

Colorpak Limited
Half-Year Condensed Financial Report
31 December 2007

Colorpak Limited

Directors' Report

Your directors submit their report for the half-year ended 31 December 2007.

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 2007 produced revenues from sale of goods and services of \$39.5 million, 13.0% up on the corresponding prior comparable period ("pcp") of \$34.9 million. Solid growth has been experienced in cartons in the beverage, food and pharmaceutical sectors. In particular, anticipated revenues flowing from the company's capital re-equipment program, which had previously been reported as being slower than expected, have now built up to the expected levels.

Net profit after tax for the six months increased from \$2.3 million in the prior comparable period to \$3.2 million, the highest six monthly profit in the company's history. This 38.0% improvement resulted from both higher sales and improved efficiencies, particularly in the Sydney operation.

Cash Flow and Debt

Cash generation from operations for the half year was again very strong and marginally above the pcp with an inflow of \$4.0 million. This has enabled a further reduction in net debt of \$2.2 million since June 2007 to \$31.2 million, a position that is well down from the peak in March 2007 of \$37.7 million. Debt to Debt+Equity has now improved to 37.1% and is now expected to outperform the target level of 35.0% by the end of the year.

Net capital expenditure in the first half totalled \$0.9 million, in line with expectations. Capital expenditure in the second half of the year will also 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.

Operating Activities

A pleasing factor in the operating activities was the improved efficiencies resulting from the investment in the Sydney plant and a focus on reducing manufacturing costs in all divisions.

The Sydney facility is now well bedded down. The carton division is running strongly and efficiencies from the new plant layout and investment in technology are flowing through.

Similarly, the flexibles division which provides pharmaceutical lidding foils and labels is performing ahead of expectation and it is receiving solid industry support for its high quality product from the clean room facilities.

Colorpak Limited

Directors' Report

We have employed a number of new staff in many areas of the business to strengthen our team and allow for succession and back-up.

For the remainder of 2008 we expect growth to continue. We are still driving to extract maximum efficiencies from all divisions.

In consultation with our customers we will shortly commence the implementation of ISO14001 – the International Standard for environmental management which will assist the company to take the next step in the continuous improvement of our business processes.

Dividend

On the basis of the improved results, the company plans to increase its interim dividend to 1.25 cents per share, fully franked, which will be paid on 2 April 2008 and expects to announce its fully franked final dividend later in the year.

Outlook

Performance to date gives the company every confidence that the earnings outlook for the full 2008 financial year will be double digit growth on the 2007 year.

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
22 February 2008

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 2007, 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', written in a cursive style.

Ernst & Young

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

Ashley C Butler
Partner

Melbourne
22 February 2008

Colorpak Limited
Income Statement
for the half-year ended 31 December 2007

	Notes	2007 \$000	2006 \$000
Revenue	4	39,887	35,307
Other income		1	129
Changes in inventories of finished goods and work in progress		(30)	529
Raw materials and consumables used		(15,747)	(14,541)
Employee benefits expense		(12,148)	(10,599)
Depreciation and amortisation		(1,382)	(1,324)
Impairment of plant and equipment		-	(165)
Occupancy costs		(1,309)	(1,157)
Factory operating expense		(2,384)	(2,344)
Other expenses		(1,024)	(1,223)
Profit before tax and finance costs		5,864	4,612
Finance costs	4	(1,295)	(1,308)
Profit before income tax		4,569	3,304
Income tax expense		(1,357)	(976)
Net profit for the period attributable to members of Colorpak Limited		3,212	2,328
Earnings per share (cents per share)			
- basic and diluted for profit for the period attributable to ordinary equity holders of the company		3.99	2.89
Dividends per share (cents per share)	5	1.75	1.75

Colorpak Limited
Balance Sheet as at 31 December 2007

	As at 31 December 2007 \$000	As at 30 June 2007 \$000
ASSETS		
Current Assets		
Cash and cash equivalents	343	321
Trade and other receivables	12,817	13,156
Inventories	10,209	8,071
Prepayments	550	816
Total Current Assets	23,919	22,364
Non-current Assets		
Property, plant and equipment	27,761	28,352
Goodwill	46,134	46,134
Total Non-current Assets	73,895	74,486
TOTAL ASSETS	97,814	96,850
LIABILITIES		
Current Liabilities		
Trade and other payables	9,062	9,184
Interest-bearing loans and borrowings	530	560
Income tax payable	632	254
Provisions	1,776	1,788
Total Current Liabilities	12,000	11,786
Non-current Liabilities		
Interest-bearing loans and borrowings	31,050	32,795
Deferred income tax liabilities	773	455
Provisions	1,102	866
Total Non-current Liabilities	32,925	34,116
TOTAL LIABILITIES	44,925	45,902
NET ASSETS	52,889	50,948
EQUITY		
Issued capital	38,861	38,861
Retained earnings	13,635	11,831
Reserves	393	256
TOTAL EQUITY	52,889	50,948

Colorpak Limited
Cash Flow Statement
for the half-year ended 31 December 2007

	Notes	2007 \$000 Inflows/(Outflows)	2006 \$000 Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers		44,358	39,203
Payments to suppliers and employees		(38,442)	(33,685)
Interest received		9	21
Income taxes paid		(719)	(264)
Finance costs		(1,139)	(1,292)
Net cash flows from operating activities		4,067	3,983
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		30	1,792
Purchase of property, plant and equipment		(892)	(9,290)
Net cash flows used in investing activities		(862)	(7,498)
Cash flows from financing activities			
Proceeds from borrowings		-	7,500
Repayment of finance lease principal		(275)	(272)
Repayment of borrowings		(1,500)	(1,500)
Payment of dividends	5	(1,408)	(1,408)
Net cash flows (used in) / from financing activities		(3,183)	4,320
Net increase in cash and cash equivalents		22	805
Cash and cash equivalents at beginning of period		321	(889)
Cash and cash equivalents at end of period	9	343	(84)

Colorpak Limited
Statement of Changes in Equity
for the half-year ended 31 December 2007

	Attributable to equity holders of the Company			
	Issued capital \$000	Retained earnings \$000	Cash flow Hedge reserve \$000	Total equity \$000
At 1 July 2006	38,861	8,993	66	47,920
Cash flow hedges:				
Gains / (losses) taken to equity	-	-	110	110
Deferred tax on gains / (losses)	-	-	(33)	(33)
Total income and expense for the period recognised directly in equity	-	-	77	77
Profit for the period	-	2,328	-	2,328
Total income / expense for the period	-	2,328	77	2,405
Equity dividends	-	(1,408)	-	(1,408)
At 31 December 2006	38,861	9,913	143	48,917
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

Colopak Limited

Notes to the half-year Financial Statements

31 December 2007

1. Corporate Information

The condensed financial report of Colopak Limited (the company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 22 February 2008.

Colopak 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 Colopak Limited as at 30 June 2007. It is also recommended that the half-year condensed financial report be considered together with any public announcements made by Colopak Limited during the half-year ended 31 December 2007 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 2007.

(b) Significant accounting policies

Since 1 January 2007 the company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the company.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards* (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)
- Interpretation 10 *Interim Financial Reporting and Impairment*

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2007

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.

2007	2006
\$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	39,492	34,948
Interest from unrelated persons	9	21
Other revenue	386	338
	<u>39,887</u>	<u>35,307</u>

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons	1,166	1,233
Finance charges payable under finance leases and hire purchase contracts	89	92
Total finance costs (on historical cost basis)	<u>1,255</u>	<u>1,325</u>
Fair value change on interest rate swaps	40	(17)
Total finance costs expensed	<u>1,295</u>	<u>1,308</u>

(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 2007

	2007 \$000	2006 \$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 2007: 1.75 cents (2006: 1.75 cents)	1,408	1,408
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for financial year 30 June 2008: 1.25 cents (2007: 1.0 cent)	1,006	805
	2,414	2,213
	2,414	2,213

6. Expenditure Commitments

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

194	330
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7. Contingent Assets and Liabilities

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

8. Events after the Balance Sheet Date

Since 31 December 2007 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 2 April 2008. The total value of this dividend is \$1.006 million.

The financial effect of this dividend has not been brought to account for the half-year ended 31 December 2007 and will be recognised in the subsequent financial period.

Colorpak Limited
Notes to the half-year condensed Financial Statements
31 December 2007

2007	2006
\$000	\$000

9. Additional Information

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	2	2
Cash at bank / (Bank overdraft)	341	(86)
	<hr/> 343	<hr/> (84)
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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 2007 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
22 February 2008

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 balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and 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 2007 half year 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 2007 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 2007 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.

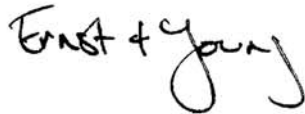
Independence

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 interim financial report of Colopak 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 2007 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*.



Ernst & Young



Ashley C Butler
Partner

Melbourne
22 February 2008