

Colorpak Limited
Half-Year Condensed Financial Report
31 December 2008

Colorpak Limited

Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below.

Geoff Willis (Non-executive Chairman)

Alex Commins (Managing Director)

Paul Commins

Tony Dynon

David Heaney

Directors were in office for this entire period unless otherwise stated.

Review and Results of Operations

Financial Performance

Colorpak's six months to 31 December 2008 produced revenues from sale of goods and services of \$40.2 million, 2.0% up on the corresponding prior comparable period ("pcp") of \$39.5 million. Despite the current challenging business cycle, the company still delivered some volume growth on last year in the pharmaceutical, healthcare, FMCG and beverage sectors.

Net profit after tax for the six months increased from \$3.2 million in the prior comparable period to \$3.3 million, the highest six monthly profit in the company's history. The increased profit was achieved from higher sales with margins being broadly consistent between the periods.

The increases in revenue, profit and EPS to 4.11 cents per share as well as the maintenance of the company's margins is considered to be another solid achievement in the face of cost pressures being experienced across the business and more generally in the difficult economic environment flowing from the global crisis.

Cash Flow and Debt

Cash generation from operations for the half year was extremely strong and well above the pcp with an inflow of \$7.8 million. This was achieved due to a significant improvement in working capital, enabling a further \$1.8 million reduction in net debt since June 2008 to \$27.7 million. Debt to Debt+Equity has now improved to 33.7%.

Net capital expenditure in the first half totalled \$4.2 million as a result of the acquisition of a new press and cutting machine for the Sydney operation. Capital expenditure in the second half of the year will be contained to less than \$1.0 million.

The company maintains adequate cash reserves and undrawn bank credit facilities to meet its expected working capital and capex requirements for the foreseeable future. Note 6 to these Financial Statements explains changes that have been implemented in relation to the company's banking facilities and which have been brought about by the impact of the global financial crisis on Australia's corporate banking climate.

Operating Activities

As the half year ended it had become clear that trading conditions were slowing, however, the important pharmaceutical and beverage sectors are still growing and proving to be fairly resilient. Another printing and die-cutting line was added

Colorpak Limited

Directors' Report

in the NSW Regents Park factory which enables the Sydney business to further improve customer service by shortening delivery times and establishing capacity for future growth.

Operational performance was very sound throughout the first half with an improved level of quality and delivery performance. A three year enterprise bargaining agreement was signed at Regents Park following similar arrangements being put in place at Braeside and this provides an excellent platform for ongoing operational efficiency.

The company achieved Environmental Certification – ISO 14001 accreditation in December 2008 consistent with the systematic approach taken with quality performance. A continued focus on environmental sustainability positively changed a number of the company's routines and also resulted in an emerging speciality in waterless printing which many customers are finding an attractive offering.

The lower Australian dollar has forced up imported raw material prices and local suppliers took advantage of this situation to also increase the company's material input costs. In the current climate it has been extremely difficult to simply pass through the full increase in input costs. In the circumstances, the company has continued to assist customers with innovative carton design, streamlined carton specifications and alternative operational approaches in order to maintain overall margins. We have also re-signed three of our major contracts to longer terms in the past six months which gives greater certainty to our ongoing business model.

Administrative efficiency was also improved with an investment in IT staff and infrastructure. Importantly, IT risks have been mitigated with modern factory to factory backup capability.

Dividend

The company will maintain its interim dividend at 1.25 cents per share, fully franked, which will be paid on 1 April 2009 and expects to announce its fully franked final dividend later in the year.

Outlook

The company is moving into a period of considerable uncertainty because of the current economic climate. It is clear that customers are feeling the pressure but pleasing that the overall customer base has shown considerable resilience in the first half and the results were slightly above the previous period. Unless there is a significant deterioration in trading conditions, then the company would expect to achieve at least the same level of profitability as last year. In the current financial climate the company's desire is to maintain the strongest possible balance sheet. Accordingly, CAPEX will be minimised and cash flow will be tailored towards reducing debt.

Rounding

The amounts contained in this report and in the half-year 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.

Colorpak Limited

Directors' Report

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which is attached at page 4 of this report.

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



G.L. Willis
Chairman



A. Commins
Managing Director

Braeside
27 February 2009

Colorpak Limited
Directors' Report



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Auditor's Independence Declaration to the Directors of Colorpak Limited

In relation to our review of the financial report of Colorpak Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ashley C Butler', with a large, stylized 'A' and 'B'.

Ashley C Butler
Partner
Melbourne
27 February 2009

Colorpak Limited
Income Statement
for the half-year ended 31 December 2008

	Notes	2008 \$000	2007 \$000
Revenue	4	41,009	39,887
Other income		2	1
Changes in inventories of finished goods and work in progress		75	(30)
Raw materials and consumables used		(16,237)	(15,747)
Employee benefits expense		(12,079)	(12,148)
Depreciation and amortisation		(1,409)	(1,382)
Impairment of plant and equipment		36	-
Occupancy costs		(1,222)	(1,309)
Factory operating expense		(3,283)	(2,384)
Other expenses		(899)	(1,024)
Profit before tax and finance costs		5,993	5,864
Finance costs	4	(1,239)	(1,295)
Profit before income tax		4,754	4,569
Income tax expense		(1,437)	(1,357)
Net profit for the period attributable to members of Colorpak Limited		3,317	3,212
Earnings per share (cents per share)			
- basic and diluted for profit for the period attributable to ordinary equity holders of the company		4.11	3.99
Dividends per share (cents per share)	5	2.75	1.75

Colorpak Limited
Balance Sheet as at 31 December 2008

		As at 31 December 2008 \$000	As at 30 June 2008 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		1,322	1,476
Trade and other receivables		11,875	13,715
Inventories		9,312	9,564
Derivative financial instruments		-	671
Other current assets		559	973
Total Current Assets		23,068	26,399
Non-current Assets			
Property, plant and equipment		29,874	26,960
Goodwill		46,134	46,134
Total Non-current Assets		76,008	73,094
TOTAL ASSETS		99,076	99,493
LIABILITIES			
Current Liabilities			
Trade and other payables		9,487	8,713
Interest-bearing loans and borrowings	6	12,170	617
Income tax payable		756	1,120
Provisions		1,576	2,022
Derivative financial instruments		1,970	-
Total Current Liabilities		25,959	12,472
Non-current Liabilities			
Interest-bearing loans and borrowings	6	16,850	30,327
Deferred income tax liabilities		473	871
Provisions		1,228	865
Total Non-current Liabilities		18,551	32,063
TOTAL LIABILITIES		44,510	44,535
NET ASSETS		54,566	54,958
EQUITY			
Contributed equity	7	39,214	38,861
Retained profits		16,731	15,627
Reserves	8	(1,379)	470
TOTAL EQUITY		54,566	54,958

Colorpak Limited
Cash Flow Statement
for the half-year ended 31 December 2008

	Notes	2008 \$000 Inflows/(Outflows)	2007 \$000 Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers		46,895	44,358
Payments to suppliers and employees		(36,533)	(38,442)
Interest received		13	9
Income taxes paid		(1,406)	(719)
Finance costs		(1,164)	(1,139)
Net cash flows from operating activities		7,805	4,067
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28	30
Purchase of property, plant and equipment		(4,203)	(892)
Net cash flows used in investing activities		(4,175)	(862)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of finance lease principal	6	(1,924)	(275)
Repayment of borrowings		-	(1,500)
Payment of dividends	5	(1,860)	(1,408)
Net cash flows (used in) / from financing activities		(3,784)	(3,183)
Net increase in cash and cash equivalents		(154)	22
Cash and cash equivalents at beginning of period		1,476	321
Cash and cash equivalents at end of period	9	1,322	343

Colorpak Limited
Statement of Changes in Equity
for the half-year ended 31 December 2008

	Attributable to equity holders of the Company			
	Issued capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total equity \$000
At 1 July 2007	38,861	11,831	256	50,948
Cash flow hedges:				
Gains / (losses) taken to equity	-	-	196	196
Deferred tax on gains / (losses)	-	-	(59)	(59)
Total income and expense for the period recognised directly in equity	-	-	137	137
Profit for the period	-	3,212	-	3,212
Total income / expense for the period	-	3,212	137	3,349
Equity dividends	-	(1,408)	-	(1,408)
At 31 December 2007	38,861	13,635	393	52,889
At 1 July 2008	38,861	15,627	470	54,958
Cash flow hedges:				
Gains / (losses) taken to equity	-	-	(2,641)	(2,641)
Deferred tax on gains / (losses)	-	-	792	792
Total income and expense for the period recognised directly in equity	-	-	(1,849)	(1,849)
Profit for the period	-	3,317	-	3,317
Total income / expense for the period	-	3,317	(1,849)	1,468
Issued capital	353	-	-	353
Equity dividends	-	(2,213)	-	(2,213)
At 31 December 2008	39,214	16,731	(1,379)	54,566

Colorpak Limited

Notes to the half-year Financial Statements

31 December 2008

1. Corporate Information

The condensed financial report of Colorpak Limited (the company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009.

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

The nature of the operations and principal activities of the company are described in note 3.

2. Summary of significant accounting policies

The half-year condensed financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year condensed financial report should be read in conjunction with the annual financial report of Colorpak Limited as at 30 June 2008. It is also recommended that the half-year condensed financial report be considered together with any public announcements made by Colorpak Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

(a) Basis of preparation

The half-year condensed financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements.

The half-year condensed financial report has been prepared in accordance with the historical cost basis except for derivative financial instruments that have been measured at fair value. The carrying values of recognised liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year condensed financial report, the half-year has been treated as a discrete reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

(b) Significant accounting policies

Apart from the changes in accounting policy noted below, the half-year condensed financial report has been prepared using the same accounting policies as used in the annual statement for the year ended 30 June 2008.

Since 1 July 2008 the company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the company.

- AASB 2008-10 and 2008-12 *Amendments to Australian Accounting Standards* – Reclassification of Financial Assets

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2008

3. Segment Information

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

The company operates entirely in Australia.

2008	2007
\$000	\$000

4. Revenue 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 company:

(i) Revenue

Sale of goods and services	40,294	39,492
Interest from unrelated persons	13	9
Other revenue	702	386
	41,009	39,887

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons	1,154	1,166
Finance charges payable under finance leases and hire purchase contracts	85	89
Total finance costs (on historical cost basis)	1,239	1,255
Fair value change on interest rate swaps	-	40
Total finance costs expensed	1,239	1,295

(b) Seasonality of Operations

The company does not typically experience seasonality in relation to demand for its product. Subject to revenue growth attributable to new customers, revenues tend to average out on a productive day basis throughout the year, with a similar number of productive days in both halves of the year.

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2008

	2008 \$000	2007 \$000
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5. Dividends Paid and Proposed		
Equity dividends on ordinary shares:		
(a) Dividends declared and paid during the half-year		
Final franked dividend for financial year 30 June 2008: 1.75 cents (2007: 1.75 cents)	1,408	1,408
Special franked dividend for financial year 30 June 2008: 1.00 cents (2007: nil)	805	-
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for financial year 30 June 2009: 1.25 cents (2008: 1.0 cent)	1,014	1,006
	<hr/>	<hr/>
	3,227	2,414
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6. Interest Bearing Loans and Borrowings

The company has classified \$12.15 million in loans held with ANZ as a current liability at 31 December 2008. The ANZ provided indicative terms that would extend, by one year, the facility that it provides and which currently expires on 30 November 2009. The company considered that the proposed terms of the extension were commercially unacceptable and decided to consolidate its debt facilities with the NAB and to do so over a longer period. The company also paid out \$1.7 million of its lease finance provided by the ANZ in December 2008.

The company negotiated and accepted, on 31 December 2008, an offer from the NAB to provide \$15 million in additional facilities. The company has had a long term relationship with NAB and this new facility effectively replaces the facilities currently provided by the ANZ. The company is entitled to draw down on these NAB facilities upon satisfaction of two conditions precedent:

- provision of a budget covering the period of the facility; and
- completion of documentation to give effect to the agreed changes to the facility.

The company has satisfied the first condition precedent and will shortly finalise all required documentation, which is considered a mere formality. Accordingly, the NAB's facility will be in place well before loans currently provided by the ANZ become due and payable. All loans will be re-classified as non-current as at 30 June 2009.

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2008

7. Contributed Equity

This note should be read in conjunction with the Statement of Changes in Equity shown on page 7 of this report.

	Thousands	\$000
At 1 July 2008	80,477	38,861
Dividend re-investment plan	678	353
At 31 December 2008	81,155	39,214

The company issued 678,323 shares at 52 cents per share under the dividend re-investment plan on 6 October 2008. There were no share issues in 2007.

8. Reserves

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 90% of the principal outstanding and are timed to expire at selected dates over the next 4 ½ years, with the earliest expiry being June 2010. The fixed interest rates range between 5.9% and 7.6% and the comparable variable rate based on the 90 day bank bill rate at balance date was 4.16% (June 2008: 6.4%).

The global financial crisis has led to a large fall in the variable rate of bank bills. This has resulted in a significant change in the fair value of the company's interest swaps, resulting in a \$1.849 million decline in the value of the reserve held at 30 June 2008.

2008	2007
\$000	\$000

9. Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprised the following at 31 December:

Cash at bank and in hand	3	2
Cash at bank / (Bank overdraft)	1,319	341
	1,322	343

2008	2007
\$000	\$000

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2008

10. Expenditure Commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

- 194

11. Contingent Assets and Liabilities

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

12. Events after the Balance Sheet Date

Since 31 December 2008 the following events have occurred:

- the directors have declared an interim ordinary dividend of 1.25 cents per share (fully franked) to be paid on 1 April 2009. The total value of this dividend is \$1.014 million.

The financial effect of this dividend has not been brought to account for the half-year ended 31 December 2008 and will be recognised in the subsequent financial period.

Colorpak Limited

Director's Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



G.L. Willis
Chairman



A. Commins
Managing Director

Braeside
27 February 2009

To the members of Colorpak Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Colorpak Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 December 2008 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Colorpak Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 31 December 2008 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

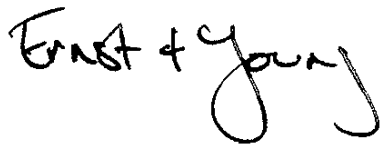
Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Colorpak Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

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

Ashley C Butler
Partner
Melbourne
27 February 2009