of shares being issued over the past five years.

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 $	Perform-ance related %
Non-Executive Directors								
G. Willis (Chairman)	**2012**	**90,899**	**–**	**–**	**30,900**	**–**	**121,799**	**–**
	2011	60,763	–	–	37,499	–	98,262	–
B. Constance[(1)]	**2012**	**51,147**	**–**	**–**	**9,753**	**–**	**60,900**	**–**
	2011	3,035	–	–	273	–	3,308	–
D. Heaney	**2012**	**22,049**	**–**	**–**	**49,001**	**–**	**71,050**	**–**
	2011	12,797	–	–	48,106	–	60,903	–
I. Wightwick	**2012**	**45,050**	**–**	**–**	**26,000**	**–**	**71,050**	**–**
	2011	60,903	–	–	–	–	60,903	–
Executive Directors								
A. Commins (Managing Director)	**2012**	**404,881**	**28,518**	**35,969**	**23,351**	**6,111**	**498,830**	**7.9**
	2011	327,560	32,853	82,233	23,351	12,964	478,961	21.4
P. Commins[(3)] (Operations Development Director)	**2012**	**328,480**	**33,869**	**34,713**	**23,351**	**23,302**	**443,715**	**9.0**
	2011	261,448	39,260	68,820	23,351	(621)	392,258	21.2
Executive Officers								
H. Commins (National Manufacturing Director)	**2012**	**334,531**	**27,818**	**29,306**	**23,351**	**9,460**	**424,466**	**7.6**
	2011	278,825	35,895	72,442	23,351	10,537	421,050	21.4
S. Nicholls (Chief Financial Officer & Company Secretary)	**2012**	**235,586**	**20,732**	**33,114**	**48,077**	**19,127**	**356,636**	**10.9**
	2011	214,487	22,265	60,930	50,000	7,234	354,916	21.2
D. Johnson (General Manager – NSW)	**2012**	**299,364**	**35,036**	**26,263**	**15,775**	**13,249**	**389,687**	**7.5**
	2011	257,728	37,248	66,262	15,266	4,379	380,882	21.4
L. Bremner (National HR Manager)	**2012**	**153,618**	**16,273**	**9,392**	**16,368**	**10,663**	**206,314**	**5.0**
	2011	114,851	13,188	23,559	17,250	3,488	172,336	16.2
C. Cleary[(2)] (National IR Manager)	**2012**	**164,487**	**–**	**15,028**	**16,367**	**15**	**195,897**	**8.3**
	2011	94,574	–	32,092	15,722	109	142,497	29.1

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

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

(3) P. Commins resigned from the company on 24 August 2012 and all payments made in consequence of his resignation are excluded from this table and will be recognised and disclosed in the 2013 Remuneration Report.

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

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

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

Directors' Report

Directors' Meetings

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

		Meetings of Committees		
	Directors' Meetings	Audit, Risk Management and Compliance	Nomination and Remuneration	Integration Sub-Committee
Number of meetings held:	15	4	2	5
Number of meetings attended:				
G. Willis	15	4	2	5
A. Commins	14	–	–	5
P. Commins	14	–	–	5
H. Commins (alternate)	2	–	–	–
B. Constance	15	4	2	5
D. Heaney	15	4	2	4
I. Wightwick	14	4	2	5

The details of the functions and memberships of the committees of the board are presented in the Corporate Governance section included on pages 18 to 23 of this Annual Report.

Indemnification and Insurance of Directors and Officers

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

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

Rounding

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

Directors' Report

Auditor Independence and Non-Audit Services

Independence Declaration

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

Non-Audit Services

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

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

	$
Tax compliance services	31,000
Other assurance services	5,600

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

G.L. Willis
Chairman

A. Commins
Managing Director

Braeside
31 August 2012

Consolidated Statement of Comprehensive Income

as at 30 June 2012

	Note	**2012 $000**	2011 $000
Revenue	5	**195,464**	127,369
Other income		**–**	137
Changes in inventories of finished goods and work in progress		**(2,947)**	629
Raw materials and consumables used		**(83,207)**	(55,161)
Employee benefits expense	5	**(61,639)**	(39,325)
Depreciation and amortisation		**(3,956)**	(3,104)
Other indirect manufacturing costs		**(16,590)**	(10,225)
Occupancy costs		**(8,653)**	(4,806)
Other expenses		**(5,693)**	(2,816)
Profit before tax, acquisition and restructure related transactions and finance costs		**12,779**	12,698
Finance costs	5	**(3,527)**	(2,478)
Profit before income tax and acquisition and restructure related transactions		**9,252**	10,220
Acquisition and restructure related transactions:			
Impairment of intangibles		**–**	(510)
Gain on acquisition		**–**	12,223
Business combination costs	5	**(258)**	(1,444)
Restructure and integration and costs	5	**(15,283)**	(2,192)
Total acquisition and restructure related transactions		**(15,541)**	8,077
Profit/(Loss) before income tax		**(6,289)**	18,297
Income tax expense from continuing operations		**(1,592)**	(3,160)
Income tax benefit on acquisition and restructure related transactions		**4,654**	738
Total income tax expense	6	**3,062**	(2,422)
Net profit/(loss) for the period		**(3,227)**	15,875
Other comprehensive income			
Cash flow hedges			
Gain/(loss) taken to equity		**(591)**	317
Income tax expense on items of other comprehensive income		**177**	(95)
Foreign currency translation		**17**	(92)
Other comprehensive income for the period, net of tax		**(397)**	130
Total comprehensive income for the period		**(3,624)**	16,005
Earnings per share (cents per share)			
Basic and diluted on profit for the year attributable to ordinary equity holders of the company	7	**(3.96)**	19.56

Consolidated Statement of Financial Position
as at 30 June 2012

	Note	2012 $000	2011 $000
Assets			
Current assets			
Cash and cash equivalents	9	**4**	5
Trade and other receivables	10	**31,384**	38,221
Inventories	11	**28,227**	30,480
Income tax receivable		**648**	–
Other current assets	12	**743**	1,808
Total current assets		**61,006**	70,514
Non-current assets			
Property, plant and equipment	13	**40,566**	40,582
Goodwill and intangible assets	14	**46,134**	46,134
Deferred income tax asset	6	**6,424**	3,835
Total non-current assets		**93,124**	90,551
Total assets		**154,130**	161,065
Liabilities			
Current liabilities			
Trade and other payables	15	**21,586**	25,403
Interest-bearing loans and borrowings	16	**1,430**	3,178
Income tax payable		**–**	1,775
Provisions	17	**12,282**	11,673
Derivative financial instruments	19	**129**	170
Total current liabilities		**35,427**	42,199
Non-current liabilities			
Interest-bearing loans and borrowings	16	**37,487**	31,008
Deferred income tax liabilities	6	**–**	–
Provisions	17	**13,272**	14,271
Derivative financial instruments	19	**943**	312
Total non-current liabilities		**51,702**	45,591
Total liabilities		**87,129**	87,790
Net assets		**67,001**	73,275
Equity			
Contributed equity	18	**39,484**	39,484
Retained profits		**28,343**	34,220
Reserves		**(826)**	(429)
Total equity		**67,001**	73,275

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Note	**2012 $000 Inflows/ (Outflows)**	2011 $000 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**220,728**	131,583
Payments to suppliers and employees		**(198,427)**	(120,178)
Interest received	5	**60**	52
Income taxes paid		**(1,762)**	(2,625)
Borrowing costs		**(3,434)**	(2,633)
Net cash flows from operating activities (before acquisition and restructure related transactions)		**17,165**	6,199
Acquisition and restructure related transactions		**(11,677)**	(3,636)
Net cash flows from operating activities	9	**5,488**	2,563
Cash flows from investing activities			
Purchase of business, net of cash acquired		**(4,341)**	(5,000)
Proceeds from sale of property, plant and equipment		**1,294**	164
Purchase of property, plant and equipment		**(4,523)**	(5,744)
Net cash flows used in investing activities		**(7,570)**	(10,580)
Cash flows from/(used in) financing activities			
Repayment of finance lease principal		**(766)**	–
Proceeds of borrowings		**8,230**	8,256
Repayment of borrowings		**–**	–
Payment of dividends	8	**(2,650)**	(3,449)
Net cash flows used in financing activities		**4,814**	4,809
Net increase/(decrease) in cash and cash equivalents held		**2,732**	(3,210)
Cash and cash equivalents at the beginning of the year		**(3,173)**	37
Cash and cash equivalents at the end of the year	9	**(441)**	(3,173)

Consolidated Statement of Changes in Equity
for the year ended 30 June 2012

	Attributable to equity holders of the company				
	Contributed equity $000	Retained profits $000	Cash flow hedge reserve $000	FX translation reserve $000	Total equity $000
At 1 July 2011	**39,484**	**34,220**	**(337)**	**(92)**	**73,275**
Profit/(loss) for the period	**–**	**(3,227)**	**–**	**–**	**(3,227)**
Other comprehensive income	**–**	**–**	**(414)**	**17**	**(397)**
Total comprehensive income for the period	**–**	**(3,227)**	**(414)**	**17**	**(3,624)**
Transactions with owners in their capacity as owners:					
Shares issued	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**(2,650)**	**–**	**–**	**(2,650)**
At 30 June 2012	**39,484**	**28,343**	**(751)**	**(75)**	**67,001**
At 1 July 2010	39,214	21,794	(559)	–	60,449
Profit for the period	–	15,875	–	–	15,875
Other comprehensive income	–	–	222	(92)	130
Total comprehensive income for the period	–	15,875	222	(92)	16,005
Transactions with owners in their capacity as owners:					
Shares issued	270	–	–	–	270
Dividends paid	–	(3,449)	–	–	(3,449)
At 30 June 2011	39,484	34,220	(337)	(92)	73,275

Notes to the Consolidated Financial Statements
30 June 2012

1. Corporate Information

The financial report of Colorpak Limited (the company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 31 August 2012.

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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

(a) Compliance with IFRS

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

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

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

The company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 July 2011;
- *Improvements to AASBs* (May 2010).

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

AASB 124 *Related Party Transactions* (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the company.

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Annual Improvements Project

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the company:

- AASB 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

  The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011;
- AASB 7 *Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context;
- AASB 101 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The company provides this analysis in the statement of changes in equity.

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

- AASB 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of AASB 3 (as revised in 2008));
- AASB 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards);
- AASB 127 *Consolidated and Separate Financial Statements*;
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010;
- AASB 134 *Interim Financial Statements*.

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the company:

- AASB Int 13 *Customer Loyalty Programmes* (determining the fair value of award credits);
- AASB Int 19 *Extinguishing Financial Liabilities with Equity Instruments*.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the company for the annual reporting period ending 30 June 2012 are outlined in the table commencing on the next page.

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	No material impact	1 July 2012
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015**	No material impact	1 July 2015

Notes to the Consolidated Financial Statements

30 June 2012

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	No impact	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No impact	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	No material impact	1 July 2013

Notes to the Consolidated Financial Statements

30 June 2012

2. Summary of Significant Accounting Policies (continued)

Ref	Title	Summary	Applictn date of standard*	Impact on financial report	Applictn date for company*
Annual Improv-ments 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting. Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information. IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities.	1 January 2013	No material impact	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	No material impact	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the repeat application of AASB 1 is permitted (AASB 1).	1 January 2013	No material impact	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	No material impact	1 July 2015

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 from annual periods beginning 1 January 2013 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of standard is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(c) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(i) Significant accounting judgements

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

(ii) Significant accounting estimates and assumptions

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

Impairment of Non-Financial Assets Other than Goodwill

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

Impairment of Goodwill

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

Long Service Leave Provision

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

Estimation of Useful Lives of Assets

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

Provision for Make-Good

The group has recognised provisions for make-good obligations on exit of each of its premises leases. In determining the fair value of these provisions, the group has obtained valuations from independent 3rd party experts. The carrying amount of the provisions at 30 June 2012 was $3,423,000 (2011: $3,435,000).

Provision for Unfavourable Leases

As part of the identification and measurement of assets and liabilities for the acquisition of the CHH folding carton operations, the group has recognised provisions for onerous leases reflecting the excessive rent being paid on certain properties. In determining the fair value of these provisions, the group has obtained valuations from independent third party experts regarding the commercial rents that would be expected to be paid at the date of acquisition on similar properties with similar lease terms and conditions. The carrying amount of the provisions at 30 June 2012 was $4,924,000 (2011: $6,314,000).

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(c) Significant Accounting Judgements, Estimates and Assumptions (continued)

Provision for Unfavourable Contracts

As part of the identification and measurement of assets and liabilities for the acquisition of the CHH folding carton operations, the group has recognised a provision for unfavourable contracts. In determining the fair value of the provisions, assumptions and estimates are made in relation to discount rates and the profitability of each customer contract. The carrying amount of the provision at 30 June 2012 was $3,346,000 (2011: $5,404,000).

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. These include the determination of purchase consideration on the Carter Holt Harvey acquisition in March 2011, which has been calculated in accordance with the accounting standard, AASB3: Business Combinations, and has been adopted for the preparation of the company's tax return and deferred tax position purposes. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The group has tax loss carry forwards amounting to $5,570,000 (2011: nil) that have arisen because of the restructure activities undertaken in the 2012 financial year. The group has a history of strong profitability and expects these losses, which do not expire, to be absorbed against future taxable income in the short-term.

Further details on taxes are disclosed in note 6.

(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 Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position 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 derecognised 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, which generally have 30–60 days terms from the end of the month of invoice, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

(h) Inventories

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

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

- Raw materials – purchase cost plus other directly attributable costs on a first-in, first-out basis. Raw materials include equipment spares which are expected to be consumed within the next 12 months;
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(i) Property, Plant and Equipment

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

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

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

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

Impairment

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

Derecognition 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

(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 Consolidated Financial Statements
30 June 2012

(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 then 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.

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(n) Employee Leave Benefits

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within twelve 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.

The liability for annual leave expected to be settled within twelve months of the reporting date is recognised in the current provision for employee benefits and is measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

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

(o) 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;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and

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

(p) 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.

Notes to the Consolidated Financial Statements
30 June 2012

2. Summary of Significant Accounting Policies (continued)

(q) Leases

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

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

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

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

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

(r) Borrowing Costs

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

(s) Revenue

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

Sale of Goods

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

Rendering of Services

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

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

Interest Revenue

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

Other Revenue

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

Notes to the Consolidated Financial Statements

30 June 2012

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 date.

Deferred income tax is provided on all temporary differences at the balance 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 date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

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

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

(u) Other Taxes

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

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

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

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

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

Notes to the Consolidated Financial Statements
30 June 2012

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) Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(x) Foreign Currency Translation

The consolidated financial statements are presented in Australian dollars (A$), which is also the company's functional currency. The New Zealand subsidiary's functional currency is New Zealand dollars (NZ$).

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 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 Consolidated Financial Statements

30 June 2012

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:

	2012 $000	2011 $000
Financial assets		
Cash and cash equivalents	**4**	5
Financial liabilities		
Bank overdrafts	**(445)**	(3,178)
Bank loans	**(10,241)**	(12,008)
	(10,686)	(15,186)
Net exposure	**(10,682)**	(15,181)

Notes to the Consolidated Financial Statements
30 June 2012

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

Interest rate swap contracts outlined in note 19, with a fair value of $(1,073,000) (2011: ($481,000)), are exposed to fair value movements if interest rates change.

The company's policy is to manage its interest cost using a mix of fixed and variable rate debt. The company's policy is to keep more than 50% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the company enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 61% of the company's borrowings are at a fixed rate of interest.

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

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

At 30 June 2012, 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)	
	2012 $000	2011 $000	**2012 $000**	2011 $000
+ 1% (100 basis points)	**(72)**	(84)	**461**	279
- 0.5% (50 basis points)	**36**	42	**(177)**	(72)

The movements in profit are due to higher aggregate variable rate debt at the end of the year compared to the prior year that is not covered by interest rate swaps. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity has moved marginally between 2012 and 2011.

Foreign Currency Risk

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

The company had no forward hedge contracts in existence at the end of 2012. Management believe that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Price Risk

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

Notes to the Consolidated Financial Statements

30 June 2012

3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

Credit Risk

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

The company trades only with recognised, creditworthy third parties.

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

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

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

Liquidity Risk

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

The company's policy is that not more than 25% of trade finance/hire purchase and bank loans should mature in any 12-month period. At 30 June 2012 $985,000 of the company's trade finance/hire purchase and bank loans will mature in less than one year (2011: nil).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2012. 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 2012.

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

	< 6 months $000	6–12 months $000	1–5 years $000	> 5 years $000	Total $000
Year ended 30 June 2012					
Interest-bearing loans and borrowings	**445**	**985**	**37,487**	**–**	**38,917**
Derivatives	**86**	**43**	**943**	**–**	**1,072**
	531	**1,028**	**38,430**	**–**	**39,989**
Year ended 30 June 2011					
Interest-bearing loans and borrowings	3,178	–	31,008	–	34,186
Derivatives	–	170	312	–	482
	3,178	170	31,320	–	34,668

Notes to the Consolidated Financial Statements
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3. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

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

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

Year ended 30 June 2012	< 6 months $000	6–12 months $000	1–5 years $000	> 5 years $000	Total $000
Financial assets					
Cash and cash equivalents	**4**	–	–	–	**4**
Trade and other receivables	**31,384**	–	–	–	**31,384**
	31,388	–	–	–	**31,388**
Financial liabilities					
Trade and other payables	**21,584**	–	–	–	**21,584**
Interest-bearing loans and borrowings	**445**	**985**	**37,487**	–	**38,917**
Derivatives	**86**	**43**	**943**	–	**1,072**
	22,115	**1,028**	**38,430**	–	**61,573**
Net maturity	**9,273**	**(1,028)**	**(38,430)**	–	**(30,185)**

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

The company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date, the company has approximately $12,989,000 (2011: $18,689,000) of unused credit facilities available for its immediate use.

Fair value

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

Notes to the Consolidated Financial Statements
30 June 2012

4. Segment Information

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

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

Types of Products and Services

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

Accounting Policies and Inter-segment Transactions

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

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

Major Customers

The group has a single customer that contributes external revenues in excess of 10% of the group's revenues (being 13%). In 2011 there was also a single customer above 10%, aggregating to 15% of external revenues.

Geographic Spread

	2012			2011		
	Australia $000	**New Zealand $000**	**Total $000**	Australia $000	New Zealand $000	Total $000
Revenues	**167,451**	**28,013**	**195,464**	116,860	10,509	127,369
Net profit/(loss) for the period	**(3,374)**	**147**	**(3,227)**	13,050	2,825	15,875
Total assets	**143,269**	**10,861**	**154,130**	148,553	12,512	161,065

Notes to the Consolidated Financial Statements

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5. Revenues and 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 group:

	Note	2012 $000	2011 $000
(i) Revenue			
Sales to external customers		**191,661**	125,548
Interest from unrelated persons		**60**	52
Unfavourable contracts		**2,109**	858
Other revenues from external customers		**1,634**	911
		195,464	127,369
(ii) Expenses			
Finance costs			
Interest paid or payable to unrelated persons		**3,311**	2,460
Finance charges payable under finance leases and hire purchase contracts		**216**	18
Total finance costs expensed		**3,527**	2,478
Lease payments included in income statement			
Minimum lease payments – operating leases		**6,003**	3,369
Other expenses include:			
Doubtful debts		**218**	(9)
Employee benefits expense includes:			
Superannuation		**4,051**	2,603
Senior executive incentive plan		**345**	481
Employee Share issues (included in Integration costs)	18(b)	**–**	270

Notes to the Consolidated Financial Statements
30 June 2012

5. Revenues and Expenses (continued)

The following costs are recorded on the face of the Statement of Comprehensive Income as IFRS related costs and have been separately disclosed because they are non-recurring and, without separate disclosure, would result in a misleading understanding by the users of the financial statements:

	2012 $000	2011 $000
Restructuring and integration costs		
Redundancies	**7,290**	–
Premises provisions	**6,081**	–
Moving costs	**804**	–
Equipment and inventory provisions	**180**	–
Impairment of non-current assets	**174**	–
Integration costs	**754**	2,192
Total restructuring and integration costs	**15,283**	2,192
Business combination costs		
Computer set-up	**120**	–
Rebranding	**84**	–
Legal	**25**	400
Accounting and tax	–	352
Adviser fees	**15**	530
Other	**14**	162
Total business combination costs	**258**	1,444

(b) Seasonality of Operations

The group experiences some seasonality in relation to demand for its product, with sales in the 1st half typically around 55% of annual sales.

Notes to the Consolidated Financial Statements

30 June 2012

6. Income Tax

The major components of income tax expense are:

Income Statement

	2012 $000	2011 $000
Current income tax		
Current income tax charge	**(2,834)**	3,682
Adjustments in respect of current income tax of previous years	**17**	(1)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(245)**	(1,259)
Income tax expense reported in the income statement	**(3,062)**	2,422

Statement of Changes in Equity

	2012 $000	2011 $000
Deferred income tax related to items charged or credited directly to equity		
Net gain/(loss) on revaluation of cash flow hedges	**(177)**	95
Income tax expense/(credit) reported in equity	**(177)**	95

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:

	2012 $000	2011 $000
Accounting profit/(loss) before income tax	**(6,289)**	18,297
Tax expense/(credit) at the company's statutory income tax rate (30%)	**(1,887)**	5,489
• Acquisition costs not allowable for income tax purposes	**–**	342
• Gain on acquisition not assessable	**–**	(3,667)
• Impairment of business name	**–**	153
• Change in tax rate of foreign subsidiary	**–**	50
• Adjustments in respect of current income tax of previous years	**17**	(1)
• Difference in tax rate of foreign subsidiary	**(4)**	–
• Adjustment to prior year deferred position – acquisition related	**(1,220)**	–
• Expenditure not allowable for income tax purposes	**32**	56
Income tax expense/(credit) reported in the income statement	**(3,062)**	2,422

Notes to the Consolidated Financial Statements
30 June 2012

6. Income Tax (continued)

Deferred Income Tax

Deferred income tax at 30 June relates to:

	Balance sheet		Income statement	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Deferred income tax assets				
Doubtful debts	**64**	17	**47**	(1)
Inventory provisions	**84**	61	**23**	20
Employee benefits	**2,785**	3,038	**(255)**	303
Accruals	**4,985**	4,570	**407**	(268)
Acquisition costs	**8**	11	**(4)**	11
Restructure costs	**124**	19	**106**	(15)
Interest swaps (cash flow hedges)	**322**	144	**–**	–
Tax losses	**1,700**	–	**–**	–
Gross deferred income tax assets	**10,072**	7,860		
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	**3,648**	3,999	**(105)**	(273)
Acquired debtors and inventory	**–**	26	**26**	1,482
Interest swaps (held for trading)	**–**	–	**–**	–
Gross deferred income tax liabilities	**3,648**	4,025		
Deferred income tax charge	**–**	–	**245**	1,259
Net deferred tax liabilities	**(6,424)**	(3,835)		

7. Earnings Per Share

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

	2012	2011
Basic and diluted earnings per share (cents per share)	**(3.96)**	19.56
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	**81,537,151**	81,178,176
Net profit/(loss) used in the calculation of basic and diluted earnings per share ($000)	**(3,227)**	15,875

Subscription or issues after 30 June 2012

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

Notes to the Consolidated Financial Statements
30 June 2012

8. Dividends Paid and Proposed

(a) Recognised Amounts

Declared and Paid During the Year:

	2012 $000	2011 $000
Dividends on ordinary shares:		
Final franked dividend for 2011: 1.75 cents (2010: 1.75 cents)	**1,427**	1,420
Special franked dividend for 2011: nil (2010: 1.00 cents)	**–**	812
Interim franked dividend for 2012: 1.50 cents (2011: 1.50 cents)	**1,223**	1,217
	2,650	3,449

(b) Unrecognised Amounts:

	2012 $000	2011 $000
Dividends on ordinary shares:		
Final franked dividend for 2012: 1.75 cents (2011: 1.75 cents)	**1,427**	1,427
	1,427	1,427

Franking Credit Balance:

	2012 $000	2011 $000
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year at 30% (2011: 30%)	**8,466**	7,087
• Franking credits that will arise/(be lost) from the payment/(receipt) of income tax payable/receivable as at the end of the financial year.	**(649)**	1,883
Amount of franking credits available for future reporting periods	**7,817**	8,970
• Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.	**(612)**	(612)
	7,205	8,358

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

Notes to the Consolidated Financial Statements
30 June 2012

9. Cash and Cash Equivalents

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

At 30 June 2012, the company had available $12,989,000 (2011: $18,689,000) of cash and undrawn committed borrowing facilities in respect of which conditions precedent had been met.

Reconciliation to Statement of Cash Flows

	Note	**2012 $000**	2011 $000
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:			
Cash on hand		**4**	5
Cash at bank – with overdraft facility	16	**(445)**	(3,178)
Closing cash balance		**(441)**	(3,173)

Reconciliation of Net Profit After Tax to the Net Cash Flows from Operations

	2012 $000	2011 $000
Net profit/(loss)	**(3,227)**	15,875
Adjustments for non-cash items:		
Depreciation of non-current assets	**3,940**	2,850
Impairment of intangibles	**298**	510
Net (profit)/loss on disposal of plant and equipment	**33**	(137)
Gain on acquisition	**–**	(12,223)
Shares issued under employee share plan	**–**	270
Changes in assets and liabilities:		
Decrease/(Increase) in assets:		
Trade and other receivables	**6,837**	(8,247)
Inventories	**2,253**	(301)
Prepayments (1)	**55**	29
Derivative financial instruments (2)	**–**	–
(Decrease)/Increase in liabilities:		
Trade payables	**3,318**	(821)
Provisions	**(389)**	(27)
Other payables	**(2,796)**	4,989
Income tax payable	**(2,423)**	984
Deferred income tax liabilities	**(2,411)**	(1,188)
Net cash from operating activities	**5,488**	2,563

(1) The movement in prepayments excludes $1,009,000 net movement on property, plant and equipment (2011: $1,241,000).

(2) The movement in Derivative Financial Instruments excludes $591,000 (2011: $317,000) interest swaps taken directly to reserves.

Disclosure of Financing Facilities – refer to note 16.

Disclosure of Non-cash Financing and Investing Activities – refer to note 13(ii).

Notes to the Consolidated Financial Statements

30 June 2012

10. Trade and Other Receivables (current)

	Note	2012 $000	2011 $000
Trade receivables		**30,073**	36,731
Allowance for impairment loss	(a)	**(215)**	(81)
		29,858	36,650
Other receivables		**1,526**	1,571
Total current receivables		**31,384**	38,221

(a) Allowance for Impairment Loss

Trade receivables are non interest-bearing and generally on 30 or 60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. Financial difficulties of the debtor as supported by an inability to pay over a prolonged period, the award of court judgement against the debtor or the debtor going in to administration or liquidation are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows. An impairment loss of $215,000 (2011: $81,000) has been recognised for specific debtors for which such evidence exists. The amount of the impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the provision for impairment loss were as follows:

	2012	2011
At 1 July 2011	**81**	60
Charge for the year	**218**	(9)
Acquired in business acquisition	**–**	56
Foreign currency translation	**1**	1
Amounts written-off	**(85)**	(27)
At 30 June 2012	**215**	81

At 30 June 2012, the ageing analysis of trade receivables is as follows:

		2012	2011
0–30 days		**15,761**	19,865
31–60 days		**4,269**	4,829
31–60 days	Past due not impaired	**7,880**	9,846
61–90 days	Past due not impaired	**1,298**	1,277
90+ days	Past due not impaired	**626**	833
90+ days	Considered impaired	**239**	81
At 30 June 2012		**30,073**	36,731

Receivables past due but not considered impaired are $9,804,000 (2011: $11,956,000). Payment terms on these amounts have not been renegotiated although credit has been stopped until full payment is made in limited instances. The company has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

Notes to the Consolidated Financial Statements

30 June 2012

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

(b) Fair Value and Credit Risk

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

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

(c) Interest Rate Risk

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

11. Inventories (current)

	2012 $000	2011 $000
Raw materials, stores and spares at lower of cost and net realisable value	**16,253**	15,559
Work in progress at cost	**2,642**	3,499
Finished goods at net realisable value	**9,332**	11,422
Total inventories at the lower of cost and net realisable value	**28,227**	30,480

12. Other Current Assets

	2012 $000	2011 $000
Prepayments	**459**	515
Deposits on plant and equipment	**284**	1,293
Total prepayments	**743**	1,808

Notes to the Consolidated Financial Statements
30 June 2012

13. Property, Plant and Equipment

	Leasehold improve-ments	Computers & office equipment	Motor vehicles	Plant & equipment	Furniture, fixtures & fittings	Total
	$000	$000	$000	$000	$000	$000
Year ended 30 June 2012						
At 1 July 2011, net of accumulated depreciation and impairment	**373**	**742**	**44**	**39,288**	**135**	**40,582**
Assets acquired	**–**	**–**	**–**	**–**	**–**	**–**
Additions	**1,021**	**1,833**	**–**	**2,628**	**50**	**5,532**
Disposals	**–**	**(9)**	**–**	**(1,425)**	**–**	**(1,434)**
Impairment	**–**	**–**	**–**	**(174)**	**–**	**(174)**
Depreciation charge for the year	**(122)**	**(594)**	**(14)**	**(3,183)**	**(27)**	**(3,940)**
At 30 June 2012, Net of accumulated depreciation	**1,272**	**1,972**	**29**	**37,135**	**158**	**40,566**
At 1 July 2011						
Cost	671	2,339	257	54,749	238	58,254
Accumulated depreciation and impairment	(298)	(1,597)	(214)	(15,460)	(103)	(17,672)
Net carrying amount	373	742	43	39,289	135	40,582
At 30 June 2012						
Cost	**1,681**	**4,103**	**257**	**55,720**	**288**	**62,049**
Accumulated depreciation and impairment	**(410)**	**(2,131)**	**(228)**	**(18,584)**	**(130)**	**(21,483)**
Net carrying amount	**1,271**	**1,972**	**29**	**37,136**	**158**	**40,566**

Notes to the Consolidated Financial Statements
30 June 2012

13. Property, Plant and Equipment (continued)

	Leasehold improve-ments	Computers & office equipment	Motor vehicles	Plant & equipment	Furniture, fixtures & fittings	Total
	$000	$000	$000	$000	$000	$000
Year ended 30 June 2011						
At 1 July 2010, net of accumulated depreciation and impairment	211	788	75	26,645	136	27,855
Assets acquired	–	–	–	11,099	–	11,099
Additions	220	321	–	3,944	19	4,504
Disposals	–	(1)	–	(26)	–	(27)
Impairment	–	–	–	–	–	–
Depreciation charge for the year	(58)	(366)	(31)	(2,374)	(20)	(2,849)
At 30 June 2011, Net of accumulated depreciation	373	742	44	39,288	135	40,582
At 1 July 2010						
Cost	451	2,019	257	39,784	219	42,730
Accumulated depreciation and impairment	(240)	(1,231)	(182)	(13,139)	(83)	(14,875)
Net carrying amount	211	788	75	26,645	136	27,855
At 30 June 2011						
Cost	671	2,339	257	54,749	238	58,254
Accumulated depreciation and impairment	(298)	(1,597)	(214)	(15,460)	(103)	(17,672)
Net carrying amount	373	742	43	39,289	135	40,582

(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 2012 is nil (2011: nil). Additions during the year include nil (2011: nil) of plant and equipment held under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Impairment of Property, Plant and Equipment

The company incurred $174,000 of impairment losses during the year (2011: nil).

Notes to the Consolidated Financial Statements

30 June 2012

14. Goodwill and Intangible Assets (non-current)

	Goodwill $000	Brand name $000	Total $000
Year ended 30 June 2012			
At 1 July 2011, net of impairment losses	**46,134**	**–**	**46,134**
Additions – acquisition of business	**–**	**510**	**510**
Impairment losses	**–**	**(510)**	**(510)**
At 1 July 2012, net of impairment losses	**46,134**	**–**	**46,134**
At 30 June 2012			
Cost (gross carrying value)	**46,134**	**510**	**46,644**
Impairment	**–**	**(510)**	**(510)**
Net carrying value	**46,134**	**–**	**46,134**

The company acquired the brand name "Montage" as part of the acquisition of CHH's folding carton operations and ceased using this name in favour of a new name, "Brandpack" prior to 30 June 2012, resulting in an impairment to this intangible asset that has been recognised as an acquisition related transaction in the Statement of Comprehensive Income at 30 June 2011.

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 14.28% (2011: 13.47%) and the long-term growth rate used to extrapolate the cash flows beyond the five year period is 2.5% (2011: 2.5%).

Notes to the Consolidated Financial Statements
30 June 2012

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

Impairment Testing of Goodwill (continued)

Key Assumptions Used in Value in Use Calculations for 30 June 2012 and 30 June 2011

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 2013 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 as a proxy for the risk-free 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; and
- Growth rate estimates – a growth rate of 2.5% pa has been used as the long-term rate to extrapolate the budget.

Sensitivity to Changes in Assumptions

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

15. Trade and Other Payables (current)

	2012 $000	2011 $000
Unsecured liabilities		
Trade payables	**12,608**	9,289
Other payables	**8,978**	16,114
Total trade and other payables	**21,586**	25,403

(a) Fair Value

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

(b) Related Party Payables

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

(c) Interest Rate, Foreign Exchange and Liquidity Risk

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

Notes to the Consolidated Financial Statements
30 June 2012

16. Interest-bearing Loans and Borrowings

	Note	2012 $000	2011 $000
Current			
Secured liabilities			
Bank overdraft	(i)	**445**	3,178
Bank loan	(ii), (iii)	**–**	–
Obligations under finance leases and hire purchase contracts	20(b)	**985**	–
Total current interest-bearing liabilities		**1,430**	3,178
Non-current			
Secured liabilities			
Bank loans	(ii), (iii)	**36,241**	31,008
Obligations under finance leases and hire purchase contracts	20(b)	**1,246**	–
Total non-current interest-bearing liabilities		**37,487**	31,008

(i) Bank overdrafts are provided under facilities with the National Australia Bank Limited and the Bank of New Zealand, with an aggregate facility limit of $2,920,000 at 30 June 2012 (2011: $2,920,000). These facilities expire on 31 August 2013 and it is anticipated that the facilities will be extended in the normal course of business. The average interest rate applicable at 30 June 2012 was 10.52% (2011: 12.03%) plus a line fee of 2.55%.

(ii) Bank loans are provided under facilities with the National Australia Bank Limited and the Bank of New Zealand, with an aggregate facility limit of $46,760,000 at 30 June 2012 (2011: $46,760,000). These facilities expire on 1 September 2013 and it is anticipated that the facilities will be extended in the normal course of business. There is no ongoing repayment requirement on the loan facilities and it is the company's intention to extend these facilities upon expiry. The average interest rate payable at 30 June 2012 on the fixed and floating bills under these facilities was 8.08% (2011: 9.17%), inclusive of bank margins.

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

(a) Fair Values

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

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

Notes to the Consolidated Financial Statements

30 June 2012

16. Interest-bearing Loans and Borrowings (continued)

(b) Interest Rate, Foreign Exchange and Liquidity Risk

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

(c) Assets Pledged as Security

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

	2012 $000	2011 $000
Current		
Floating charge		
Cash and cash equivalents	**4**	5
Receivables	**31,384**	38,221
Inventories	**28,227**	30,480
Income tax receivable	**648**	–
Prepayments	**743**	1,807
Total current assets pledged as security	**61,006**	70,513
Non-current		
Floating charge		
Plant and equipment	**40,566**	40,582
Goodwill and intangible assets	**46,134**	46,134
Deferred income tax asset	**6,424**	3,836
Total non-current assets pledged as security	**93,124**	90,552
Total assets pledged as security	**154,130**	161,065

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.

(d) Defaults and Breaches

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

Notes to the Consolidated Financial Statements
30 June 2012

16. Interest-bearing Loans and Borrowings (continued)

Financing Facilities Available

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

30 June 2012	Accessible $000	Drawn down $000	Unused $000
Bank bills	**46,756**	**36,241**	**10,515**
Trade finance/equipment loan	**2,231**	**2,231**	**–**
Overdraft	**2,919**	**445**	**2,474**
Bank guarantees	**3,756**	**1,466**	**2,290**

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

Security and Conditions

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

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

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

Facility Review

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

Notes to the Consolidated Financial Statements
30 June 2012

17. Provisions

	2012 $000	2011 $000
Current		
Employee leave benefits	**8,350**	8,230
Restructure provision	**1,230**	–
Unfavourable contracts	**1,638**	2,309
Unfavourable leases	**1,064**	1,134
Total current provisions	**12,282**	11,673
Non-current		
Employee leave benefits	**1,139**	2,561
Restructure provision	**3,142**	–
Unfavourable contracts	**1,708**	4,450
Unfavourable leases	**3,860**	3,825
Property make-good	**3,423**	3,435
Total non-current provisions	**13,272**	14,271

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

(a) Movements in Provisions

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

	Restructure provision $000	Unfavourable contracts $000	Unfavourable leases $000	Property make-good $000	Total $000
At 1 July 2011	–	5,404	6,314	3,435	15,153
Additional provisions	5,500	–	1,185	200	6,885
Utilised	(1,128)	(2,058)	(2,575)	(212)	(5,973)
At 30 June 2012	**4,372**	**3,346**	**4,924**	**3,423**	**16,065**
Current 2012	**1,230**	**1,638**	**1,064**	**–**	**3,932**
Non-current 2012	**3,142**	**1,708**	**3,860**	**3,423**	**12,133**
	4,372	**3,346**	**4,924**	**3,423**	**16,065**

(b) Nature and Timing of Provisions

Restructure Provision

The company has moved its Reservoir, Dandenong and Brandpack operations in Victoria and is in the process of moving the Villawood operation in NSW. These decisions resulted in provisions being made to cover the costs of the move as well as remaining commitments under lease agreements. The provisions will be utilised as payments are made.

Notes to the Consolidated Financial Statements
30 June 2012

17. Provisions (continued)

(b) Nature and Timing of Provisions (continued)

Unfavourable Contracts

The CHH folding carton operations acquired effective 1 March 2011 held contracts with various customers for periods of up to four years. As at the acquisition date, the prices on some of these contracts were considered to be uneconomic. As part of the business combination accounting, these unfavourable customer contracts were assigned a fair value of $6,407,000 and recognised as a liability and are being amortised over the remaining term of each contract.

Unfavourable Leases

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

Property Make-good

In accordance with lease agreements on the acquired properties, the group must restore, at the end of each lease term, the respective leased premises to their conditions at the commencement of those leases. A provision of $3,435,000 was raised upon acquisition of the folding carton operations acquired in 2011. An adjustment of $200,000 was made to this provision in 2012.

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

18. Contributed Equity and Reserves

This note should be read in conjunction with the Statement of Changes in Equity shown on page 43 of this Annual Report.

(a) Issued and Paid-up Capital:

	2012 $000	2011 $000
Ordinary shares	**39,484**	39,484
Total contributed equity	**39,484**	39,484

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

(b) Movements in Ordinary Shares on Issue

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

(c) Shares Under Escrow

As at 30 June 2012, there were no ordinary shares subject to voluntary escrow.

Notes to the Consolidated Financial Statements

30 June 2012

18. Contributed Equity and Reserves (continued)

(d) Terms and Conditions of Contributed Equity

Ordinary Shares

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

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

(e) Nature and Purpose of Reserves

Cash Flow Hedge Reserve

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

Foreign Currency Translation

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

(f) Capital Management

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

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

During 2012, the company paid dividends of $2,650,000 (2011: $3,449,000), of which $2,650,000 (2011: $3,449,000) was satisfied in cash and nil (2011: nil) in shares under the dividend reinvestment plan.

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

The company monitors capital through the gearing ratio (net debt/debt + equity). The target for the company's gearing ratio is between 25% to 50%. The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	2012 $000	2011 $000
Interest-bearing loans and borrowings	**38,917**	34,186
Cash and cash equivalents	**(4)**	(5)
Net debt	**38,913**	34,181
Total equity	**67,001**	73,374
Total capital employed	**105,914**	107,555
Gearing (debt/debt+equity)	**36.7%**	31.8%

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

Notes to the Consolidated Financial Statements

30 June 2012

19. Derivative Financial Instruments

	2012 $000	2011 $000
Current liabilities		
Interest rate swap contracts – cash flow hedges	**129**	170
	129	170
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	**943**	312
	943	312

(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 4.75%. 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 72% (2011: 61%) of the principal outstanding and are timed to expire at selected dates over the next four years, with the earliest expiry being December 2012. The fixed interest rates range between 4.64% and 7.39% (2011: 5.69% and 7.59%) and the comparable variable rate based on the 90 day bank bill rate at balance date was 3.63% (2011: 4.96%). In addition, a margin over the bill and fixed rates are payable to the banks.

At 30 June 2012, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2012 $000	2011 $000
0–1 years	**6,000**	6,000
1–2 years	**7,000**	6,000
2–3 years	**–**	7,000
3–5 years	**13,000**	–
5+ years	**–**	–
	26,000	19,000

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

Notes to the Consolidated Financial Statements

30 June 2012

19. Derivative Financial Instruments (continued)

(a) Instruments used by the Company (continued)

Movement In Cash Flow Hedge Reserve

	2012 $000	2011 $000
Opening balance	**(337)**	(559)
Transferred to interest expense	–	–
Charged to Equity:		
(Decrease)/increase in value of interest swaps	**(591)**	317
Deferred tax on change in value of interest swaps	**177**	(95)
Closing balance	**(751)**	(337)

The company has entered into interest rate swap contracts that are timed to expire at selected dates over the next three years, with the earliest expiry being June 2013. The interest rates relevant to these swaps are set out above under the heading, *Interest Rate Swaps – Cash Flow Hedges*.

Variable interest rates on bank bills have remained fairly neutral over the past twelve months and, with shortening term to maturity on the interest swaps held, this has resulted in a $414,000 increase in the value of the reserve held at 30 June 2012.

(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 $1,072,000 (2011: $482,000).

Notes to the Consolidated Financial Statements
30 June 2012

20. Commitments and Contingencies

(a) Capital Expenditure Commitments

At 30 June 2012 the company has commitments contracted for but not recognised as liabilities of $11,000 (2011: nil).

(b) Trade Finance Commitments

Future minimum payments under trade finance contracts together with the present value of the net minimum payments are as follows:

	2012		2011	
	Minimum payments $000	**Present value of payments $000**	Minimum payments $000	Present value of payments $000
Within one year	**1,113**	**985**	–	–
After one year but not more than five years	**1,298**	**1,247**	–	–
Total minimum payments	**2,411**	**–**	–	–
Less amounts representing finance charges	**(179)**	**–**	–	–
Present value of minimum payments	**2,232**	**2,232**	–	–

Trade finance contracts are entered into as means of funding the acquisition of certain items of plant and equipment and leasehold improvements.

Notes to the Consolidated Financial Statements
30 June 2012

20. Commitments and Contingencies

(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:

	2012 $000	2011 $000
• Not later than one year	**6,524**	6,338
• Later than one year but not later than five years	**20,030**	19,368
• Later than five years	**9,819**	420
Aggregate operating lease expenditure contracted for at reporting date	**36,373**	26,126

(d) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	2012 $000	2011 $000
• Within one year	**1,066**	1,115
• After one year but not later than five years	**1,880**	138
Aggregate remuneration commitments contracted for at reporting date	**2,946**	1,253

Amounts disclosed as remuneration commitments include commitments arising from executive director and executive service contracts referred to in note 25 that are not recognised as liabilities and are not included in the directors' or executives' remuneration for the current year. The contracts for Mr A. Commins and Mr H. Commins expire on 31 August 2015. The commitments include salaries and remuneration for Mr P. Commins based on his contract expiry on 31 December 2012. As noted in the subsequent event to the Remuneration Report on page 36, Mr P. Commins resigned on 24 August 2012 and an additional amount of $196,000 will be incurred within one year in addition to the commitment included above.

(e) Guarantees and Indemnities

The company has the following guarantees at 30 June 2012:

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

Bank guarantees under premises leases total $1,467,000 (2011: $1,295,000).

Notes to the Consolidated Financial Statements

30 June 2012

21. Business Combinations

Colorpak acquired the CHH's folding carton operations in Australia and New Zealand on 1 March 2011. No acquisition activities have occurred in the year ended 30 June 2012.

The fair values of the identifiable assets and liabilities of the purchased folding carton operations in Australia and New Zealand as of the date of acquisition (2011 financial year) were:

	Consolidated fair value at acquisition date $000
Plant and equipment	**11,190**
Deferred tax asset	**4,140**
Trade and other receivables	**17,395**
Inventories	**19,930**
Brand name	**510**
Existing customer contracts and lists	**400**
	53,565
Trade payables	**(4,867)**
Other payables	**(3,334)**
Employee entitlements	**(7,291)**
Provision for unfavourable contracts	**(6,407)**
Provision for unfavourable leases	**(6,685)**
Provision for make-good	**(3,431)**
	(32,015)
Provisional fair value of identifiable net assets	**21,550**
Gain arising on acquisition	**(12,223)**
	9,327
Acquisition-date fair-value of consideration transferred:	
Cash paid	**5,000**
Liability outstanding at 30 June 2012	**4,327**
Consideration transferred	**9,327**
Direct costs relating to the acquisition (included in acquisition related transactions)	**1,444**
The cash outflow on acquisition is as follows:	
Cash paid	**9,327**
Net consolidated cash outflow	**10,771**

A precise measure of the contributions to revenues and profit of the acquired folding carton operations in Australia and New Zealand is not possible because the acquired business was fully integrated with the existing company business following the acquisition.

Notes to the Consolidated Financial Statements

30 June 2012

22. Related Party Disclosures

(a) Subsidiaries

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

		% Equity interest		Investment $000	
Name	Country of incorporation	**2012**	2011	**2012**	2011
Colorpak NZ Limited	New Zealand	**100**	100	**–**	–

(b) Key Management Personnel (KMP)

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

(c) Other Related Party Transactions

Mr Walter Commins provides advice directly to the Chairman on an ad-hoc basis and received nil consideration for this advice in 2012 (2011 nil consideration).

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

23. Auditors' Remuneration

The auditor of Colorpak Limited is Ernst & Young.

	2012 $	2011 $
Amounts received or due and receivable, by Ernst & Young (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**272,250**	263,900
Other services in relation to the entity and any other entity in the consolidated group, included in the Income Statement:		
• Tax compliance	**25,000**	26,700
• Other assurance services	**5,600**	–
• Due diligence services	**–**	177,000
• Transaction related accounting advice	**–**	58,650
• Post transaction integration advice	**–**	93,380
Other services, not included in the Income Statement	**–**	–
	302,850	619,630
Amounts received or due and receivable, by related practices of Ernst & Young (Australia) for:		
Other services in relation to an overseas subsidiary included in the Income Statement:		
• Tax compliance	**6,000**	8,000
	308,850	627,630
Amounts received or due and receivable, by non Ernst & Young audit firms for:		
Non audit services	**–**	90,000

Notes to the Consolidated Financial Statements

30 June 2012

24. Events after the Balance Sheet Date

Mr P. Commins resigned on 24 August 2012, details of which are set-out in the subsequent events note to the Remuneration Report on page 36.

Other than the above, no significant events material to 30 June 2012 have arisen since that date.

25. Key Management Personnel (KMP)

(a) Details of KMP

(i) Directors

G. Willis	Chairman
A. Commins	Managing Director and CEO
P. Commins	Operations Development Director (resigned 24 August 2012)
B. Constance	Director (non-executive)
D. Heaney	Director (non-executive)
I. Wightwick	Director (non-executive)

(ii) Executives

H. Commins	National Manufacturing Director (alternate director until 24 August 2012)
S. Nicholls	Company Secretary and Chief Financial Officer
D. Johnson	General Manager – NSW
L. Bremner	National Human Resources Manager
C. Cleary	National Industrial Relations Manager

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

(b) Compensation of KMP

	2012 $	2011 $
Short-term employee benefits	**2,476,123**	2,274,018
Post employment benefits	**282,294**	254,169
Other long-term benefits	**81,928**	38,090
Total compensation	**2,840,345**	2,566,276

The above table does not include payments to Mr P. Commins upon his resignation which are disclosed in the subsequent events note to the Remuneration Report on page 36 and which have been made in the 2013 financial year.

Notes to the Consolidated Financial Statements

30 June 2012

25. Key Management Personnel (continued)

(c) Shareholdings of KMP

	Balance at beginning of year 1 July 2011	Granted as remuneration	Other movements	**Balance at end of year 30 June 2012**
(i) Directors				
G. Willis	263,221	–	–	**263,221**
A. Commins [1.]	26,596,541	–	–	**26,596,541**
P. Commins [1./2.]	26,028,534	–	–	**26,028,534**
B. Constance	–	–	36,119	**36,119**
D. Heaney	828,000	–	–	**828,000**
I. Wightwick	100,000	–	–	**100,000**
(ii) Executives				
H. Commins [1.]	26,128,053	–	–	**26,128,053**
S. Nicholls	25,000	–	(25,000)	**–**
D. Johnson	1,500	–	–	**1,500**
L. Bremner	500	–	–	**500**
C. Cleary	500	–	–	**500**

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

2. Mr A P Commins resigned on 24 August 2012.

(d) Other Transactions and Balances with KMP

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

26. Information Relating to Colorpak Limited

	2012 $000	2011 $000
Current assets	**54,494**	61,163
Total assets	**143,269**	148,553
Current liabilities	**30,164**	33,305
Total liabilities	**79,163**	78,011
Issued capital	**39,484**	39,484
Retained earnings	**25,372**	31,395
Reserves	**(751)**	(337)
	64,106	70,542
Profit or loss of parent entity	**(3,374)**	13,050
Total comprehensive income of the parent entity	**(3,787)**	13,272

Colorpak Limited
Directors' Declaration

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

1. In the opinion of the directors:
   (a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of Colorpak Limited for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of its financial position as at 30 June 2012 and of its performance for the year ended on that date; and
      (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001;
   (b) The financial statements and notes also comply with International Financial Reporting Standards as issued disclosed in note 2(a); and
   (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

On behalf of the board

G.L. Willis
Chairman

A. Commins
Managing Director

Braeside
31 August 2012

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Independent Audit Report to Members of Colorpak Limited

Report on the financial report

We have audited the accompanying financial report of Colorpak Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Colorpak Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Ashley C. Butler
Partner
Melbourne
31 August 2012

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Auditor's Independence Declaration to the Directors of Colorpak Limited

In relation to our audit of the financial report of Colorpak Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ashley C. Butler
Partner
Melbourne
31 August 2012

ASX Additional Information

Additional information required by the ASX Limited and not shown elsewhere in this report, together with other relevant information for shareholders, is set-out below. The information is current as at 10 August 2012.

Stock Exchange Listings

Colorpak Limited shares are quoted on the Australian Securities Exchange.

Website

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

Annual Report

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

Share Registrar

Link Market Services Limited.

Level 12, 680 George Street

Sydney, NSW, 2000

linkmarketservices.com.au

Escrow

There were no shares subject to escrow arrangements at 30 June 2012.

Shareholder Transactions

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

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

Distribution of Shareholdings

The number of ordinary shareholders by size of holding are:

Size of holding	Number of holders	Number of shares
1 to 1,000	300	226,102
1,001 to 5,000	290	950,907
5,001 to 10,000	173	1,481,951
10,001 to 100,000	470	16,727,090
100,001 and over	58	62,151,101
Total	1,291	81,537,151
The number of shareholders holding less than a $500 marketable parcel of shares	131	57,313

ASX Additional Information (continued)

Voting Rights

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

Twenty Largest Shareholders

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

	Name	Number of ordinary shares	% of Ordinary shares
1	Carton Services Limited	26,018,534	31.91
2	RBC Investor Services Australia Nominees Pty Ltd	8,600,503	10.55
3	J P Morgan Nominees Australia Limited	5,986,524	7.34
4	Argo Investments Limited	4,049,000	4.96
5	Mirrabooka Investments Limited	2,400,000	2.94
6	BNP Paribas Noms Pty Ltd	1,755,078	2.15
7	GT Lingard Holdings Pty Ltd	1,661,415	2.04
8	Premier Mushrooms Pty Ltd	980,434	1.20
9	Andrew Roy Newberry Sisson	890,000	1.09
10	David James Heaney and Samantha Elizabeth Chandler	828,000	1.01
11	Blue Drive Pty Ltd	578,007	0.71
12	Cossey Investments Pty Ltd	544,772	0.67
13	Madsen Properties (QLD) SF Pty Ltd	520,993	0.64
14	Matthew C Goodson & Dianna D Perron & Goodson & Perron Independent Trustee Limited	415,000	0.51
15	Pacific Custodians Pty Ltd	323,500	0.40
16	Stephen John Lane and Beverly Ann Lane	303,261	0.37
17	Robert Archer Black	300,000	0.37
18	Plush Nominees Pty Ltd	260,000	0.32
19	Goosegog Pty Ltd	250,000	0.31
20	Pejali Pty Ltd	235,000	0.29
		56,900,021	69.80

Substantial Shareholders

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

	Number of shares
Carton Services Limited	26,018,534
Perpetual Limited	11,855,581
Hunter Hall Limited	6,146,812

ASX Additional Information (continued)

Inquiries about your Shareholding

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

Change of Address

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

Direct Dividend Deposit into Bank Accounts

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

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

Tax File Number

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

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

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

Combining Multiple Shareholdings

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

Calendar of Events

21 September 2012

Annual Report dispatched to shareholders

26 October 2012

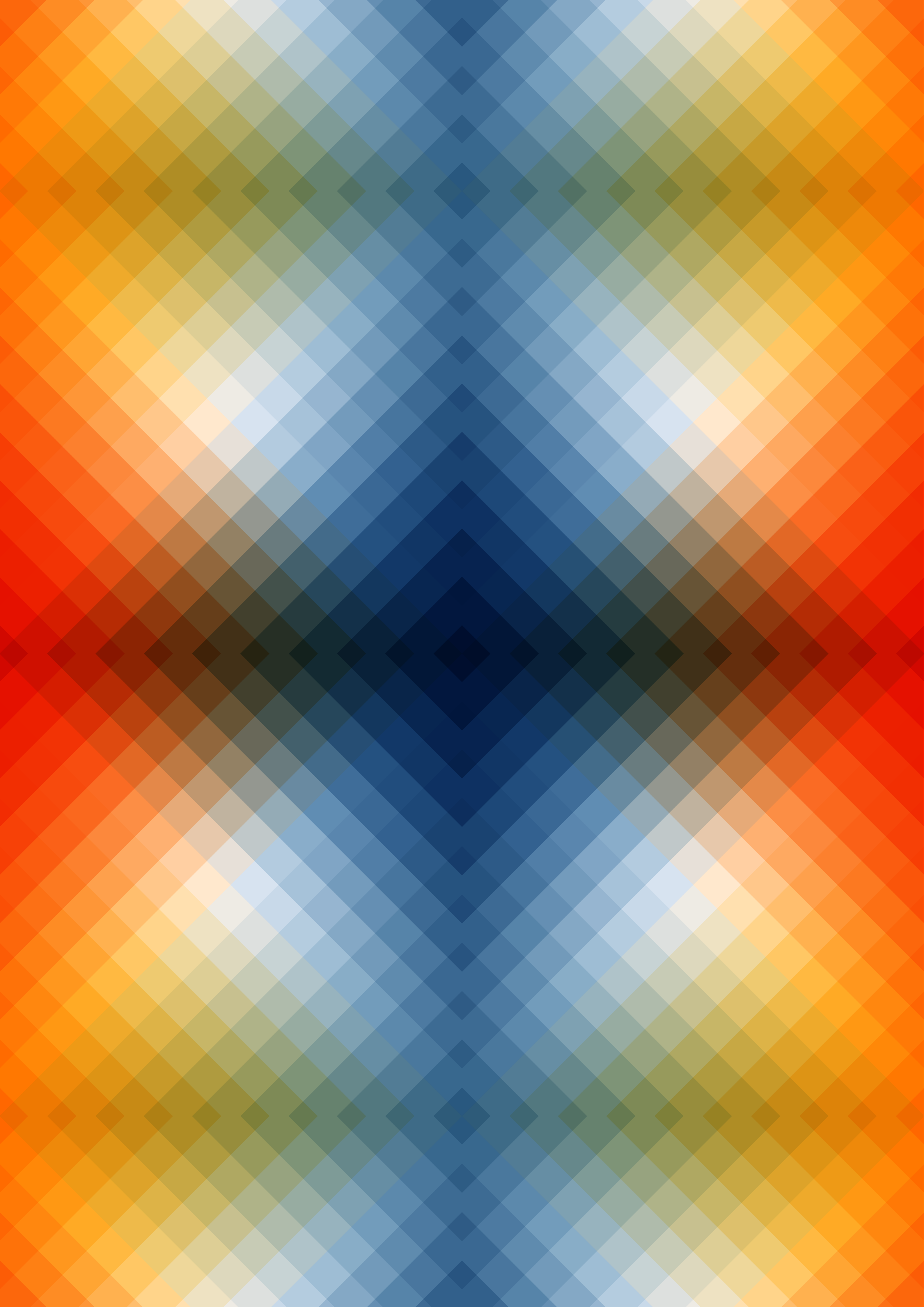
Annual General Meeting

Early February 2013

Announce 2012/2013 Half Year results

Early August 2013

Announce 2012/2013 Full Year Results



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