

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 2007	Period ended 30 June 2006

Results for announcement to the market	AUD'000s
Revenues from ordinary activities	up / down 1.5 % to 71,795
Profit from ordinary activities after tax attributable to members	up / down 12.2 % to 5,051
Net profit for the period attributable to members	up / down 12.2 % to 5,051

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

The 2006 Revenues from ordinary activities included a one-off \$1.842 million of insurance proceeds. The comparable total revenue increase after excluding this item was 4.2% and the revenue increase from the sale of goods and services was 3.6%.

For further explanations, see commentary on results below.

	Amount per security	Franked amount per security
Final dividend	1.75 cents	1.75 cents
Interim dividend	1.0 cents	1.0 cents
Record date for determining entitlements to the final dividend	3 September 2007	
Dividend reinvestment plan	not applicable	
	2007	2006
Net tangible assets per security	6.0 cents	2.2 cents

Appendix 4E
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Colorpak Limited

<i>Commentary on Results:</i> See separate report below							
<i>Audit Statement:</i> This report is based on the 2007 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	Nil						
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>The Westin, 205 Collins Street Melbourne Vic 3000</td> </tr> <tr> <td style="vertical-align: top;">Date:</td> <td>Friday, 19 October 2007</td> </tr> <tr> <td style="vertical-align: top;">Time:</td> <td>11.00 am</td> </tr> </table>	Place:	The Westin, 205 Collins Street Melbourne Vic 3000	Date:	Friday, 19 October 2007	Time:	11.00 am
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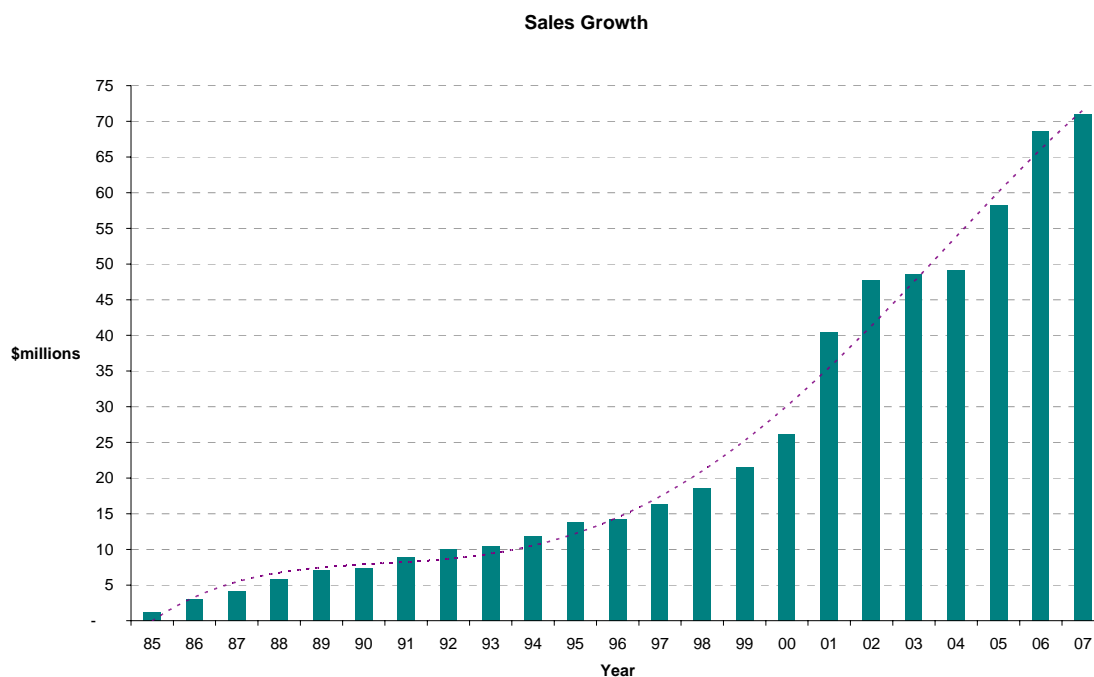
Commentary on Results

Financial Performance

The business has experienced another year of solid organic sales growth, with revenues from the sale of goods and services totalling \$71.034 million, an increase of 3.6% over the prior year (\$68.566 million). Sales for the first half were adversely affected by some customer de-stocking in the October / December 2006 quarter. However, revenues grew more strongly in the second half and growth of 7.8% above the corresponding 2006 second half was achieved.

NPAT increased to \$5.051 million from \$4.501 million, with net profit in the second half improving from \$2.3 to \$2.8 million, the highest June half-year profit since listing. Significant progress has been achieved in improving factory efficiencies although opportunities still exist to further improve the company's operating cost base in the future.

Whilst sales growth in 2007 was at a more modest level of 3.6%, it continued the trend from prior years, with compound sales growth over the last 10 years totalling 15.8%. Colorpak's revenue history, incorporating revenues from the Colorpak and Foilmasters' predecessor businesses, is set out in the following table:



Cash Flow

Cash generation from operations for the year has continued to be very strong, with an inflow of \$9.084 million, well up on the prior year of \$3.409 million. The increased demand on working capital requirements has been commensurate with sales growth.

Net capital expenditure totalled \$7.9 million, completing the major capital program to fully equip the new Sydney facilities. Net capital expenditure in 2008 is expected to be around \$1.5 million.

Debt at 30 June 2007 totalled \$33.0 million. Although up on 2006 (\$32.0 million), 2007 has seen completion of the major capital re-equipment program and debt levels are expected to fall in the future.

Colorpak maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

Operating Activities

In Sydney, the company re-located its flexibles (printed foils, laminates and labels) business from Seven Hills into the new purpose built factory at Regents Park in September 2006. Colorpak now operates from two premises in Melbourne and one in Sydney.

Management attention during the year saw a heavy focus on settling the carton and flexibles business into the new factory in Sydney, as well as dealing with the additional pressures in the first half as we waited for replacement of the fire destroyed die-cutting machine at the Braeside site. While these were major distractions, the focus on customer service remained paramount.

The company is in the process of installing a new MIS system into Regents Park that will deliver improved management information and standardise the systems across the company's operations.

Shareholder Returns

Colorpak has delivered the following returns to shareholders:

	Notes	2007	2006	2005	2004 ^(*)
Basic earnings per share (cents)		6.28	5.59	6.84	1.98
Return on assets (%)		5.2	4.8	6.4	2.0
Return on equity (%)		10.4	9.9	12.5	3.8
Gearing (debt / debt+equity) (%)		39.3	40.1	37.7	42.8
Dividend payout ratio (%)	1.	43.8	49.2	37.8	n/a
Total shareholder return (%)	2.	14.8	(22.7)	41.3	n/a
Available franking credits (\$000)		3,520	3,365	662	-

^(*) 2004 was a part year, with the company commencing trading in January 2004.

Notes:

1. Includes the proposed final dividend payable in October.
2. Excludes final dividend. Based on the share price at 30 June 2007.

Asset and Capital Structure

	2007	2006
Debt:		
Interest bearing loans and borrowings	33,355	32,032
Cash and cash equivalents	(321)	(2)
Net debt	33,034	32,030
Total equity	50,948	47,920
Total capital employed	83,985	79,950
Gearing (Debt / Debt+Equity)	39.3%	40.1%

The company's balance sheet continues to strengthen as a consequence of strong earnings, with the Debt / Debt+Equity ratio falling below 40%, down on last year's level and well below the listing level of 46.4%. The company does not have a firm established policy however a long term gearing range of 30% - 50% is considered appropriate.

Treasury

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

	2007	2006
Current		
Obligations under finance leases and hire purchase	560	7
Bank overdraft	-	890
Other loans	-	2,250
	560	3,147
Non-current		
Obligations under finance leases and hire purchase	1,945	35
Other loans	30,850	28,850
	32,795	28,885
	33,355	32,032

Aggregate debt is slightly up on last year although with capital investment in 2007 being the last of the foreseeable major capital equipment outlays, the company's focus over the next few years will be to retire debt.

The company had \$7.3 million in immediately drawable overdraft and bill facilities at 30 June 2007. With no debt retirement requirement on these facilities and steady cash generation from the business, the company's capacity to create business development opportunities continues to improve.

78% of the company's debt is fixed at 30 June 2007 and not subject to risk of interest rate movements. The portion of debt that is fixed reduces fairly evenly over the next four years. The company has a policy of reviewing and adjusting its level of debt that is subject to fixed interest rates periodically in response to prevailing market conditions.

Investments for Future Performance

The company's investment program for new capital expenditure, which has seen net capital expenditure of \$17.5 million over the past three years, has now been completed. No further significant investments are envisaged in 2008 and capital expenditures in future years are expected to more closely align with the annual depreciation charge.

Outlook

The company anticipates continued growth in both NSW and Victoria. Positive results from actions taken on business efficiencies afflicting the first half of 2007 were recorded in the second half of 2007 and are expected to continue at this improved level into 2008. Some of these gains will be offset by some unusual cost imposts such as electricity charges, but overall earnings are expected to grow in line with revenue growth. Cash flows from operations are expected to continue to be robust through 2008, permitting further retirement of debt and strengthening in the company's balance sheet.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 5 October 2007. This brings the full year dividend to 2.75 cents per share, fully franked. On the share price at 30 June 2007 of 54.0 cents, this represents a dividend yield of 5.1%, fully franked.

Income Statement for the year ended 30 June 2007

	Notes	2007 \$000	2006 \$000
Revenue ^(*)	1	71,795	70,716
Other income		101	-
Changes in inventories of finished goods and work in progress		431	885
Raw materials and consumables used		(29,401)	(29,618)
Employee benefits expense		(21,167)	(21,173)
Depreciation and amortisation		(2,868)	(2,312)
Impairment of plant and equipment	9,10	(165)	(1,895) ^(*)
Other manufacturing costs		(5,127)	(4,469)
Occupancy costs		(2,282)	(2,000)
Other expenses		(1,482)	(1,585)
Profit before tax and finance costs		9,835	8,549
Finance costs	1	(2,623)	(2,084)
Profit before income tax		7,212	6,465
Income tax expense	2	(2,161)	(1,964)
Net profit for the period attributable to members of Colorpak Limited		5,051	4,501
Earnings per share (cents per share)			
- Basic and diluted for profit for the year attributable to ordinary equity holders of the company	3	6.28	5.59
Dividends per share (cents per share)	4	2.75	2.75

(*) Included in the revenue figure in other revenue in 2006 is \$1.742 million of insurance proceeds that relate to the fire damaged die-cutting machine included in impairment of plant & equipment.

Balance Sheet as at 30 June 2007

	Note	2007 \$000	2006 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	5	321	2
Trade and other receivables	6	13,156	13,772
Inventories	7	8,070	7,202
Income tax receivable		-	167
Prepayments	8	816	889
Total Current Assets		22,364	22,032
Non-current Assets			
Property, plant and equipment	9	28,352	25,083
Goodwill	10	46,134	46,134
Deferred income tax assets	2	-	269
Total Non-current Assets		74,486	71,486
TOTAL ASSETS		96,850	93,518
LIABILITIES			
Current Liabilities			
Trade and other payables	11	9,184	10,830
Interest-bearing loans and borrowings	12	560	3,147
Income tax payable		254	-
Provisions	13	1,788	1,773
Total Current Liabilities		11,786	15,750
Non-current Liabilities			
Interest-bearing loans and borrowings	12	32,795	28,885
Deferred income tax liabilities		455	-
Provisions	13	866	963
Total Non-current Liabilities		34,116	29,848
TOTAL LIABILITIES		45,902	45,598
NET ASSETS		50,948	47,920
EQUITY			
Contributed equity	14	38,861	38,861
Retained profits		11,831	8,993
Reserves		256	66
TOTAL EQUITY		50,948	47,920

Appendix 4E
Preliminary Final Report
Colorpak Limited

Cash Flow Statement for the year ended 30 June 2007

	2007 \$000	2006 \$000
Note	Inflows/(Outflows)	Inflows/(Outflows)
Cash flows from operating activities		
	78,142	74,747
	(65,380)	(66,041)
1	34	17
	(1,098)	(3,106)
	(2,614)	(2,208)
5	<u>9,084</u>	<u>3,409</u>
Cash flows from investing activities		
	2,365	215
	(10,241)	(6,142)
	<u>(7,876)</u>	<u>(5,927)</u>
Cash flows from financing activities		
	5,000	7,500
	(536)	(649)
	(2,250)	(2,400)
4	(2,213)	(2,012)
	<u>1</u>	<u>2,439</u>
	1,209	(79)
	(888)	(809)
5	<u>321</u>	<u>(888)</u>

Statement of Changes in Equity
for the year ended 30 June 2007

	Attributable to equity holders of the company			
	Contributed equity	Retained profits	Cash flow hedge reserve	Total equity
	\$000	\$000	\$000	\$000
At 1 July 2006	38,861	8,993	66	47,920
Cash flow hedges:				
Gains / (losses) taken to equity	-	-	271	271
Deferred tax on gains / (losses)	-	-	(81)	(81)
Total income and expense for the period recognised directly in equity	-	-	190	190
Net profit for the period	-	5,051	-	5,051
Total income / expense for the period	-	5,051	190	5,241
Equity dividends	-	(2,213)	-	(2,213)
At 30 June 2007	38,861	11,831	256	50,948
At 1 July 2005	38,861	6,504	-	45,365
Cash flow hedges:				
Gains / (losses) taken to equity	-	-	94	94
Deferred tax on gains / (losses)	-	-	(28)	(28)
Total income and expense for the period recognised directly in equity	-	-	66	66
Net profit for the period	-	4,501	-	4,501
Total income / expense for the period	-	4,501	66	4,567
Equity dividends	-	(2,012)	-	(2,012)
At 30 June 2006	38,861	8,993	66	47,920

Note	2007	2006
	\$000	\$000

1. REVENUES & 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	71,034	68,566
Interest from unrelated persons	34	17
Other revenue	726	2,133
	71,794	70,716

Other revenue in 2006 includes \$1.842 million of insurance proceeds, of which \$1.818 million remained in other receivables at 30 June 2006 (refer note 6(ii)).

(ii) Expenses

Finance costs

Interest paid or payable to unrelated persons	2,455	2,195
Finance charges payable under finance leases and hire purchase contracts	192	31
Total finance costs (on historical cost basis)	2,647	2,226
Fair value change on interest rate swaps	(24)	(142)
Total finance costs expensed	2,623	2,084

Impairment of plant and equipment:

Fire damaged die-cutter	-	1,320
De-commissioned equipment – flexibles division	-	509
Other impairment losses	165	66
	165	1,895

9

Lease payments included in income statement

Minimum lease payments – operating leases	1,586	1,479
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Other expenses includes:

Doubtful debts	(17)	80
Restructure costs	-	827
	-	827

During 2006 the company relocated some of its operations to new premises with the costs associated with these initiatives, which are one-off by their nature, being categorised as restructure costs at 30 June 2006.

Employee benefits expense includes:

Superannuation	1,356	1,248
Senior executive incentive plan	-	-
	-	-

	2007	2006
	\$000	\$000

2. INCOME TAX

The major components of income tax expense are:

Income Statement

Current income tax

Current income tax charge	1,549	1,599
Adjustments in respect of current income tax of previous years	(31)	-

Deferred income tax

Relating to origination and reversal of temporary differences	643	365
Income tax expense reported in the income statement	2,161	1,964

Statement of changes in equity

Deferred income tax related to items charged or credited directly to equity

Net gain on revaluation of cash flow hedges	(81)	(28)
Income tax expense reported in equity	(81)	(28)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Accounting profit before income tax	7,212	6,465
Tax expense at the company's statutory income tax rate (30%)	2,164	1,939
- Adjustments in respect of current income tax of previous years	(31)	-
- Expenditure not allowable for income tax purposes	28	25
- Other	-	-
Income tax expense reported in the income statement	2,161	1,964

2. INCOME TAX (continued)

Deferred Income Tax

Deferred income tax at 30 June relates to:

	<i>Balance sheet</i>		<i>Income statement</i>	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<i>Deferred income tax assets</i>				
Doubtful debts	13	24	11	(24)
Inventory provisions	34	38	4	(4)
Employee benefits	796	762	(34)	(78)
Float costs	91	182	91	91
Accruals	146	152	7	(44)
Acquisition costs	29	51	22	22
Restructure costs	73	-	(73)	-
Gross deferred income tax assets	1,182	1,209		
<i>Deferred income tax liabilities</i>				
Accelerated depreciation for tax purposes	1,515	699	816	152
Balancing charge rollover on asset disposal	-	208	(208)	208
Interest swaps (held for trading)	12	5	7	42
Interest swaps (cash flow hedges)	110	28	-	-
Gross deferred income tax liabilities	1,637	940		
Deferred income tax charge			643	365

3. EARNINGS PER SHARE

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

	2007	2006
Basic and diluted earnings per share (cents per share)	6.28	5.59
Weighted average number of ordinary shares used in the calculation of basic and dilutive earnings	80,476,828	80,476,828
Net profit used in the calculation of basic and diluted earnings per share (\$000)	5,051	4,501

Subscription or issues after 30 June 2007

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

Note	2007	2006
	\$000	\$000

4. DIVIDENDS PAID AND PROPOSED

Declared and paid during the year:

Dividends on ordinary shares:

Final franked dividend for 2006: 1.75 cents (2005: 1.50 cents)	1,408	1,207
Interim franked dividend for 2007: 1.00 cents (2006:1.00 cents)	805	805
	2,213	2,012

Proposed for approval at AGM (not recognised as a liability as at 30 June):

Dividends on ordinary shares:

Final franked dividend for 2007: 1.75 cents (2006: 1.75 cents)	1,408	1,408
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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 year at 30% (2006: 30%)	3,520	3,365
• franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year	109	(71)
Amount of franking credits available for future reporting periods	3,629	3,294
• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(604)	(604)
	3,025	2,690

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

5. CASH AND CASH EQUIVALENTS

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

At 30 June 2007, the company had available \$7.529 million (2006: \$11.110 million) of undrawn committed borrowing facilities in respect of which conditions precedent had been met.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash on hand		3	2
Cash at bank – with overdraft facility	12	318	(890)
Closing cash balance		321	(888)

Note	2007	2006
	\$000	\$000

5. CASH AND CASH EQUIVALENTS (continued)

Reconciliation of net profit after tax to the net cash flows from operations

Net profit	5,051	4,501
Adjustments for non-cash items:		
Depreciation of non-current assets	2,868	2,311
Impairment of non-current assets	165	1,895
Net (profit) / loss on disposal of plant & equipment	(101)	56
Changes in assets and liabilities:		
Decrease/(Increase) in assets:		
Trade and other receivables ⁽¹⁾	(1,127)	(2,872)
Inventories	(869)	(2,049)
Prepayments ⁽²⁾	13	242
Deferred income tax assets	643	366
(Decrease)/Increase in liabilities:		
Trade & other payables	342	128
Provisions	113	(646)
Other liabilities ⁽³⁾	1,565	980
Income tax payable	420	(1,503)
Net cash from operating activities	9,083	3,409

⁽¹⁾ The movement in trade and other receivables excludes \$1.742 million in insurance proceeds received in 2007 on disposal of a fire destroyed die-cutting machine.

⁽²⁾ The movement in prepayments excludes \$0.331 million net movement on property, plant & equipment (2006: \$0.109 million), in addition to \$0.271 million (2006: \$0.094 million) interest swaps taken directly to reserves.

⁽³⁾ The movement in other liabilities excludes \$3.748 million paid in July 2006 on a new printing press that commenced operations in June 2006.

Disclosure of financing facilities - refer to note 12.

Disclosure of non-cash financing and investing activities - refer to note 9(ii).

Note	2007 \$000	2006 \$000
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6. TRADE AND OTHER RECEIVABLES (current)

Trade receivables	(i)	12,614	11,778
Allowance for doubtful debts	(i)	(44)	(80)
		12,570	11,698
Interest swaps – held for trading		40	16
Interest swaps – cash flow hedges		366	94
Other receivables	(ii)	180	1,964
Total current receivables		13,156	13,772

(i) Trade receivables are non-interest bearing and generally on 30 or 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of \$0.044 million (2006: \$0.080 million) has been recognised for specific debtors for which such evidence exists. The amount of the allowance / impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) Other receivables are non-interest bearing and generally on 30 day terms from their due date. Other receivables includes nil (2006: \$1.818 million) of insurance proceeds recoverable against a fire damaged die-cutting machine.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in note 19.

7. INVENTORIES (Current)

At cost:			
Raw materials and stores		4,141	3,718
Work in progress		1,679	1,178
Finished goods		2,362	2,432
		8,182	7,328
Less, provision for obsolescence		(112)	(126)
Total inventories at the lower of cost and net realisable value		8,070	7,202

8. PREPAYMENTS

Prepayments		755	497
Deposits on plant & equipment		61	392
Total prepayments		816	889

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$000	Computers & Office Equipment \$000	Motor Vehicles \$000	Plant & Equipment \$000	Furniture, Fixtures & Fittings \$000	Total \$000
Year Ended 30 June 2007						
At 1 July 2006, net of accumulated depreciation and impairment	277	486	505	23,733	82	25,083
Additions	21	244	301	6,257	1	6,824
Disposals	-	-	(513)	(9)	-	(522)
Impairment	-	-	-	(165)	-	(165)
Depreciation charge for the year	(47)	(211)	(145)	(2,457)	(8)	(2,868)
At 30 June 2007, Net of accumulated depreciation	251	519	148	27,359	75	28,352
At 1 July 2006						
Cost or fair value	333	959	767	29,383	100	31,542
Accumulated depreciation and impairment	(56)	(473)	(262)	(5,650)	(18)	(6,459)
Net carrying amount	277	486	505	23,733	82	25,083
At 30 June 2007						
Cost or fair value	354	1,145	320	33,207	101	35,127
Accumulated depreciation and impairment	(103)	(626)	(172)	(5,848)	(26)	(6,775)
Net carrying amount	251	519	148	27,359	75	28,352
Year Ended 30 June 2006						
At 1 July 2005, net of accumulated depreciation and impairment	107	444	658	18,281	71	19,561
Additions	154	232	213	9,380	23	10,002
Disposals	(4)	(7)	(227)	(34)	(2)	(274)
Impairment	-	-	-	(1,895)	-	(1,895)
Depreciation charge for the year	(41)	(183)	(140)	(1,937)	(10)	(2,311)
Reclassification	61	-	-	(61)	-	-
At 30 June 2006, Net of accumulated depreciation	277	486	504	23,734	82	25,083
At 1 July 2005						
Cost or fair value	158	750	857	20,175	79	22,019
Accumulated depreciation and impairment	(51)	(306)	(199)	(1,894)	(8)	(2,458)
Net carrying amount	107	444	658	18,281	71	19,561
At 30 June 2006						
Cost or fair value	333	959	767	29,383	100	31,542
Accumulated depreciation and impairment	(56)	(473)	(262)	(5,650)	(18)	(6,459)
Net carrying amount	277	486	505	23,733	82	25,083

Note	2007	2006
	\$000	\$000

9. PROPERTY, PLANT AND EQUIPMENT (continued)

- (i) All property, plant and equipment has been pledged as security under a fixed charge pursuant to a debenture security administered by National Australia Trustees Limited (see note 12). The terms of the security preclude assets:
1. being sold unless being replaced by an asset providing a similar function; and
 2. being used as security for further mortgages, without the prior approval of the lender.
- (ii) The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2007 is \$3.753 million (2006: \$0.037 million). Additions during the year include \$4.028 million (2006: nil) of plant and equipment held under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Impairment of property, plant and equipment

The company incurred impairment losses during the year, details of which are set-out in note 1(a)(ii).

10. GOODWILL (NON-CURRENT)

Goodwill

Cost (gross carrying amount)	46,134	46,134
Impairment losses	-	-
Net carrying amount	46,134	46,134
At 1 July 2006, net of impairment losses	46,134	46,134
Impairment	-	-
At 30 June 2007, net of impairment losses	46,134	46,134

No impairment loss existed for the 2007 financial year.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to a single cash generating unit for impairment testing because any allocation to location operations would be considered arbitrary. The company manages its operations at the group level, and business units actively cross-refer customers, which sees consequential profits which are not separately identifiable carried amongst the business units.

The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for the following year.

The pre-tax discount rate applied to cash flow projections is 12.7% (2006: 11.9%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2006:2.5%).

Key assumptions used in value in use calculations for 30 June 2007 and 30 June 2006

The following describes each key assumption on which management has based its cash flow projections when determining the value in use:

- Budgeted gross margins - the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements as well as known factors impacting the following year.
- Capital expenditure for the next four years has been projected at approximately three quarters of the annual depreciation in recognition of completion of the major capital expenditure program. Capital expenditure beyond year four is projected to be equivalent to annual depreciation.

10. GOODWILL (NON-CURRENT) (continued)

- Discount rates – discount rates reflect management’s estimate of the time value of money and the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to the ten year government bond rate at the beginning of the budgeted year.
- Raw material price inflation – it has been assumed that any price increases in raw materials will be passed through to customers as this is typical of contracts in place.
- Market share assumptions – there has been no significant projected change in market share.
- Growth rate estimates – a growth rate of 2.5% pa has been used as the long-term rate to extrapolate the budget.

Note	2007	2006
	\$000	\$000

11. TRADE AND OTHER PAYABLES (Current)

Unsecured liabilities

Trade payables	(i)	5,479	5,136
Other payables	(ii)	3,705	5,694
Total trade and other payables		9,184	10,830

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(ii) Other payables are non-interest bearing and have an average term of between 3 and 6 months. Other payables at June 2006 included \$3.748 million paid in July 2006 on a printing press.

12. INTEREST BEARING LOANS AND BORROWINGS

Current

Secured liabilities

Bank overdraft	(i)	-	890
Bank loan	(ii)	-	2,250
Obligations under finance leases and hire purchase contracts	(iii)	560	7
Total current interest bearing liabilities		560	3,147

Non-current

Secured liabilities

Bank Loans	(ii)	30,850	28,850
Obligations under finance leases and hire purchase contracts	(iii)	1,945	35
Total non-current interest bearing liabilities		32,795	28,885

(i) Bank overdraft is provided under a \$3 million facility expiring on 30 November 2007. The interest rate applicable at 30 June 2007 was 11.10% (2006: 10.60%) plus a line fee of 0.40% on the limit.

12. INTEREST BEARING LOANS AND BORROWINGS (continued)

- (ii) Bank loans are provided under two separate facilities with the company's banks, with an aggregate facility limit of \$34.85 million at 30 June 2007 (2006: \$37.1 million). \$16.85 million of these facilities expire, unless extended, on 30 November 2008. The balance of the facilities (\$18 million) expire, unless extended, on 30 November 2009. There is no amortisation of the loan facilities and it is management's intention to extend both facilities upon expiry. The average interest rate payable at 30 June 2007 on the fixed and floating bills under the two facilities was 7.36% (2006: 7.15%).
- (iii) The hire purchase liabilities have a remaining term of 4 years. The average implicit interest rate is 7.47% (2006: 6.69%).
- (iv) All interest-bearing liabilities, other than hire purchase liabilities of \$2.505 million at 30 June 2007, are secured by a fixed and floating charge over the company's assets.

Financing facilities available

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

2007	Accessible	Drawn down	Unused
	\$000	\$000	\$000
Hire purchase and leasing finance	3,035	2,505	530
Bank bills	34,850	30,850	4,000
Overdraft	3,000	-	3,000
Guarantees	800	761	39
2006	Accessible	Drawn down	Unused
	\$000	\$000	\$000
Hire purchase and leasing finance	3,042	42	3,000
Bank bills	37,100	31,100	6,000
Overdraft	3,000	890	2,110
Guarantees	800	283	517

Security & Conditions

The facilities are secured by debenture security administered by National Australia Trustees Limited (see note 9(i)).

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

- a financial charges covenant;
- a leverage covenant; and
- maintenance of a minimum level of shareholder funds.

Facility Review

These facilities are provided by both National Australia Bank Limited (NAB) and ANZ Banking Group Limited. Subject to annual review for each facility, the NAB facility expires on 30 November 2008 and the ANZ facility on 30 November 2009, unless otherwise extended.

	Note	2007 \$000	2006 \$000
13. PROVISIONS			
Current			
Employee leave benefits		1,788	1,578
Restructure provision	(i)	-	195
Total current provisions		<u>1,788</u>	<u>1,773</u>
Non-current			
Employee leave benefits		866	963
Total non-current provisions		<u>866</u>	<u>963</u>

(i) The company relocated its flexibles division from Seven Hills to Regents Park in September 2006. Expected costs of this move were taken up as a provision at 30 June 2006.

14. CONTRIBUTED EQUITY AND RESERVES

This note should be read in conjunction with the Statement of Changes in Equity shown on page 9 of this Preliminary Final Report.

(a) Issued and paid-up capital:

Ordinary shares	38,861	38,861
Total contributed equity	<u>38,861</u>	<u>38,861</u>

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.

(b) Movements in ordinary shares on issue:

There were no movements in ordinary shares on issue during either the current financial year or the preceding financial year.

(c) Shares under escrow

As at 30 June 2007, there were no ordinary shares subject to voluntary escrow.

(d) Terms and conditions of contributed equity

Ordinary shares

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

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

(e) Nature and purpose of reserves

Cash flow hedge reserve

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

15. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

At 30 June 2007 the company has commitments contracted for but not recognised as liabilities of \$0.075 million (2006: \$4.243 million). These commitments are all due within one year.

(b) Hire purchase commitments

Future minimum lease payments under hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2007		2006	
	Minimum Lease Payments \$000	Present Value of Lease Payments \$000	Minimum Lease Payments \$000	Present Value of Lease Payments \$000
Within one year	728	560	12	7
After one year but not more than five years	2,175	1,945	38	35
Total minimum lease payments	2,903		50	
Less amounts representing finance charges	(398)		(8)	
Present value of minimum lease payments	2,505	2,505	42	42

Hire purchases are entered into as means of funding the acquisition of certain items of plant and equipment and leasehold improvements.

(c) Operating lease commitments

The company has entered into operating leases as a means of acquiring access to warehouse and office space and to lease motor vehicles. Rental payments are generally fixed subject to inflation escalation clauses. Operating leases over premises typically contain renewal options appropriate for the nature of the business conducted. Operating leases contain no restrictions on financing or other leasing activities.

Operating leases are non-cancellable, contracted for, but not capitalised in the financial statements.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2007	2006
	\$000	\$000
– not later than one year	1,717	1,591
– later than one year but not later than five years	6,433	4,771
– later than five years	4,233	4,165
Aggregate operating lease expenditure contracted for at reporting date	12,383	10,527

15. COMMITMENTS AND CONTINGENCIES (continued)

(d) Remuneration commitments

	2007	2006
	\$000	\$000
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
– within one year	854	822
– after one year but not later than five years	1,006	1,790
Aggregate remuneration commitments contracted for at reporting date	1,860	2,612

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives that are not recognised as liabilities.

(e) Guarantees and Indemnities

The company has the following guarantees at 30 June 2007:

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

Bank guarantees under premises leases total \$0.762 million (2006: \$0.283 million).

16. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events subsequent to 30 June 2007.