

Rule 4.3A

Appendix 4E

Preliminary Final Report

Name of entity	ABN
Colorpak Limited	56 107 485 898

Current reporting period:	Previous corresponding period:
Financial year ended 30 June 2005 #	Period ended 30 June 2004 #

See comments under brief explanation.

Results for announcement to the market	AUD'000s	
Revenues from ordinary activities	up / down	132 % to 58,611
Profit from ordinary activities after tax attributable to members	up / down	112 % to 3,107
Net profit for the period attributable to members	up / down	112 % to 3,107
<i>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</i>		
Colorpak listed on the ASX on 15 April 2004, having been incorporated on 23 December 2003 for the purpose of purchasing the businesses of Colorpak and Foilmasters. The Company commenced trading on 1 January 2004 and consequently last year's comparatives are only for a six month period.		
	Amount per security	Franked amount per security
Final dividend	1.5 cents	1.5 cents
Interim dividend	1.0 cents	1.0 cents
Record date for determining entitlements to the final dividend	5 September 2005	
Dividend reinvestment plan	not applicable	
	2005	2004
Net tangible assets per security	(1.4) cents	(9.4) cents

<i>Commentary on Results:</i> See separate report below							
<i>Audit Statement:</i> This report is based on the 2005 Annual Report of Colorpak Limited which is in the process of being audited. An unqualified audit report is expected.							
Entities over which control has been gained during the year	On 1 December 2004, the company acquired the business and business assets of Castle Graphics Pty Ltd.						
Entities over which control has been gained during the year	Nil						
Details of associates	Nil						
Details of joint venture entities	Nil						
Annual General meeting will be held at:	<table style="width: 100%; border: none;"> <tr> <td style="width: 40%; vertical-align: top;">Place:</td> <td>ASX Theatrette Stock Exchange Centre 530 Collins Street Melbourne Vic 3000</td> </tr> <tr> <td style="vertical-align: top;">Date:</td> <td>Friday, 21 October 2005</td> </tr> <tr> <td style="vertical-align: top;">Time:</td> <td>11.00 am</td> </tr> </table>	Place:	ASX Theatrette Stock Exchange Centre 530 Collins Street Melbourne Vic 3000	Date:	Friday, 21 October 2005	Time:	11.00 am
Place:	ASX Theatrette Stock Exchange Centre 530 Collins Street Melbourne Vic 3000						
Date:	Friday, 21 October 2005						
Time:	11.00 am						

Commentary on Results

Operating Results for the year

The company produced a net profit after tax of \$3.107 million on revenues from sale of product of \$58.258 million. This represents an NPAT growth of 112% and a sales growth of 135%, on the reported 2004 results.

Colorpak listed on the ASX on 15 April 2004, having been incorporated on 23 December 2003 for the purpose of purchasing the businesses of Colorpak and Foilmasters. The Company commenced trading on 1 January 2004 and consequently last year's comparatives are only for a six month period.

Whilst not having reported full year comparatives, the Directors consider that meaningful comparatives can be made between this year's results and:

- the 2005 Forecast disclosed in Colorpak's prospectus dated 2 March 2004; and
- "normalised financial performance" for the year to 30 June 2004. In this sense, normalised financial performance incorporates the six months audited actual performance of the acquired Colorpak and Foilmasters businesses to 31 December 2003, plus the six months actual results to 30 June 2004. The audited results for the six months to 31 December 2003 have then been adjusted, or "normalised", so that those results reflect the same structure that the Colorpak business had once it became a listed entity. This resulted in changes to the business' equity and debt structures. Normalisation adjustments include changes to the business' goodwill amortisation, interest expense, depreciation and public company costs.

These comparatives are:

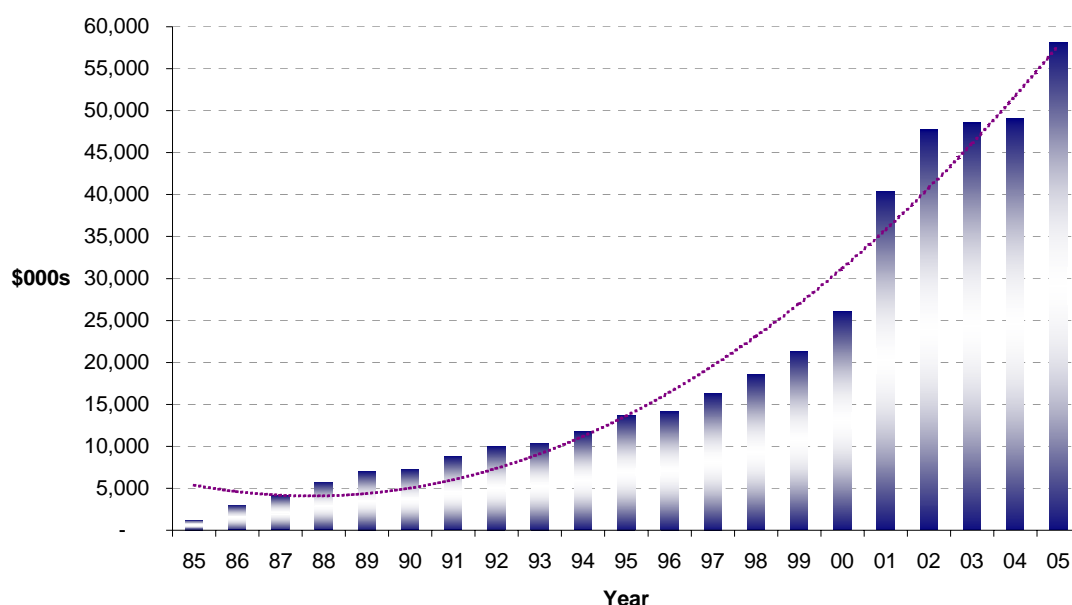
	12 Months	Prospectus	Variance	12 Months	\$000
	30 June	Forecast	%	30 June	Variance
	2005	2005		2004	%
				Normalised (⁽¹⁾)	
Sales of goods & services	58,258	52,701	10.5	49,116	18.6
EBITDA	11,299	10,967	3.0	10,558	7.0
Net Profit after tax (post goodwill amortisation)	3,107	2,907	6.9	2,571	20.9
Net Profit after tax (pre goodwill amortisation)	5,466	5,306	3.0	4,939	10.7

⁽¹⁾ see explanation above.

The directors are pleased with the results for the year, exceeding both the prospectus forecast and the prior year comparatives.

Sales growth over 2004 has been fairly evenly spread between new customers, the impact of the Castle Graphics acquisition, and an increased uptake from existing customers, predominantly in Victoria. Colorpak's revenue history, incorporating revenues from the Colorpak and Foilmasters predecessor businesses is set out in the following table:

Sales Growth



Castle Graphics, a pharmaceuticals flexible packaging business specialising in blister and lidding foils and self-adhesive labels, was acquired in December 2004 and the results for the year include seven months trading for that business. On the back of the Castle Graphics acquisition and with the development of its "Pharmakit" model, Colorpak is now well placed to broaden its product offering to all its pharmaceutical customers with a particular focus to increase penetration of the NSW market.

2006 NPAT growth is expected to outstrip GDP growth even after allowing for the once-off costs of the Sydney move.

Shareholder Returns

Colorpak has delivered the following returns to shareholders:

	Notes	2005	2004
Basic earnings per share (cents)		3.93	1.98
Return on assets (%)		3.9	2.0
Return on equity (%)		7.6	3.8
Net debt / debt+equity (%)		39.2	42.8
Dividend payout ratio (%)	1.	36.8	n/a
Total shareholder return (%)	2.	41.3	n/a

Notes:

1. Includes the proposed final dividend payable in October, and is based on NPAT pre-goodwill amortisation.
2. Excludes final dividend.

The share price reflects our reported financial performance for the 2004 financial year and the first half 2005, rising from 46 cents at 30 June 2004 to 64 cents at 30 June 2005.

The company paid its maiden dividend of 1.0 cents per share in April 2005 and has approved the payment of a final dividend of 1.5 cents per share fully franked for the 2005 year, to be paid in early October 2005. The full year dividend of 2.5 cents per share fully franked represents a dividend yield of 3.9% on the 30 June 2005 share price.

Cash from Operations

Cash generation from the business remains strong, with cash from operations amounting to \$7.878 million, up \$3.477 million on 2004. Cash from operations closely correlates with the operating profit before depreciation and amortisation, adjusted for tax paid. Net working capital movements have been well contained in the face of strong revenue growth.

Investments for Future Performance

Consistent with the company's ASX announcement on 1 March 2005, the company is investing in new capital equipment to service increased demand. Total capital expenditure of \$3.761 million, which includes a new die-cutter installed in late June 2005, was incurred during the year. A new 6 colour press will arrive early in the first half of the 2006 financial year and a second 6 colour press, to be installed in the Sydney factory, is planned for the 2nd half of 2006.

The company plans to vacate its premises in Erskineville and relocate to a purpose built factory which is being constructed by interests of the Commins family. Occupation is expected early in the 2nd half of the 2006 financial year. The key terms of the lease are based on an arm's length commercial valuation by Colliers International Consultancy and Valuation Pty Ltd.

Capital Structure

During the year, 3,288,392 ordinary shares were issued as part consideration in acquiring the Castle Graphics business. The value placed on the issue was \$0.6082 per share.

Treasury

Banking relationships have been broadened to include a second major Australian bank under the existing trust deed. This greatly assisted with the Castle Graphics acquisition and provides secure funding for planned capital expenditure.

As at 30 June 2005, \$3.973 million in capital expenditure commitments is amply covered by the undrawn facility of \$11.7 million, and the balance of the facility adequately provides for future cash commitments, including in relation to the Sydney premises move.

Colorpak Limited
Statement of Financial Performance for the year ended 30 June 2005

	Notes	2005 \$000	23 December 2003 to 30 June 2004 \$000
Revenues from ordinary activities	1	58,611	25,234
Changes in inventories of finished goods and work in progress		(116)	135
Raw materials and consumables used		24,290	9,018
Employee benefits expense		17,867	7,106
Depreciation and amortisation	2	4,015	1,892
Occupancy costs		1,783	771
Borrowing costs	2	1,918	1,067
Other expenses from ordinary activities		3,490	2,766
Profit from ordinary activities before income tax expense		5,364	2,479
Income tax expense relating to ordinary activities	4	2,257	1,011
Profit from ordinary activities after related income tax expense attributable to members of Colorpak Limited	17	3,107	1,468
Share issue costs		1	(1,734)
Total revenues and expenses attributable to members of the entity and recognised directly in equity		1	(1,734)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Colorpak Limited		3,107	1,468
Basic and diluted earnings per share (cents per share)	4	3.93	1.98
Franked dividends per share (cents per share)	5	2.50	-

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Colorpak Limited
Statement of Financial Position as at 30 June 2005

	Note	2005 \$000	2004 \$000
Current Assets			
Cash assets		2	1
Receivables	6	10,786	9,492
Inventories	7	5,152	3,413
Other	8	1,148	441
Total Current Assets		17,088	13,347
Non-Current Assets			
Property, plant and equipment	9	19,561	15,232
Deferred tax assets	3	860	726
Intangible assets	10	43,774	45,609
Total Non-Current Assets		64,195	61,657
Total Assets		81,283	74,914
Current Liabilities			
Payables	11	5,850	4,586
Interest-bearing liabilities	12	3,860	4,059
Current tax liabilities	3	1,342	923
Provisions	13	2,500	1,958
Total Current Liabilities		13,552	11,526
Non-Current Liabilities			
Interest-bearing liabilities	14	23,642	24,145
Deferred tax liabilities	3	578	213
Provisions	15	880	702
Total Non-Current Liabilities		25,100	25,060
Total Liabilities		38,652	36,586
Net Assets		42,631	38,328
Equity			
Contributed equity	16	38,861	36,860
Retained profits	17	3,770	1,468
Total Equity		42,631	38,328

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Colorpak Limited
Statement of Cash Flows for the year ended 30 June 2005

	Note	30 June 2005 \$000 Inflows/(Outflows)	23 December 2003 to 30 June 2004 \$000 Inflows/(Outflows)
Cash flows operating activities			
Receipts from customers (*)		63,552	26,544
Payments to suppliers and employees (*)		(52,312)	(21,348)
Interest received	1	46	272
Income taxes paid		(1,466)	-
Borrowing costs		(1,942)	(1,067)
Net cash flows from ordinary activities	18(a)	7,878	4,401
Cash flows from investing activities			
Purchase of business, net of cash acquired	18(c)	(2,243)	(2,562)
Payments of acquisition costs	18(c)	(351)	(875)
Purchase of property, plant and equipment (**)		(3,761)	(253)
Proceeds from sale of property, plant and equipment	1	29	64
Net cash flows used in investing activities		(6,326)	(3,626)
Cash flows from financing activities			
Proceeds from issues of shares		-	3,000
Proceeds from borrowings		2,500	-
Payments of share issue costs	16(b)	1	(1,734)
Repayment of finance lease principal		(1,737)	(825)
Repayment of borrowings		(1,500)	(2,036)
Payment of dividends		(805)	-
Net cash flows used in financing activities		(1,541)	(1,595)
Net decrease in cash held		11	(820)
Cash at the beginning of the year		(820)	-
Cash at the end of the year	18(b)	(809)	(820)

(*) Both receipts from customers and payments to suppliers and employees are inclusive of goods and services tax.

(**) Purchase of property, plant and equipment includes \$501 thousand of deposits against equipment that was received in the 2006 financial year, such amounts being included in prepayments at 30 June 2005.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Preliminary Final Report
for the year ended 30 June 2005

	Note	2005 \$000	23 December 2003 to 30 June 2004 \$000
1. REVENUES			
Revenue from operating activities:			
Sale of goods and services		58,258	24,762
Revenue from non-operating activities:			
Interest from unrelated persons		46	272
Other revenue		278	136
Gross proceeds from the sale of non-current assets		29	64
		353	472
Total revenue from ordinary activities		58,611	25,234
2. EXPENSES AND LOSSES (Gains)			
Profit from ordinary activities before income tax has been determined after:			
(a) Expenses			
Cost of Goods Sold		42,700	17,061
Depreciation and amortisation:			
Depreciation of non-current assets:			
– Leasehold improvements		20	11
– Computers & office equipment		197	102
– Motor vehicles		138	67
– Plant and equipment		1,296	540
– Furniture, fixtures & fittings		5	3
Amortisation of non-current assets:			
– Goodwill		2,359	1,169
Total depreciation and amortisation expenses		4,015	1,892
Borrowing costs:			
Interest paid or payable to unrelated persons		1,827	973
Finance charges relating to hire purchases		91	94
Other borrowing costs		-	-
Total borrowing costs expensed		1,918	1,067
Provision expenses:			
Net expense from movements in provision for:			
Bad and doubtful debts		(34)	35
Inventories		(74)	60
Employee benefits		652	493
Other operating expense items:			
Operating lease rentals		1,299	594

Notes to the Preliminary Final Report
for the year ended 30 June 2005

Note	2005	23 December 2003 to 30 June 2004
	\$000	\$000

2. EXPENSES AND LOSSES (Gains) (continued)

(b) Losses (gains):

Net losses on disposal of property, plant & equipment	6	23
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3. INCOME TAX

The prima-facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows:

Profit from ordinary activities	5,364	2,479
Prima facie tax expense thereon at 30%	1,609	744
Tax effect of permanent and other differences:		
- Amortisation of goodwill	707	351
- Non deductible operating expenses	30	9
- Deductible float costs	(89)	(93)
Income tax expense attributable to ordinary activities	2,257	1,011

Deferred Tax Assets and liabilities:

Current tax payable	1,342	923
Provision for deferred income tax – current	-	-
Provision for deferred income tax – non-current	578	213
Future income tax benefit – non-current	860	726

4. EARNINGS PER SHARE

Basic and diluted earnings per share (cents per share)	3.93	1.98
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	79,098,406	74,023,600
Net profit used in the calculation of basic and diluted earnings per share (\$000)	3,107	1,468

Subscription or issues after 30 June 2005

There have been no additional ordinary shares issued since the reporting date and before the completion of this report.

**Notes to the Preliminary Final Report
for the year ended 30 June 2005**

Note	2005	2004
	\$000	\$000

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

No dividends have been proposed and recognised as a liability as at 30 June 2005.

(b) Dividends paid during the year

Current year interim

Franked dividend (1.0 cents per share)	805	-
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(c) Dividends proposed and not recognised as a liability

Franked dividend (1.5 cents per share)	1,207	-
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(d) Franking Credit Balance

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

- franking account balance as at the end of the financial	662	-
- franking credits that will arise from the payment of income tax payable as at the end of the financial period	1,342	923
	2,004	923

6. RECEIVABLES (current)

Trade Debtors	6(a)	10,654	9,498
Less, provision for doubtful debts		(115)	(149)
		10,539	9,349
Other debtors	6(a)	247	143
Total current receivables		10,786	9,492

(a) Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and generally on 30 or 60 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing and generally on 30 day terms from their due date.

7. INVENTORIES (Current)

At cost:

Raw materials and stores	2,541	1,133
Work in progress	1,274	985
Finished goods	1,451	1,483
	5,266	3,601
Less, provision for obsolescence	(114)	(188)
Total Inventories (current)	5,152	3,413

Notes to the Preliminary Final Report
for the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
8. OTHER ASSETS (Current)			
Prepayments		647	441
Deposit on plant & equipment		501	-
Total Other Assets (Current)		1,148	441
9. PROPERTY, PLANT AND EQUIPMENT			
Leasehold Improvements			
At cost		158	155
Accumulated depreciation		(51)	(11)
		107	144
Computers & Office Equipment			
At cost		750	588
Accumulated depreciation		(306)	(102)
		444	486
Motor Vehicles			
At cost		857	698
Accumulated depreciation		(199)	(63)
		658	635
Plant & Equipment			
At cost		20,175	14,443
Accumulated depreciation		(1,894)	(540)
		18,281	13,903
Furniture, Fixtures & Fittings			
At cost		79	67
Accumulated depreciation		(8)	(3)
		71	64
Total Property, Plant & Equipment			
At cost		22,019	15,951
Accumulated depreciation		(2,458)	(719)
		19,561	15,232

Notes to the Preliminary Final Report
for the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
9. PROPERTY, PLANT AND EQUIPMENT (continued)			
(a) Reconciliations:			
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial period:			
Leasehold Improvements			
Carrying amount at beginning		144	-
Assets acquired		-	127
Acquisition fair value adjustment	9(a)	(20)	-
Additions		3	28
Depreciation		(20)	(11)
		107	144
Computers & Office Equipment			
Carrying amount at beginning		486	-
Assets acquired		18	540
Acquisition fair value adjustment	9(a)	(7)	-
Additions		144	48
Depreciation		(197)	(102)
		444	486
Motor Vehicles			
Carrying amount at beginning		635	-
Assets acquired		22	677
Additions		164	112
Depreciation		(138)	(67)
Disposals		(25)	(87)
		658	635
Plant & Equipment			
Carrying amount at beginning		13,903	-
Assets acquired		2,761	14,379
Acquisition fair value adjustment	9(a)	(59)	-
Additions		2,983	64
Depreciation		(1,296)	(540)
Disposals		(11)	-
		18,281	13,903
Furniture, Fixtures & Fittings			
Carrying amount at beginning		64	-
Assets acquired		-	66
Additions		12	1
Depreciation		(5)	(3)
		71	64

Notes to the Preliminary Final Report
for the year ended 30 June 2005

Note	2005	2004
	\$000	\$000

9. PROPERTY, PLANT AND EQUIPMENT (continued)

- (b) Acquisition fair value adjustments have been taken to goodwill.
- (c) 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 24). 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.

Assets under hire purchase lease arrangements are pledged as security for the associated lease liabilities.

10. INTANGIBLE ASSETS (Non-Current)

Goodwill, at cost	47,303	46,778
Accumulated amortisation	(3,529)	(1,169)
Goodwill, net	43,774	45,609

11. PAYABLES (Current)

Unsecured liabilities

Trade creditors	5,009	3,940
Sundry creditors	841	646
Total current payables	5,850	4,586

(a) Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors are non-interest bearing and have an average term of between 3 and 6 months.

**Notes to the Preliminary Final Report
for the year ended 30 June 2005**

Note	2005 \$000	2004 \$000
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12. INTEREST BEARING LIABILITIES (Current)

Secured liabilities

Bank overdraft	12(a)	811	821
Bank loan	12(a)	2,400	1,500
Hire purchase liabilities	12(a)	649	1,738
Total current interest bearing liabilities		3,860	4,059

(a) Terms and conditions relating to the above financial instruments:

- (i) Bank overdraft is provided under a \$3 million facility expiring on 31 March 2007. The interest rate applicable at 30 June 2005 was 10.35% plus a line fee of 0.40% on the limit;
- (ii) Bank loans are provided under two separate facilities with the company's banks, with an aggregate facility limit of \$35.5 million at 30 June 2005. \$21.5 million of these facilities expire, unless extended, on 31 March 2007, with the balance of the facilities having no fixed expiry date. Agreed amortisation of the loan facilities total \$2.4 million and \$2.25 million, in the 2006 and 2007 financial years respectively. The average interest rate payable at 30 June 2005 on the fixed and floating bills under the two facilities was 7.16%.
- (iii) Hire purchase liabilities have terms of between 1 and 4 years. The average implicit interest rate is 6.58%.
- (iv) All interest-bearing liabilities, other than a hire purchase liability of \$46 thousand at 30 June 2005, are secured by a fixed and floating charge over the company's assets.

13. PROVISIONS (Current)

Employee entitlements		50	-
Provision for indemnity		2,450	1,958
Total current provisions		2,500	1,958

14. INTEREST BEARING LIABILITIES (Non-Current)

Secured liabilities

Bank Loans	12(a)	23,600	23,500
Hire purchase liabilities	12(a)	42	645
Total non-current interest bearing liabilities		23,642	24,145

The terms and conditions relating to the above financial instruments are explained in Note 12(a).

15. PROVISIONS (Non-Current)

Employee entitlements		52	-
Provision for indemnity		828	702
Total non-current provisions		880	702

Notes to the Preliminary Final Report
for the year ended 30 June 2005

Note	2005 \$000	2004 \$000
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16. CONTRIBUTED EQUITY

(a) Issued and paid-up capital:

Ordinary shares	38,861	36,860
Total contributed equity	38,861	36,860

(b) Movements in shares on issue:

	No of Ordinary Shares 2005	2005 \$000	No of Ordinary Shares 2004	2004 \$000
Opening balance	77,188,436	36,860	1	-
Issued during the period (i)	3,288,392	2,000	77,188,435	38,594
Less, issue costs	-	1	-	(1,734)
Closing balance	80,476,828	36,861	77,188,436	36,860

- (i) on 1 December 2004, 3,288,392 ordinary shares were issued as part consideration in acquiring the Castle Graphics business. The value placed on the issue was the weighted average market share price of the company's shares on the 5 trading days prior to the issue.

(c) Shares under Escrow

As at 30 June 2005, a total of 25,532,436 (2004: 26,532,436) ordinary shares were subject to voluntary escrow, details of which are:

Shareholder Name	Number of Shares	Release Date
Carton Services Pty Ltd	25,532,436	15 August 2005

(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.

Note	2005 \$000	2004 \$000
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17. RETAINED PROFITS

Balance at the beginning of the financial year	1,468	-
Net profit attributable to members of Colorpak Limited	3,107	1,468
Total available for appropriation	4,575	1,468
Dividends provided for or paid	(805)	-

Balance at the end of the financial year	3,770	1,468
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**Notes to the Preliminary Final Report
for the year ended 30 June 2005**

	Note	2005	2004
		\$000	\$000

18. STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Profit After Tax to the Net Cash flows from Operations

Profit from ordinary activities after income tax:	3,107	1,468
Adjustments for non-cash items:		
Depreciation of non-current assets	1,656	723
Amortisation of non-current assets	2,359	1,169
Transfers to provisions:		
Employee benefits	102	-
Provision for indemnity	550	493
Doubtful debts	(34)	35
Inventories	(74)	60
Net loss on disposal of plant & equipment	6	23
Changes in assets and liabilities (net of effects from purchase of business):		
Decrease/(Increase) in assets:		
Receivables	(1,155)	(830)
Inventories	(346)	147
Prepayments and other assets ^(*)	(163)	(18)
(Decrease)/Increase in liabilities:		
Trade & other creditors	1,039	(79)
Other liabilities	40	198
Movement in provision for:		
Income tax payable	419	923
Deferred income tax	372	89
Net cash flow from operating activities	7,878	4,401

^(*) The movement in prepayments and other debtors excludes \$501 thousand deposit on plant & equipment.

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash on hand		2	1
Bank overdraft	12	(811)	(821)
Closing cash balance		(809)	(820)

Notes to the Preliminary Final Report
for the year ended 30 June 2005

2005	2004
\$000	\$000

18. STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of Businesses

Pursuant to an acquisition agreement dated 1 December 2004, the company acquired the Castle Graphics business, with effect from that date.

The components of the acquisition were:

Cash consideration	2,243	-
Acquisition costs	239	875
Shares issued	2,000	35,594
	4,482	36,469

The amounts of assets and liabilities acquired by major class are:

Cash	-	(2,562)
Receivables	-	8,553
Inventories	1,319	3,621
Other assets	-	494
Deferred tax assets	23	602
Plant and equipment	2,801	15,789
Interest Bearing Liabilities	-	(30,243)
Payables	-	(4,188)
Provisions	(77)	(2,167)
	4,066	(10,101)
Goodwill arising on acquisition	177	46,570
	4,243	36,469

Net Cash Effect:

Cash consideration paid	(2,243)	-
Acquisition costs	(239)	(875)
Cash included in net assets acquired	-	(2,562)
Cash paid for purchase of business	(2,482)	(3,437)

(d) Non-Cash Financing and Investing Activities

Finance lease transactions

The company acquired property, plant & equipment during the financial year with a fair value of \$46 thousand by means of finance leases.

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19. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Colorpak Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. The company has allocated internal resources and will engage expert consultants as appropriate to perform diagnostics and identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Colorpak's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Colorpak prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the company's best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS review; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005** \$000	30 June 2004† \$000
Total Equity under AGAAP		42,631	38,328
<i>Adjustments to retained earnings (net of tax):</i>			
Impairment of assets including goodwill	(i)	-	-
Write-back of goodwill amortisation	(ii)	2,359	-
Tax effect of float and acquisition costs	(iii)	383	437
Write-back of doubtful debts provision	(iv)	81	105
"Mark-to-market" financial derivatives	(v)	-	-
Total Equity under AIFRS		45,454	38,870

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. The company's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The company's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This would result in no impairment losses being recognised under AIFRS.

(ii) Under AASB 3 *Business Combinations*, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the company amortises goodwill over its useful life but not exceeding 20 years. The company has elected to apply AASB 3 retrospectively and hence, prior year amortisation would be written-back as at the date of transition.

Notes to the Preliminary Final Report
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19. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(iii) Under AASB 112 *Income Taxes*, the company would be required to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax asset in relation to float costs and acquisition costs that are both deductible over 5 years. Under AGAAP, the tax effect of deductible float costs are not recognised and the tax effect of deductible acquisition costs are only recognised over the useful life, which is taken to be 20 years.

(iv) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the company can only recognise an impairment loss if there is objective evidence of impairment. This means that it is no longer permitted to carry general provisions, such as provisions for doubtful debts. The company has historically established a doubtful debt provision based on specific known doubtful debts plus a general provision for debts that may go bad. Under AIFRS, the component of doubtful debts relating to the general provisions is required to be written back.

(v) Under AASB 139 *Financial Instruments: Recognition and Measurement*, derivatives are deemed to be "held for trading" unless designated to be a hedge. Where a derivative is treated as held for trading, then the underlying changes in the value of that derivative must be taken to the profit and loss. The company holds certain interest rate swaps (see Note 23) and has elected not to designate these derivatives as a hedge. The transition date for adoption of AASB 139 is 1 July 2005, and accordingly no adjustment applies in respect of the 2005 financial year. The effect of the adjustment on 1 July 2005 is an increase in retained earnings of \$88 thousand.

The above changes will result in an increase in deferred tax asset under AIFRS as follows:

	30 June 2005	30 June 2004
	\$000	\$000
Increase in deferred tax asset from items (i) – (v) above	343	392
	343	392

No other adjustments to deferred tax balances would be expected on adoption of AASB 112 Income Taxes.

(b) Reconciliation of net profit presented under AGAAP to that under AIFRS

	Notes	Year ended
		30 June 2005
		\$000
Net Profit as reported under AGAAP		3,107
Amortisation of goodwill	(i)	2,359
Impairment losses recognised	(ii)	-
Write-back of doubtful debts provision	(iii)	(34)
Adjustment to income tax expense	(v)	(45)
Net profit under AIFRS		5,387

(i) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the company amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired. See also Note 29(a)(i) above.

Notes to the Preliminary Final Report
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19. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(ii) Under AASB 136 *Impairment of Assets*, the company's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement.

(iii) Under AASB 139 *Financial Instruments: Recognition and Measurement*, the company is no longer able to recognise movements in general provisions for doubtful debts.

(iv) The adjustment to income tax expense relates to the above AIFRS adjustments.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

20. SEGMENT INFORMATION

The major product/services from which the company derived revenue during the period was the structural design and production of folding cartons, printed leaflets, point of sale displays and other paperboard packaging products.

The entity operates entirely in Australia.