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 2008	Period ended 30 June 2007

Results for announcement to the market				**AUD'000s**
Revenues from ordinary activities	up / ~~down~~	9.7 %	to	78,753
Profit from ordinary activities after tax attributable to members	up / ~~down~~	22.9 %	to	6,210
Net profit for the period attributable to members	up / ~~down~~	22.9 %	to	6,210

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

For further explanations, see commentary on results below.

	Amount per security	Franked amount per security
Final dividend	1.75 cents	1.75 cents
Special dividend	1.00 cents	1.00 cents
Interim dividend	1.25 cents	1.25 cents
Record date for determining entitlements to the final and special dividends	8 September 2008	
Dividend reinvestment plan	Introduced 6 August 2008	
	Last date for participation election notice: 8 September 2008	
	2008	2007
Net tangible assets per security	11.0 cents	6.0 cents

Commentary on Results: See separate report below	
Audit Statement: This report is based on the 2008 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 lost during the year	Nil
Details of associates	Nil
Details of joint venture entities	Nil
Annual General meeting will be held at: Place:	 Mercure Hotel Melbourne Conference Centre, 13 Spring Street Melbourne Vic 3000
Date:	Friday, 24 October 2008
Time:	11.00 am

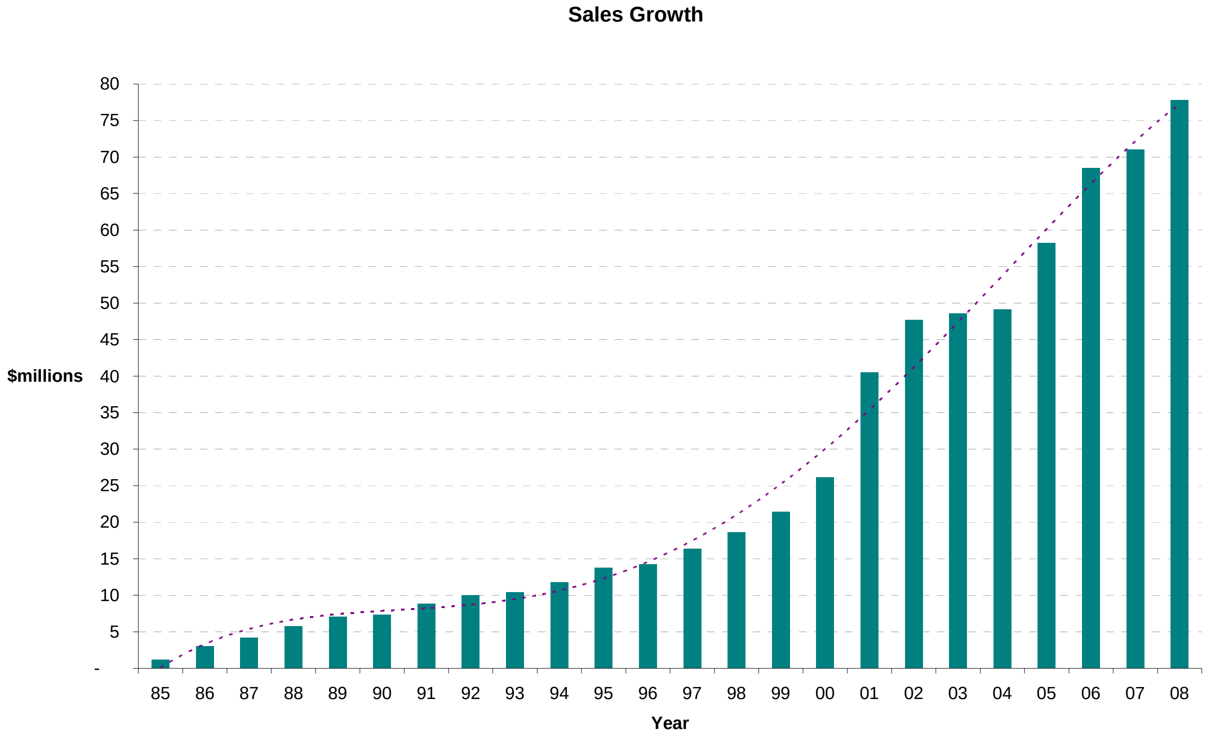
Commentary on Results

Financial Performance

The company's NPAT increased by 23% to $6.210 million from $5.051 million. The improvement stemmed from higher sales and greater operational efficiencies. Earnings per share also increased by 23% to 7.72 cents per share from 6.28 cents per share in the previous year. The profit improvement affords the company the ability to raise the ordinary dividend in respect of the 2008 year to 3.0 cents per share and provide for a further special dividend of 1.0 cent per share.

The business has experienced another year of solid organic sales growth, with revenues from the sale of goods and services totalling $77.806 million, an increase of 9.5% over the prior year ($71.034 million). The company has made considerable progress in the beverage sector over the past two years improving the overall capacity utilisation in both plants. Whilst growth has been more subdued in some of the traditional markets the company's focus on product development has met with high levels of customer satisfaction. Once again Colorpak has been independently rated at the top of the table for its overall service, quality and customer satisfaction.

Compound sales growth over the last 10 years has totalled 15.4%. 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 $7.615 million. It is notable that the cash flow result for the 2008 year has been achieved in a period of increased sales together with sales mix changes which created the need for additional working capital.

Net capital expenditure came in at the planned level of $1.6 million following completion of the major capital program conducted in prior years. Net capital expenditure in 2009 is expected to be in the order of $5 million with the main focus on further enhancing the Sydney production capabilities to support the strong growth being achieved and forecast in that market.

The company achieved its planned debt reduction with net debt at 30 June 2008 amounting to $29.5 million. Gearing, as measured by net debt / net debt+equity has fallen to 34.9% and is now at the lowest level since the company listed and well below the peak of 43.9% in October 2006. Colorpak maintains adequate cash reserves and undrawn bank credit limits to meet foreseeable needs.

Operating Activities

Colorpak's plants operated with improved efficiency and higher capacity utilisation throughout the year. Production at the Braeside plant was at an all-time high and the efficiencies of the Sydney plant improved steadily during the year.

The major production enhancements this year included a streamlined layout in the Sydney operations to include a new gluing machine and an upgrade of the waste extraction system at Braeside.

A three year enterprise agreement with all employees was agreed for the Braeside plant underpinning the flexibility which will be needed to support future development.

The company installed a new MIS system into Regents Park that has delivered improved management information and achieved standardisation of systems across the company's operations. The next steps are now taking place to upgrade the hardware and communications infrastructure which will deliver further efficiencies in operations as well as improved data security. During the year the bulk of the accounting functions were centralised to further drive efficiencies and savings.

Colorpak takes its environmental obligations very seriously and is seeking ISO 14001 Certification, targeted for November 2008. For many years. Colorpak has been taking positive steps towards reducing its impact on the environment. The company has been a signatory to the Packaging Covenant since 2002 and its early adoption of digital proofing and computer to plate technology have brought about continuous improvements. More recently the company has become a member of the Waterless Printing Association, the first in the carton industry to do so. As the 2008 year closed the company was reviewing all its actions in the context of its carbon footprint and new initiatives are being developed for 2009.

Shareholder Returns

The company has delivered the following returns to shareholders:

	Notes	**2008**	2007	2006	2005
Basic earnings per share (cents)		**7.72**	6.28	5.59	6.84
Return on assets (%)		**6.2**	5.2	4.8	6.4
Return on equity (%)		**12.0**	10.4	9.9	12.5
Gearing (debt / debt+equity) (%)		**34.9**	39.3	40.1	37.7
Dividend payout ratio (%)	1.	**51.8**	43.8	49.2	37.8
Total shareholder return (%)	2.	**(7.4)**	14.8	(22.7)	41.3
Available franking credits ($000)		**3,978**	3,520	3,365	662

1. Includes the proposed final dividend and special dividend payable in October.
2. Excludes final dividend. Based on the share price of $0.47 at 30 June 2008.

Asset and Capital Structure

	2008	2007
	$000	$000
Debt:		
Interest bearing loans and borrowings	**30,944**	33,355
Cash and cash equivalents	**(1,476)**	(321)
Net debt	**29,468**	33,034
Total equity	**54,958**	50,948
Total capital employed	**84,426**	83,982
Gearing (Debt / Debt+Equity)	**34.9%**	39.3%

The company's balance sheet continues to strengthen as a consequence of strong earnings and cash flows. 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:

	2008	2007
	$000	$000
Current		
Obligations under finance leases and hire purchase	**617**	560
Bank overdraft	**-**	-
Other loans	**-**	-
	617	560
Non-current		
Obligations under finance leases and hire purchase	**1,327**	1,945
Other loans	**29,000**	30,850
	30,327	32,795
	30,944	33,355

Aggregate debt has reduced substantially during the year and net debt (after deduction of cash at bank) has reduced by $3.566 million, consistent with the company's declared focus on debt retirement.

The company had $10.4 million in cash and immediately drawable overdraft and bill facilities at 30 June 2008. With no debt repayment requirement on these facilities and steady cash generation from the business, the company's capacity to create business development opportunities continues to improve.

90% of the company's debt was fixed at 30 June 2008 thereby eliminating the near term risk of interest rate movements. The company took the opportunity in December 2007 to restructure some of its fixed debt portfolio to establish a relatively even reduction in fixed debt exposures across the years 2010 to 2013. 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 facilities are modern and efficient and the capital program of the past few years has substantially lifted capacity. However, sales growth in the Sydney cartons and flexibles markets has been strong and in 2009 there will be further investment to support the opportunities that exist in that market. Beyond 2009, capital expenditures are expected to more closely align with the annual depreciation charge.

Outlook

Despite the difficult general economic environment, the Company expects continued growth in sales and profitability for the 2009 financial year. As a result, cash flows from operations are expected to continue to be robust, further strengthening Colorpak's Balance Sheet and enabling planned and opportunistic growth options to be pursued.

Dividend

The company is pleased to announce a final dividend of 1.75 cents per share, fully franked, which will be paid on 6 October 2008. In addition, the Company is also pleased to announce a special dividend of 1.00 cents per share, fully franked, which will also be paid on 6 October 2008. This special dividend is in recognition of the company's strong financial performance for the year.

This brings the full year dividend for 2008 to 4.00 cents per share, fully franked. On the share price at 30 June 2008 of 47.0 cents, this represents a dividend yield of 8.5%, fully franked.

The directors have determined that a re-investment plan will be introduced prior to the dividend payable in October 2008.

Income Statement for the year ended 30 June 2008

	Notes	**2008 $000**	2007 $000
Revenue	1	**78,753**	71,795
Other income		**-**	101
Changes in inventories of finished goods and work in progress		**10**	431
Raw materials and consumables used		**(30,945)**	(29,401)
Employee benefits expense		**(24,055)**	(21,167)
Depreciation and amortisation		**(2,852)**	(2,868)
Impairment of plant and equipment	9	**(37)**	(165)
Other indirect manufacturing costs		**(5,143)**	(5,127)
Occupancy costs		**(2,656)**	(2,282)
Other expenses		**(1,591)**	(1,482)
Profit before tax and finance costs		**11,484**	9,835
Finance costs	1	**(2,586)**	(2,623)
Profit before income tax		**8,898**	7,212
Income tax expense	2	**(2,688)**	(2,161)
Net profit for the period attributable to members of Colorpak Limited		**6,210**	5,051

Earnings per share (cents per share)			
- Basic and diluted on profit for the year attributable to ordinary equity holders of the company	3	**7.72**	6.28
Dividends per share (cents per share)	4	**4.00**	2.75

Balance Sheet as at 30 June 2008

	Note	2008 $000	2007 $000
ASSETS			
Current Assets			
Cash and cash equivalents	5	**1,476**	321
Trade and other receivables	6	**13,715**	12,750
Inventories	7	**9,564**	8,071
Derivative financial instruments	15	**671**	406
Other current assets	8	**973**	816
Total Current Assets		**26,399**	22,364
Non-current Assets			
Property, plant and equipment	9	**26,960**	28,352
Goodwill	10	**46,134**	46,134
Total Non-current Assets		**73,094**	74,486
TOTAL ASSETS		**99,493**	96,850
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**8,713**	9,184
Interest-bearing loans and borrowings	12	**617**	560
Income tax payable		**1,120**	254
Provisions	13	**2,022**	1,788
Total Current Liabilities		**12,472**	11,786
Non-current Liabilities			
Interest-bearing loans and borrowings	12	**30,327**	32,795
Deferred income tax liabilities	2	**871**	455
Provisions	13	**865**	866
Total Non-current Liabilities		**32,063**	34,116
TOTAL LIABILITIES		**44,535**	45,902
NET ASSETS		**54,958**	50,948
EQUITY			
Contributed equity	14	**38,861**	38,861
Retained profits		**15,627**	11,831
Reserves		**470**	256
TOTAL EQUITY		**54,958**	50,948

Cash Flow Statement for the year ended 30 June 2008

	Note	**2008 $000 Inflows/(Outflows)**	2007 $000 Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers		**85,685**	78,142
Payments to suppliers and employees		**(74,029)**	(65,380)
Interest received	1	**14**	34
Income taxes paid		**(1,498)**	(1,098)
Borrowing costs		**(2,557)**	(2,614)
Net cash flows from operating activities	5	**7,615**	9,084
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**102**	2,365
Purchase of property, plant and equipment		**(1,736)**	(10,241)
Net cash flows used in investing activities		**(1,634)**	(7,876)
Cash flows from financing activities			
Proceeds from borrowings		**-**	5,000
Repayment of finance lease principal		**(562)**	(536)
Repayment of borrowings		**(1,850)**	(2,250)
Payment of dividends	4	**(2,414)**	(2,213)
Net cash flows (used in) / from financing activities		**(4,826)**	1
Net increase in cash and cash equivalents held		**1,155**	1,209
Cash and cash equivalents at the beginning of the year		**321**	(888)
Cash and cash equivalents at the end of the year	5	**1,476**	321

Statement of Changes in Equity
for the year ended 30 June 2008

	Attributable to equity holders of the company			
	Contributed equity $000	Retained profits $000	Cash flow hedge reserve $000	Total equity $000
At 1 July 2007	**38,861**	**11,831**	**256**	**50,948**
Cash flow hedges:				
Gains / (losses) taken to equity	**-**	**-**	**306**	**306**
Deferred tax on gains / (losses)	**-**	**-**	**(92)**	**(92)**
Total income and expense for the period recognised directly in equity	**-**	**-**	**214**	**214**
Net profit for the period	**-**	**6,210**	**-**	**6,210**
Total income / expense for the period	**-**	**6,210**	**214**	**6,424**
Equity dividends	**-**	**(2,414)**	**-**	**(2,414)**
At 30 June 2008	**38,861**	**15,627**	**470**	**54,958**
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

1. REVENUES & EXPENSES

	Note	2008 $000	2007 $000
(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		**77,806**	71,034
Interest from unrelated persons		**14**	34
Other revenue		**933**	727
		78,753	71,795
(ii) Expenses			
Finance costs			
Interest paid or payable to unrelated persons		**2,382**	2,455
Finance charges payable under finance leases and hire purchase contracts		**164**	192
Total finance costs		**2,546**	2,647
Fair value change on interest rate swaps	15	**40**	(24)
Total finance costs expensed		**2,586**	2,623
Impairment of plant and equipment:			
Other impairment losses	9	**107**	165
Reversal prior period impairment loss on asset disposal		**(70)**	-
		37	165
Lease payments included in income statement			
Minimum lease payments – operating leases		**1,816**	1,586
Other expenses includes:			
Doubtful debts		**(9)**	(17)
Restructure costs		**-**	-
Employee benefits expense includes:			
Superannuation		**1,494**	1,356
Senior executive incentive plan		**509**	-

2. INCOME TAX

The major components of income tax expense are:

Income Statement

	2008 $000	2007 $000
Current income tax		
Current income tax charge	**2,369**	**1,549**
Adjustments in respect of current income tax of previous years	**(5)**	**(31)**
Deferred income tax		
Relating to origination and reversal of temporary differences	**324**	**643**
Income tax expense reported in the income statement	**2,688**	**2,161**

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	**92**	(81)
Income tax expense reported in equity	**92**	(81)

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	**8,898**	7,212
Tax expense at the company's statutory income tax rate (30%)	**2,669**	2,164
- Adjustments in respect of current income tax of previous years	**(5)**	(31)
- Expenditure not allowable for income tax purposes	**24**	28
Income tax expense reported in the income statement	**2,688**	2,161

2. INCOME TAX (continued)

Deferred Income Tax

Deferred income tax at 30 June relates to:

	Balance sheet		*Income statement*	
	2008	2007	**2008**	2007
	$000	$000	**$000**	$000
Deferred income tax assets				
Doubtful debts	**2**	13	**11**	11
Inventory provisions	**44**	34	**(11)**	4
Employee benefits	**866**	796	**(70)**	(34)
Float costs	**-**	91	**91**	91
Accruals	**248**	146	**(102)**	7
Acquisition costs	**7**	29	**22**	22
Restructure costs	**60**	73	**13**	(73)
Gross deferred income tax assets	**1,227**	1,182		
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	**1,897**	1,515	**382**	816
Balancing charge rollover on asset disposal	**-**	-	**-**	(208)
Interest swaps (held for trading)	**-**	12	**(12)**	7
Interest swaps (cash flow hedges)	**201**	110	**-**	-
Gross deferred income tax liabilities	**2,098**	1,637		
Deferred income tax charge			**324**	643
Net deferred tax liabilities	**871**	455		

3. EARNINGS PER SHARE

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

	2008	2007
Basic and diluted earnings per share (cents per share)	**7.72**	6.28
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)	**6,210**	5,051

Subscription or issues after 30 June 2008

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this preliminary final report.

4. DIVIDENDS PAID AND PROPOSED

	Note	2008 $000	2007 $000
(a) Recognised amounts			
Declared and paid during the year:			
Dividends on ordinary shares:			
Final franked dividend for 2007: 1.75 cents (2006: 1.50 cents)		**1,408**	1,408
Interim franked dividend for 2008: 1.25 cents (2007:1.00 cents)		**1,006**	805
		2,414	2,213
(b) Unrecognised amounts:			
Dividends on ordinary shares:			
Final franked dividend for 2008: 1.75 cents (2007: 1.75 cents)		**1,408**	1,408
Special franked dividend for 2008: 1.00 cents (2007: nil)		**805**	-
		2,213	1,408
(c) 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% (2007: 30%)		**3,978**	3,520
• franking credits that will arise / be lost from the payment / (receipt) of income tax payable / receivable as at the end of the financial year		**1,120**	109
Amount of franking credits available for future reporting periods		**5,098**	3,629
• 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		**(948)**	(604)
		4,150	3,025

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 2008, the company had available $10.323 million (2007: $7.529 million) of cash and undrawn committed borrowing facilities in respect of which conditions precedent had been met.

Reconciliation to Cash Flow Statement

	Note	2008 $000	2007 $000
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:			
Cash on hand		**3**	3
Cash at bank – with overdraft facility	12	**1,473**	318
Closing cash balance		**1,476**	321

5. CASH AND CASH EQUIVALENTS (continued)

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

	2008 $000	2007 $000
Net profit	**6,210**	5,051
Adjustments for non-cash items:		
Depreciation of non-current assets	**2,852**	2,868
Impairment of non-current assets	**37**	165
Net (profit) / loss on disposal of plant & equipment	**2**	(101)
Changes in assets and liabilities:		
Decrease/(Increase) in assets:		
Trade and other receivables	**(965)**	(1,127)
Inventories	**(1,494)**	(869)
Prepayments [1]	**(20)**	14
Derivative financial instruments [2]	**40**	-
(Decrease)/Increase in liabilities:		
Trade payables	**(36)**	342
Provisions	**233**	113
Other payables	**(435)**	1,565
Income tax payable	**866**	420
Deferred income tax liabilities	**325**	643
Net cash from operating activities	**7,615**	9,084

[1] The movement in prepayments excludes $0.137 million net movement on property, plant & equipment (2007: $0.331 million).

[2] The movement in Derivative Financial Instruments excludes $0.305 million (2007: $0.271 million) interest swaps taken directly to reserves.

Disclosure of financing facilities - refer to note 12.

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

6. TRADE AND OTHER RECEIVABLES (current)

	Note	**2008 $000**	2007 $000
Trade receivables		**13,422**	12,614
Allowance for impairment loss	(a)	**(8)**	(44)
		13,414	12,570
Other receivables		**301**	180
Total current receivables		**13,715**	12,750

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 or 60 day terms. A provision for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. An impairment loss of $0.008 million (2007: $0.044 million) has been recognised for specific debtors for which such evidence exists. The amount of the 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.

Movements in the provision for impairment loss were as follows:

At 1 July	44	80
Charge for the year	(9)	(17)
Amounts written-off (included in Other Expenses)	(27)	(19)
At 30 June	8	44

At 30 June, the ageing analysis of trade receivables is as follows:

0 – 30 days		**7,102**	6,975
31 – 60 days		**1,664**	1,172
31 – 60 days	Past due not impaired	**3,015**	3,072
61 – 90 days	Past due not impaired	**823**	1,025
90+ days	Past due not impaired	**810**	327
90+ days	Considered impaired	**8**	44
At 30 June		**13,422**	12,614

Receivables past due but not considered impaired are $4.648 million (2007: $4.424 million). Payment terms on these amounts have not been re-negotiated although credit has been stopped until full payment is made in limited instances. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

7. INVENTORIES (Current)

	2008 $000	2007 $000
At cost:		
Raw materials and stores	**5,660**	4,141
Work in progress	**1,519**	1,679
Finished goods	**2,532**	2,363
	9,711	8,183
Less, provision for impairment loss	**(147)**	(112)
Total inventories at the lower of cost and net realisable value	**9,564**	8,071

8. OTHER CURRENT ASSETS

Prepayments	**775**	755
Deposits on plant & equipment	**198**	61
Total prepayments	**973**	816

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 2008						
At 1 July 2007, net of accumulated depreciation and impairment	**251**	**519**	**148**	**27,359**	**75**	**28,352**
Additions	**58**	**436**	**10**	**1,020**	**76**	**1,600**
Disposals	**-**	**(1)**	**(22)**	**(80)**	**-**	**(103)**
Impairment	**-**	**-**	**-**	**(37)**	**-**	**(37)**
Depreciation charge for the year	**(45)**	**(248)**	**(32)**	**(2,518)**	**(9)**	**(2,852)**
At 30 June 2008, Net of accumulated depreciation	**264**	**706**	**104**	**25,744**	**142**	**26,960**
At 1 July 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
At 30 June 2008						
Cost or fair value	**412**	**1,576**	**278**	**34,119**	**177**	**36,562**
Accumulated depreciation and impairment	**(148)**	**(870)**	**(174)**	**(8,375)**	**(35)**	**(9,602)**
Net carrying amount	**264**	**706**	**104**	**25,744**	**142**	**26,960**
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

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 2008 is $3.467 million (2007: $3.753 million). Additions during the year include nil (2007: $4.028) 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)

	2008 $000	2007 $000
Goodwill		
Cost (gross carrying amount)	**46,134**	46,134
Impairment losses	**-**	-
Net carrying amount	**46,134**	46,134
At 1 July, net of impairment losses	**46,134**	46,134
Impairment	**-**	-
At 30 June, net of impairment losses	**46,134**	46,134

No impairment loss existed for the 2008 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 11.9% (2007: 12.7%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2007:2.5%).

10. GOODWILL (NON-CURRENT) (continued)

Key assumptions used in value in use calculations for 30 June 2008 and 30 June 2007

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.
- 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.

11. TRADE AND OTHER PAYABLES (Current)

	2008 $000	2007 $000
Unsecured liabilities		
Trade payables	**5,443**	5,479
Other payables	**3,270**	3,705
Total trade and other payables	**8,713**	9,184

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

12. INTEREST BEARING LOANS AND BORROWINGS

	Note		
Current			
Secured liabilities			
Bank overdraft	(i)	**-**	-
Bank loan	(ii), (iv)	**-**	-
Obligations under finance leases and hire purchase contracts	(iii), 16(b)	**617**	560
Total current interest bearing liabilities		**617**	560
Non-current			
Secured liabilities			
Bank Loans	(ii), (iv)	**29,000**	30,850
Obligations under finance leases and hire purchase contracts	(iii), 16(b)	**1,327**	1,945
Total non-current interest bearing liabilities		**30,327**	32,795

(i) Bank overdraft is provided under a $3 million facility expiring on 30 November 2008. The interest rate applicable at 30 June 2008 was 12.78% (2007: 11.10%) 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 2008 (2007: $34.85 million). These facilities expire, unless extended, on 30 November 2009. There is no ongoing repayment requirement on the loan facilities and it is management's intention to extend both facilities upon expiry. The average interest rate payable at 30 June 2008 on the fixed and floating bills under the two facilities was 7.88% (2007: 7.36%).

(iii) The hire purchase liabilities have a remaining term of 4 years. The average implicit interest rate is 7.47% (2007: 7.47%).

(iv) All interest-bearing liabilities, other than hire purchase liabilities of $1.944 million (2007: $2.505 million), are secured by a fixed and floating charge over the company's assets.

(a) Fair values

The carrying amount of the current and non-current borrowings approximate their fair value.

The company has potential financial liabilities which may arise from certain contingencies disclosed in note 16. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the company. No material losses are expected and as such, the fair values disclosed are the directors estimate of amounts that will be payable by the company.

(b) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	2008 $000	2007 $000
Current		
Floating Charge		
Cash and cash equivalents	**1,476**	321
Receivables	**13,715**	12,750
Inventories	**9,564**	8,070
Derivative Financial Instruments	**671**	406
Prepayments	**973**	816
Total current assets pledged as security	**26,399**	22,364
Non-current		
Finance lease		
Leased manufacturing plant	**1,943**	2,505
Floating charge		
Plant and equipment	**25,017**	25,847
Goodwill	**46,134**	46,134
Total non-current assets pledged as security	**73,094**	74,486
Total assets pledged as security	**99,493**	96,850

12. INTEREST BEARING LOANS AND BORROWINGS (continued)

The terms and conditions relating to the financial assets are as follows:

Cash and cash equivalents are pledged against the bank overdraft on an ongoing floating basis for the term of the bank overdrafts maturity.

Receivables, inventories and plant and equipment are pledged against secured bank loans on a floating basis for the terms of the various secured loans.

(c) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Financing facilities available

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

2008	**Accessible**	**Drawn down**	**Unused**
	$000	**$000**	**$000**
Hire purchase and leasing finance	**3,025**	**1,943**	**1,082**
Bank bills	**34,850**	**29,000**	**5,850**
Overdraft	**3,000**	**-**	**3,000**
Guarantees	**800**	**761**	**39**

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

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 facilities expire on 30 November 2009 unless otherwise extended.

13. PROVISIONS

	2008 $000	2007 $000
Current		
Employee leave benefits	**2,022**	1,788
Total current provisions	**2,022**	1,788
Non-current		
Employee leave benefits	**865**	866
Total non-current provisions	**865**	866

14. CONTRIBUTED EQUITY AND RESERVES

This note should be read in conjunction with the Statement of Changes in Equity shown on page 10 of this Appendix 4E.

(a) Issued and paid-up capital:

Ordinary shares	**38,861**	38,861
Total contributed equity	**38,861**	38,861

Effective 1 July 1997, 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 2008, 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.

14. CONTRIBUTED EQUITY AND RESERVES (continued)

(f) Capital management

When managing capital, the company's objective is to ensure that it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The company also aims to maintain a capital structure that ensures the lowest cost of capital available to the company.

The company considers periodically adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the company may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2008, the company paid dividends of $2,414,000 (2007: $2,213,000).

The company has no current plans to issue further shares on the market.

The company monitors capital through the gearing ratio (net debt / total capital). The target for the company's gearing ratio is between 30% to 50%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	2008	2007
	$000	$000
Interest bearing loans and borrowings	**30,944**	33,355
Cash and cash equivalents	**(1,476)**	(321)
Net debt	**29,468**	33,034
Total equity	**54,958**	50,948
Total capital employed	**84,426**	83,982
Gearing (Debt / Debt+Equity)	**34.9%**	39.3%

The company is not subject to any externally imposed capital requirements.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 **$000**	2007 $000
Current assets		
Interest rate swap contracts – cash flow hedges	**682**	366
Foreign currency forward contracts – cash flow hedges	**(11)**	-
Interest rate swap contracts – held for trading	**-**	40
	671	406

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Instruments used by the company

Derivative financial instruments are used by the company in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Interest rate swaps - cash flow hedges

Interest bearing loans of the company currently bear an average variable interest rate of 7.8%. In order to protect against rising interest rates the company has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 90% (2007: 84%) of the principal outstanding and are timed to expire at selected dates over the next 5 years, with the earliest expiry being June 2010. The fixed interest rates range between 5.9% and 7.6% (2007: 5.9% and 6.3%) and the comparable variable rate based on the 90 day bank bill rate at balance date was 7.9% (2007: 6.4%). In addition, a margin over the bill and fixed rates are payable to the banks.

At 30 June 2008, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows

	2008 $000	2007 $000
0 – 1 years	**-**	6,000
1 – 2 years	**7,000**	6,000
2 – 3 years	**7,000**	7,000
3 – 5 years	**12,000**	7,000
5+ years	**-**	-
	26,000	26,000

The interest rate swaps require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit and loss when the interest expense is recognised.

Movement in cash flow hedge reserve

	2008 $000	2007 $000
Opening balance	256	66
Transferred to interest expense	-	-
Charged to Equity	214	190
Closing balance	470	256

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contracted arrangements. The company's maximum credit risk exposure in relation to these is limited to the fair value of the interest rate swap agreements, which at the reporting date was $0.671 million (2007: $0.406 million).

16. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

At 30 June 2008 the company has commitments contracted for but not recognised as liabilities of $2.776 million (2007: $0.075 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:

	2008		2007	
	Minimum Lease Payments $000	Present Value of Lease Payments $000	Minimum Lease Payments $000	Present Value of Lease Payments $000
Within one year	**742**	**617**	728	560
After one year but not more than five years	**1,492**	**1,327**	2,175	1,945
Total minimum lease payments	**2,234**		2,903	
Less amounts representing finance charges	**(290)**		(398)	
Present value of minimum lease payments	**1,944**	**1,944**	2,505	2,505

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

16. COMMITMENTS AND CONTINGENCIES (continued)

(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:

	2008	2007
	$000	$000
– not later than one year	**1,815**	1,717
– later than one year but not later than five years	**6,656**	6,433
– later than five years	**2,763**	4,233
Aggregate operating lease expenditure contracted for at reporting date	**11,234**	12,383

(d) Remuneration commitments

	2008	2007
	$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	**763**	854
– after one year but not later than five years	**308**	1,006
Aggregate remuneration commitments contracted for at reporting date	**1,071**	1,860

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

(e) Guarantees and Indemnities

The company has the following guarantees at 30 June 2008:

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 (2007: $0.762 million).

17 EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events subsequent to 30 June 2008.