

Colorpak Limited
Half-Year Condensed Financial Report
31 December 2015

Colorpak Limited

Directors' Report

Your directors submit their report for the half-year ended 31 December 2015.

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)
 David Heaney
 Ian Wightwick
 Neil Kearney (appointed 3 September 2015)

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

Operating and Financial Review

Financial Performance

Colorpak's six months to 31 December 2015 produced revenues from sale of goods and services of \$79,208,000, 5.9% down on the corresponding prior comparable period ("pcp") of \$84,181,000. The company's reported Net Profit After Tax (NPAT) was a profit of \$1,356,000 (2014: profit of \$1,645,000).

The reported result has been adjusted by adding back non-recurring costs of \$1,045,000 to determine the underlying result. The underlying result is reflective of the on-going benefits delivered from productivity improvements and strong cost performance against a backdrop of continuing softness in sales volumes. Taking these matters into account the NPBT for 2015 exceeded the prior year by \$34,000. The following table provides these comparisons:

For the six months ended 31 December	2015		2014	
	(\$000's)		(\$000's)	
Revenues from sale of goods	<u>79,208</u>		<u>84,181</u>	
	NPBT⁽¹⁾	NPAT	NPBT⁽¹⁾	NPAT
Reported result	1,835	1,356	2,616	1,645
Non-recurring costs ⁽²⁾	1,045	732	230	161
Adjusted Underlying Result	<u>2,880</u>	<u>2,088</u>	<u>2,846</u>	<u>1,806</u>

Notes:

- NPBT refers to Net Profit Before Tax.
- The reported result for 2015 includes costs considered to be non-recurring in nature, and includes restructure costs associated with re-sizing operations to align with expected demand (\$704,000), a one-off legal settlement (\$250,000) and takeover transaction costs (\$91,000) which are expected to continue to be incurred in the second half year. The costs for 2014 relate to redundancy/restructure costs. An analysis of these costs is set-out in note 4 and 10 to the financial statements.
- The numbers in the above table have been reviewed by the auditors.

EPS has decreased to 1.56 cents per share, down on the prior year's 2.00 cents on the reported result.

Colorpak Limited

Directors' Report

Cash Flow and Debt

Cash generation from operations (before non-recurring items) for the half-year was an inflow of \$58,000, down \$3,759,000 on the pcp.

The company undertook capital expenditure, net of proceeds on disposal of assets, of \$737,000 for the half-year, with the total for 2016 expected to be around \$2,400,000. Cash from operations for the half included a net increase in core working capital of \$4,771,000 which resulted from relatively high inventory holdings driven by a combination of an expectation by customers of a return to normalised seasonal demand and extended lead-times for board deliveries.

Debt, net of cash at bank, increased by \$1,542,000 to \$32,985,000 since June 2015 as a result of the continuing trend of customers extending payment terms beyond 90 days on contract renewals which was offset by low capital expenditure and the underwritten reinvestment of the company's final dividend in October 2015. The company remains relatively conservatively geared with gearing of 35.1% (debt / debt + equity) and maintains adequate cash reserves and undrawn bank credit limits to meet its expected working capital and capital expenditure requirements for the foreseeable future.

Operating Activities

After a prolonged period of integration the first half of 2016 has been relatively stable. All operations are back to business as usual mode, with the disruptions and distractions of plant and people movements complete.

The Australian dollar retracted strongly against most major currencies in the half, which saw pressure come to bear on raw material input prices which are all fully imported. As a well-known risk beyond the control of the company each of our customer contracts contain provision for full pass through of the cost impacts of such an event. The sales teams have been busy implementing price increases to customers to mitigate erosion to our margins and to a large extent have been successful.

We would anticipate that the scale of the currency retraction would see some reversal of the importation of fully packed imported goods into Australia/NZ. We have seen some early signs of it towards the later stage of this half and are hopeful if the currency continues to retreat that the trend for more locally produced packaging will ramp up.

The group's safety record continues to be in a strong position. At Regents Park, the team has set a strong benchmark at 2,159 Lost Time Injury days free at the end of December 2015.

During the half year Braeside and Penrose enterprise agreements were successfully renegotiated and ratified. Productivity based increases have been the foundation of the payments which will see staff rewarded by seeking ways to drive efficiency, and reduce spoilage to a greater extent. Wage outcomes have been modest. The Regents Park enterprise agreement is set down for negotiation in the second half.

Productivity in each of our operations is going well post integration as we continue to drive it on to world's best practice, we see more room for improvement. Our Paper cup operations have performed very strongly as the super premium and private label ice cream sector grows consistently without previously experienced seasonal slumps. Of particular note in the half was the securing of an iconic paper cup ice cream brand as part of a contract renegotiation with one of our major food customers.

Our New Zealand operation has witnessed a step up in demand after securing a strategic beverage customer in Auckland, and picking up a number of disgruntled customers from a competitor who was giving protracted lead-times to their customers during a plant move. Our customer pipeline is robust and expectation is that solid sales growth will continue for some time in the NZ division.

Brandpack continues to be the innovation hub that attracts and secures our customers. The technical skill set of the team continues to grow and be recognised as industry leading within the Folding Carton and Flexibles sector. The recent acquisition of The Connection was seamlessly integrated into the existing division in both Melbourne and Sydney bringing greater depth of experience to our team and providing more flexibility to our customers.

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Our Flexibles division in Regents Park continues to grow and expand by enhancing its value proposition through the broadening of the businesses capability. The foray into digital printing has also proven to be very successful as the team is sought out to provide our customers with fast turnaround high quality solutions on a multitude of substrates from cartonboard, to self adhesives, to sachet and hard tempered aluminium foil.

Although the Folding Carton market in general remains very competitive, the sales team has delivered some important customer wins to partially offset other market movements. Colorpak has long been the reputational leader of the sector. An experienced management team of industry experts and a stable workforce has ensured that sound decisions are made and executed in a swift manner. The team is always willing to take the tough decisions to build for a stronger long term.

Dividend

The company is pleased to announce an interim dividend of 1.25 cents per share, fully franked, which will be paid on or around 21 April 2016. The timing of the payment of the dividend has been delayed until after the takeover scheme meeting at which point if the takeover is approved by the shareholders then the interim dividend will be paid together with the proposed special dividend. In the event that the takeover scheme is not approved by the shareholders then only the interim dividend will be paid on or around the 21 April 2016.

As a result of the proposed takeover of the company, the directors consider it appropriate to suspend the dividend reinvestment plan until the outcome of the proposed takeover is known. The suspension of the dividend reinvestment plan will reduce the administrative burden and complexity of the takeover in the event that the shareholders give their approval.

Asset and Capital Structure

	31 December	30 June
	2015	2015
	\$000	\$000
Debt:		
Interest-bearing loans and borrowings	32,988	31,446
Cash and cash equivalents	(3)	(3)
Net debt	32,985	31,443
Total equity	60,992	59,235
Total capital employed	93,977	90,678
Gearing (debt/debt+equity)	35.1%	34.7%

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

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Directors' Report

Treasury

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

	31 December	30 June
	2015	2015
	\$000	\$000
Current		
Bank overdraft	988	1,446
	988	1,446
Non-current		
Bank loans – secured by debenture security	32,000	30,000
	32,988	31,446

The group had \$12,033,000 in cash and immediately draw-able overdraft and bill facilities at 31 December 2015 (30 June 2015: \$13,436,000). There are no debt repayment requirements on the group's core bill facilities before January 2017, at which time those facilities are expected to be renewed. The group continues to generate steady cash flows and the group's capacity to create business development opportunities continues to improve.

62.5% of the group's drawn debt was fixed at 31 December 2015 using interest rate swaps, with a relatively even reduction in fixed debt exposures across the years 2016 to 2018. The group has a policy of reviewing and adjusting its level of debt that is subject to fixed interest rates periodically in response to prevailing market conditions.

Investments for Future Performance

Capital expenditures in 2016 financial year are expected to be around \$2,400,000. Over the following few years, capital investment is expected to align fairly closely with the annual depreciation charge. The reconfiguration of the New Zealand premises towards the end of the 2016 financial year will necessitate increased capital expenditure associated with the reconfiguration.

Business Strategies and Prospects for Future Financial Performance

The material business risks faced that may have an effect on the financial prospects of the group include:

- fluctuations in demand volumes;
- Australian businesses moving their manufacturing operations offshore;
- increased competition;
- technological change;
- changes to alternate packaging materials;
- 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.

The above list does not necessarily represent an exhaustive list and it may be subject to change based on underlying market events.

Colorpak Limited

Directors' Report

The group's business strategy is to be the premier quality manufacturer and solution provider to packaging users in the Australian and New Zealand markets. Industry rationalisation is likely to be an important feature of the industry in the face of lower than international standard returns and a fragmented marketplace.

Events After the Balance Sheet Date

- On 12 January 2016 Colorpak advised the ASX that Graphic Packaging International Inc. had made a takeover offer for the company. The key terms and conditions of the takeover offer are set out below:
 - Colorpak has entered into a Scheme Implementation Deed with Graphic Packaging International under which Graphic Packaging International proposes to acquire 100% of Colorpak shares
 - Colorpak shareholders to receive cash payments of \$0.68 per share inclusive of a fully franked dividend of up to \$0.11 per share
 - Shareholders able to fully utilize franking credits receive value of up to \$0.727 per share
 - Cash payments of \$0.68 per share represents a premium of:
 - 25.9% to Colorpak's closing share price yesterday;
 - 26.9% to the 30 day volume weighted average price (VWAP); and
 - 31.5% to the 90 day VWAP
 - Colorpak directors unanimously recommend shareholders vote in favour of the Scheme subject to no superior proposal emerging and the Independent Expert concluding that the Scheme is in the best interests of Colorpak's shareholders
 - Colorpak's founding Commins family, which together hold 32% of total issued shares, have indicated they will vote in favour of the Scheme subject to no superior proposal being recommended by Colorpak's Board
 - BDO has been appointed to act as the Independent Expert
 - Expected transaction completion mid-April 2016

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.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which is attached at page 6 of this report.

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



G.L. Willis
Chairman



A. Commins
Managing Director

Braeside
26 February 2016

Colorpak Limited Directors' Report



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Auditor's Independence Declaration to the Directors of Colorpak Limited

As lead auditor for the review of Colorpak Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Colorpak Limited and the entities it controlled during the financial period.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'J Gossan'.

Jacob Gossan
Partner
26 February 2016

Colorpak Limited
Statement of Comprehensive Income
for the half-year ended 31 December 2015

	Notes	2015 \$000	2014 \$000
Revenue	4	79,208	85,103
Changes in inventories of finished goods and work in progress		381	480
Raw materials and consumables used		(35,729)	(38,018)
Employee benefits expense		(25,030)	(27,360)
Depreciation and amortisation		(2,466)	(2,489)
Occupancy costs		(3,488)	(3,419)
Factory operating expense		(7,346)	(7,744)
Other expenses		(1,657)	(2,319)
Profit before tax, non-recurring and finance costs		3,873	4,234
Finance costs	4	(993)	(1,388)
Profit before income tax and non-recurring costs		2,880	2,846
Non-recurring costs	4	(1,045)	(230)
Profit before income tax		1,835	2,616
Income tax expense		(479)	(971)
Net profit for the period		1,356	1,645
Other comprehensive income			
Items that will be subsequently recycled through profit and loss:			
Cash flow hedges:			
Gain / (loss) taken to equity		179	(78)
Income tax (expense) / benefit on items of other comprehensive income		(54)	23
Foreign currency translation		129	59
Other comprehensive income for the period, net of tax		254	4
Total comprehensive income for the period		1,610	1,649
Earnings per share (cents per share)			
- basic and diluted for profit for the period attributable to ordinary equity holders of the company		1.56	2.00

Colorpak Limited
Statement of Financial Position as at 31 December 2015

	As at 31 December 2015 \$000	As at 30 June 2015 \$000
ASSETS		
Current Assets		
Cash and cash equivalents	3	3
Trade and other receivables	26,902	25,045
Inventories	31,212	27,719
Income tax receivable	416	416
Other current assets	1,389	1,599
Total Current Assets	59,922	54,782
Non-current Assets		
Property, plant and equipment	37,809	39,674
Goodwill	31,134	31,134
Deferred income tax asset	341	660
Total Non-current Assets	69,284	71,468
TOTAL ASSETS	129,206	126,250
LIABILITIES		
Current Liabilities		
Trade and other payables	24,228	23,859
Interest-bearing loans and borrowings	988	1,446
Provisions	6 7,411	7,823
Derivative financial instruments	69	193
Total Current Liabilities	32,696	33,321
Non-current Liabilities		
Interest-bearing loans and borrowings	32,000	30,000
Provisions	6 3,204	3,325
Derivative financial instruments	314	369
Total Non-current Liabilities	35,518	33,694
TOTAL LIABILITIES	68,214	67,015
NET ASSETS	60,992	59,235
EQUITY		
Contributed equity	43,169	41,948
Retained profits	18,119	17,838
Reserves	(296)	(551)
TOTAL EQUITY	60,992	59,235

Colorpak Limited
Statement of Cash Flow
for the half-year ended 31 December 2015

	Notes	2015 \$000 Inflows/(Outflows)	2014 \$000 Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers		86,561	91,813
Payments to suppliers and employees		(85,277)	(86,234)
Interest received		9	14
Income taxes refund / (paid)		(206)	(388)
Finance costs		(1,029)	(1,388)
Net cash flows from operating activities (before non-recurring costs)		58	3,817
Non-recurring costs		(845)	(230)
Net cash flows (used in) / from operating activities		(787)	3,587
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4	4
Purchase of property, plant and equipment		(741)	(638)
Net cash flows used in investing activities		(737)	(634)
Cash flows from financing activities			
Repayment of finance lease principal		-	(185)
(Repayment) / proceeds of borrowings		1,982	(3,000)
Proceeds from reinvestment of dividends, net of costs		618	452
Payment of dividends	5	(618)	(458)
Net cash flows (used in) / from financing activities		1,982	(3,191)
Net increase in cash and cash equivalents		458	(238)
Cash and cash equivalents at beginning of period		(1,443)	(1,185)
Cash and cash equivalents at end of period	8	(985)	(1,423)

Colorpak Limited
Statement of Changes in Equity
for the half-year ended 31 December 2015

	Attributable to equity holders of the Company				
	Issued capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	FX translation reserve \$000	Total equity \$000
At 1 July 2015	41,948	17,838	(393)	(158)	59,235
Profit for the period	-	1,356	-	-	1,356
Other comprehensive	-	-	125	129	254
Other adjustments	-	(4)	-	1	(3)
Total comprehensive income / (loss) for the period	-	1,352	125	130	1,606
Transactions with owners in their capacity as owners:					
Issued capital	1,221	-	-	-	1,221
Equity dividends	-	(1,071)	-	-	(1,071)
At 31 December 2015	43,169	18,119	(268)	(28)	60,992
At 1 July 2014	39,484	16,941	(408)	(91)	55,926
Profit for the period	-	1,645	-	-	1,645
Other comprehensive	-	-	(55)	59	4
Total comprehensive income / (loss) for the period	-	1,645	(55)	59	1,649
Transactions with owners in their capacity as owners:					
Issued capital	1,421	-	-	-	1,421
Equity dividends	-	(1,427)	-	-	(1,427)
At 31 December 2014	40,905	17,159	(463)	(32)	57,569

	Notes	2015	2014
Dividends per share (cents per share)	5	1.25	1.75

Colorpak Limited

Notes to the half-year condensed Financial Statements

31 December 2015

1. Corporate Information

The condensed financial report of Colorpak Limited (the company) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 26 February 2016.

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

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

2. Summary of significant accounting policies

Basis of preparation

This general purpose condensed financial report has been prepared in accordance with AASB 134 “*Interim Financial Reporting*” and the *Corporations Act 2001*.

The half-year 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.

It is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2015 and considered together with any public announcements made by Colorpak Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The following amending Standards have been adopted from 1 July 2015.

Reference	Title	Application date of standard	Application date for group
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 July 2015	1 July 2015

The adoption of these Standards did not have any effect on the financial position or performance of the Group. The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

3. 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

Colorpak Limited
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31 December 2015

3. Segment Information (continued)

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 aggregating operating segments which were determined to have a similar economic characteristics 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 period 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 the prior period.

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

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

Major customers

The group has a single customer that contributes external revenues in excess of 10% of the group's revenues (being 16%). In 2014 there was one customer above 10%, being 16% of external revenues.

Geographic spread

	Australia	New Zealand	Total
	\$000	\$000	\$000
2015			
Revenues	67,683	11,525	79,208
Net profit for the period	1,170	186	1,356
Total Assets	120,436	8,770	129,206
 2014			
Revenues	73,843	11,260	85,103
Net profit for the period	1,820	(175)	1,645
Total Assets	120,062	9,159	129,221

Colorpak Limited
Notes to the half-year condensed Financial Statements
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2015	2014
\$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	78,466	84,181
Interest from unrelated persons	9	14
Other revenue	733	908
	<u>79,208</u>	<u>85,103</u>

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons	993	1,387
Finance charges payable under finance leases and hire purchase contracts	-	1
Total finance costs expensed	<u>993</u>	<u>1,388</u>

The following costs are recorded on the face of the Statement of Comprehensive Income 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 half-year financial statements:

Non-Recurring Costs

Redundancy costs	704	230
Legal Settlement (inclusive of associated costs)	250	-
Takeover Transaction costs	91	-
Total Non-Recurring Costs	<u>1,045</u>	<u>230</u>

(b) Seasonality of Operations

The company experiences only a slight seasonality in relation to demand for its product, with sales in the first half-year typically around 52% of annual sales.

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	2015 \$000	2014 \$000
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 2015: 1.25 cents (2014: 1.75 cents)	1,071	1,427
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for financial year 30 June 2016: 1.25 cents (2015: 1.25 cents)	1,103	1,048
	2,174	2,475

The company issued 2,200,083 shares at \$0.487 each on 7 October 2015 in settlement of the final franked dividend for the financial year 30 June 2015, comprising 931,051 shares to shareholders who participated in the Company's dividend reinvestment plan (DRP) and 1,269,032 shares to underwriters of the DRP who reinvested the shortfall amount of \$618,000.

6. Provisions

	2015 \$000	2014 \$000
Current		
Employee leave benefits	7,099	7,339
Unfavourable leases	312	659
Total current provisions	7,411	7,998
Non-current		
Employee leave benefits	955	979
Unfavourable leases	-	396
Property make-good	2,249	2,430
Total non-current provisions	3,204	3,805

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6. Provisions (continued)

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

	Unfavourable leases \$000	Property make-good \$000	Total \$000
At 1 July 2015	616	2,243	2,859
Additional provisions	-	6	6
Utilised / released	(304)	-	(304)
At 31 December 2015	312	2,249	2,561
Current 2015	312	-	312
Non-current 2015	-	2,249	2,249
Total	312	2,249	2,561
At 1 July 2014	1,360	2,418	3,778
Additional provisions	-	12	12
Utilised / released	(305)	-	(305)
At 31 December 2014	1,055	2,430	3,485
Current 2014	659	-	659
Non-current 2014	396	2,430	2,826
Total	1,055	2,430	3,485

7. Cash Flow Hedge Reserve

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 which are in place cover approximately 62.5% of the drawn-down debt and are timed to expire at selected dates over the next 2½ years, with the earliest expiry being June 2016. The fixed interest rates range between 3.3% and 4.7% and the comparable variable rate based on the 90 day bank bill rate at balance date was 2.34% (June 2015: 2.15%). These interest rate swaps have been designated into cash flow hedges.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

The most frequently applied valuation techniques for the interest rate swaps include forward pricing and swap models, using present value calculations. The models incorporate various inputs including interest rate curves and forward rate curves. As at 31 December 2015, the marked-to-market value of derivative liability positions is net of a debit valuation adjustment attributable to derivative counterparty default risk. For these financial instruments, significant inputs into models are market observable and are included within Level 2. No transfers between the levels have occurred during the period.

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Notes to the half-year condensed Financial Statements
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8. Reconciliation of Cash

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

	2015 \$000	2014 \$000
Cash on hand	3	3
Cash at bank / (Bank overdraft)	(988)	(1,426)
	(985)	(1,423)

9. Expenditure Commitments

	2015 \$000	2014 \$000
Estimated capital expenditure contracted for at reporting date, but not provided for:	168	703

10. Contingent Assets and Liabilities

On 4 December 2015 the company entered into a Deed of Settlement (Deed) for the full and final settlement of a claim made against the company by the liquidator of one of the company's former customers. Under the terms of the Deed the company is released from all past and future claims and in consideration for the releases the company has agreed to pay \$200,000 as full and final settlement of the claim. The settlement amount has been included in the 31 December 2015 half-year results as an expense the payment of which will become due and payable on 1 March 2016.

The company has committed to entering into a 7 year operating lease for the use of specialised printing and finishing equipment worth approx. \$4,250,000, it is expected that the terms and conditions of this lease will be finalised once the equipment is delivered and installed ready for use during the second-half of the financial year.

Apart from the above, since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

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11. Events after the Balance Sheet Date

Since 31 December 2015 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 or around 21 April 2016. The total value of this dividend is \$1,103,000. The company will be suspending the dividend reinvestment plan until further notice

The financial effect of the dividend has not been brought to account for the half-year ended 31 December 2015 and will be recognised in the subsequent financial period.

- On 12 January 2016 Colorpak advised the ASX that Graphic Packaging International Inc. had made a takeover offer for the company. The key terms and conditions of the takeover offer are set out below:
 - Colorpak has entered into a Scheme Implementation Deed with Graphic Packaging International under which Graphic Packaging International proposes to acquire 100% of Colorpak shares
 - Colorpak shareholders to receive cash payments of \$0.68 per share inclusive of a fully franked dividend of up to \$0.11 per share
 - Shareholders able to fully utilize franking credits receive value of up to \$0.727 per share
 - Cash payments of \$0.68 per share represents a premium of:
 - 25.9% to Colorpak's closing share price yesterday;
 - 26.9% to the 30 day volume weighted average price (VWAP); and
 - 31.5% to the 90 day VWAP
 - Colorpak directors unanimously recommend shareholders vote in favour of the Scheme subject to no superior proposal emerging and the Independent Expert concluding that the Scheme is in the best interests of Colorpak's shareholders
 - Colorpak's founding Commins family, which together hold 32% of total issued shares, have indicated they will vote in favour of the Scheme subject to no superior proposal being recommended by Colorpak's Board
 - BDO has been appointed to act as the Independent Expert
 - Expected transaction completion mid-April 2016

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 2015 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
26 February 2016

Independent Review Report to members of Colorpak Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Colorpak Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 consolidated entity's financial position as at 31 December 2015 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*. As the auditor of Colorpak Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

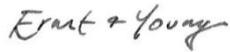
Independence

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 half-year financial report of Colorpak Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Jacob Gossan
Partner
Melbourne
26 February 2016