



Research Report

Colorpak Limited

Packaged for Success!

ASX Code: CKL
IPO Price: \$0.50

15 April 2004
Sector: Containers & Packaging
Analyst: Warren Jeffries

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Recommendation: BUY
Risk Rating: High**

Investment View:

- Colorpak's focus is on the short production run segment of the folding carton market, where it can leverage its advanced technology platform and expertise to develop high value-add, cost effective and innovative packaging solutions for its customers.
- Requiring highly sophisticated packaging solutions the pharmaceutical industry represents a lucrative market for Colorpak. For FY03 the pharmaceutical industry represented 44% of Colorpak's revenues.
- Colorpak's client base includes Cussons, Sigma, Astra Zeneca, Pfizer, Huhtamaki, Patties, Nestle, CSL, Hanimex, Bayer, L'Oreal and Roche amongst others. No single customer accounts for any more than 10% of Colorpak's business and 35% of sales are derived from customers of more than five years standing.
- As a participant in two global packaging alliances, *Global Packaging Alliance and Copapharm Europe*, Colorpak is at the forefront of international trends, technology and industry best practice.
- Prospectus forecasts are for normalised FY04 NPAT (pre-goodwill) of \$4.6 million and for FY05 NPAT (pre-goodwill) of \$5.3 million. This translates to FY04 EPS (pre-goodwill) of 5.9 CPS, P/E of 8.4x and FY05 EPS (pre-goodwill) of 6.9 CPS, P/E of 7.3x.
- While the balance sheet appears stretched with net debt/equity of 87%, operating cashflow of \$3.6 million is forecast for FY04 (6 month period) & \$7.3 million for FY05. Interest cover appears healthy at 3.8x for FY04 and 4.5x for FY05. Having spent approximately \$16 million on PPE over the past 5 years we see no reason for any significant investment in new equipment until FY06.
- A dividend distribution of 2.5 CPS fully franked is forecast for FY05, representing a 5% yield.
- Management is focused on continuing to achieve organic growth above industry averages, which are generally in line with GDP, and will look to play a significant part in the anticipated consolidation of the folding carton packaging industry, estimated to reach \$625 million in turnover by FY04.
- Our 12-month valuation for CKL is \$0.60, which represents a 20% premium to the IPO price.

Financial Summary		Year 30 June	2002	2003	2004E	2005E
ASX Code:	CKL	Revenues \$(m)	47.6	48.7	49.1	52.7
IPO Price:	\$0.50	EBITDA \$(m)	9.4	10.5	10.1	11.0
12 month price target:	\$0.60	EBITA \$(m)	7.5	8.8	8.5	9.6
Issued Capital:	77.2 m	NPAT* \$(m)			4.6	5.3
Market Capitalisation	\$38.6 m	EPS* (c)			5.9	6.9
		P/E Ratio* (x)			8.4	7.3
		Dividend (c)			0.0	2.5
		Yield (%)			0.0	5.0
		Franking (%)			n/a	100

E = Prospectus estimates / * Pre-goodwill.

** High risk rating is predominantly a reflection of Colorpak's small market capitalisation.



History of Colorpak Limited

Colorpak's origins date back to the 1920's when Mr. P.T.Huggins established a box manufacturing plant in the suburb of South Yarra, Melbourne. The business was able to survive the Great Depression of the 1930's and labour shortages of WWII and thrived into the 1950s to be renamed Colorpak Containers Pty Ltd.

In 1985, Colorpak was acquired by Walter Commins and three work colleagues who had spent over 20 years working together at Thomas Frame (a former folding carton industry participant). During the period 1985 - 1991 and under this new management team, Colorpak was taken to a new level of sophistication resulting in deeper market penetration and development of a highly respected folding carton business.

In 1992, the Commins family acquired the interests of the other owners, and two of Walter's sons, Alex and Harry, joined the company. A year later Walter's eldest son Paul also joined Colorpak. Continuing as Managing Director, Walter Commins began a policy of regular investment in latest generation technology that continues today.

In 1995, Colorpak developed a purpose-built folding carton facility in Braeside, Melbourne.

Walter Commins retired in 1999 and his sons, Alex, Paul and Harry took over as the senior management team.

A policy of profitable organic growth and strategic acquisitions has seen Colorpak grow significantly. In 1998, Colorpak acquired Foilmasters, a small trade supplier of foil stamping and embossing to the printing industry. This was followed by the acquisition of Hale Foldpack (now Colorpak Sydney) in 2000. Hale Foldpack was a like-minded privately owned family business that had been successfully operating for over 50 years.

The acquisition of Hale Foldpack provided Colorpak with a strategic position in the NSW folding carton market. In 2001, Colorpak acquired the Melbourne based competitor Pemara Corporation's folding carton division.

Colorpak Limited was incorporated on 23 December 2003 to acquire the business of Colorpak with effect from 1 January 2004. Prior to completion of the business acquisition agreement, the business of Colorpak has been conducted through trusts, the trustees of which were Colorpak Packaging Limited (formerly Colorpak Packaging Pty Ltd) and Foilmasters Pty Ltd.

The folding carton packaging industry

Growth in the packaging market is largely driven by general economic growth.

The folding carton packaging industry is one segment of the broader paper and board packaging industry. Folding carton packaging is used to package various consumer products such as food, beverages, pharmaceuticals, cosmetics, confectionaries, personal care products, multimedia and technology.

The Australian paper and board packaging industry is estimated to be worth \$3.1 billion in 2002/2003¹. The folding carton packaging industry is estimated to be worth \$608 million in 2002/2003¹. This is forecast to increase to over \$625 million in 2003/2004¹.

The paper and board packaging industry is a relatively mature industry.

Competition in the industry centres on design capabilities, print quality, price and, increasingly, the ability to meet customer service requirements promptly.

The folding carton segment can be divided into two parts:

- The short production run market that produces high quality packaging for consumer products such as pharmaceuticals, cosmetics, computer software, natural medicines, multimedia and technology, wine and premium food products; and
- The high volume, lower sophistication segment that is mostly fast moving consumer goods such as beer, cereal, packaged teas, washing powders and other food products.

¹ BIS Shrapnel Paper and Board Packaging in Australia, 29th edition, 2003-2004.



Competition

The Australian market is dominated by two producers in Amcor Cartons (33%¹ market share) and Carter Holt Harvey (17.2%¹ market share). While Amcor Cartons and Carter Holt Harvey are considered competitors, these two companies mainly focus on the high volume, lower sophistication segment of the market.

The remainder of the folding carton market is fragmented, with Colorpak's most comparable competitors, in terms of turnover, being the listed Wadepack Limited (FY03 revenues of \$79 million) and private Hannapak (annual revenues estimated at \$45-50 million).

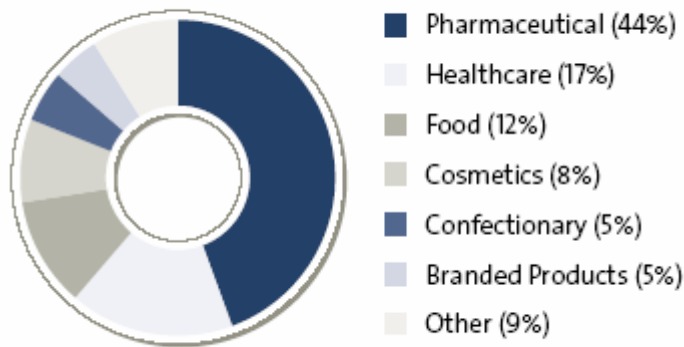
Colorpak is the fifth largest folding carton producer in Australia with an 8.5%¹ market share. Colorpak's focus is the short production run segment of the market, where it can leverage its advanced technology platform and expertise to develop high value-add, cost effective and innovative packaging.

Based on a share price of \$1.76, Wadepack's FY03 EPS pre-goodwill of 18.0 CPS places the stock on an historical P/E of 9.8x.

Colorpak's markets

With a focus on the short production run segment, Colorpak specialises in the design and production of folding cartons, point-of-sale displays and other value added paperboard products. Colorpak focuses on specific end-use markets where customers demand creative packaging solutions.

REVENUE BY INDUSTRY



* Turnover for year ended 30 June 2003

Consumer product companies require a high degree of confidence in their folding carton suppliers as they form a key element of the supply chain.

These markets require a high level of sophisticated packaging solutions and specialised packaging options. This is particularly important for the pharmaceutical industry, which represents approximately 44% of Colorpak's revenues, where Colorpak has long term relationships with a number of its clients.

Growth

While industry growth rates for the folding carton packaging industry are forecast at a modest 2.8% for FY04, Colorpak operates in one of the fastest growing segments of the packaging market, being smaller refined packaging for premium branded products. As consumers are becoming more brand conscious, marketers are using packaging to convey these branded messages. Colorpak is well positioned to benefit from this trend.

The company expects organic growth to continue to outperform industry average rates as a result of its focus on high growth markets and strong reputation within the industry. For the period 1985-2003 Colorpak's revenues have grown at a compound annual growth rate of 21.5% reflecting acquisition and organic growth.

Significant barriers to entry.

Industry growth rates have historically been in line with GDP.

Organic growth of 5% is forecast for FY05.

¹ BIS Shrapnel Paper and Board Packaging in Australia, 29th edition, 2003-2004.



Value add opportunities.

Growth continued:

Colorpak's innovative skills will also assist organic growth by providing value added packaging solutions that includes leaflet and security tag insertion into customer's current packaging requirements. As these value added propositions are only in their relative infancy, with greater take up expected from existing customers, they are expected to assist both revenue and earnings growth going forward.

Industry rationalisation

Consolidation in the folding carton packaging industry is expected to continue to occur and Colorpak is well placed to participate. Colorpak has already acquired and successfully integrated three packaging and trade services businesses in recent years. The industry remains largely fragmented.

Growth prospects assisted by:

Copapharm Europe is a global alliance of specialist pharmaceutical carton converters dedicated to the joint development of global standards & technological transfer.

- A **disciplined market strategy** focusing on the high value-add segment of the folding carton market where quick response time and short-run production is also important.
- The use of **latest generation technology** - Colorpak is the leader in adoption of innovative technology and was the first to adopt computer-to-plate technology for Australia's folding carton packaging market.
- **Global alliances** - Colorpak is a participant in two global packaging alliances – Global Packaging Alliance and Copapharm Europe and is the ONLY Australian participant. Colorpak benefits from shared industry experience, maintaining international packaging standards, customer referrals and being at the forefront of industry best practice.
- A **management team** with over 90 years of combined experience in the packaging industry.
- **Excellent reputation** – an independent customer survey conducted by leading industry research provider BIS Shrapnel has ranked Colorpak "No. 1" in the folding carton industry for the last four consecutive years.

Current facilities:

Colorpak's principal facility was purpose built in 1995. The facility is located on a 7,100 sqm site in Braeside, Melbourne. Capacity utilisation is currently running at 70% on a two shift basis, hence there is potential to increase production volumes, without requiring addition capital expenditure.

The Foilmasters facility is located in Dandenong, Melbourne, and was purpose built in 2001. Foilmasters, acquired in 1998, is a small trade supplier of foil stamping and embossing to the printing industry. The operation has a fully integrated management information system that is linked to the head office in Braeside.

The Sydney operations are located in Erskineville. The facility is currently running at near capacity with minimal scope for expansion. Management has stated its intention of leasing a new purpose built facility in Sydney during FY05.

Note: *The Braeside and Dandenong premises in Melbourne are leased from the Commins family. In addition the Commins family owns land at Regent Park, Sydney, which may represent the site for the new purpose built facility to be leased in FY05.*



Financials

Forecasts for FY04 normalised earnings are based on six months audited actual performance and six months forecast to 30 June, 2004. As the business is being acquired by the public company (Colorpak Limited) with effect from 1 January 2004, Colorpak will only report against the six month forecast to 30 June 2004.

FY04 proforma numbers adversely impacted by disruption to a major customer's manufacturing operations.

The company's FY04 proforma numbers reflect modest revenue growth, 0.7%, and a slight EBIT reduction, 0.4%, which reflects the impact of a major customer that had a significant interruption to its manufacturing operation during 2004. We estimate the impact on revenue of \$1.2 million and EBIT of \$0.5 million for FY04.

Due to the cost base of Colorpak's operations being predominantly fixed, any change in revenues will have a compound impact on earnings. With long standing relationships and the sophisticated packaging requirements of Colorpak's customer base we believe any risk to revenues to be minimal.

Sensitivity Analysis

The sensitivity analysis highlights that a 5% ↑ or ↓ in FY05 revenues will have a 12% impact on FY05 EBITDA.

\$'000	Change in 2004 EBITDA (6 months)	Change in 2005 EBITDA (year)
Change in variable		
+/- 5% change in sales volume	604	1,312
+/- 5% change in employment costs	345	734
+/- 5% change in material costs	501	1,058

* Source: company prospectus

Prospectus forecasts for FY04 & FY05.

Revenues of \$52.7 million for FY05 reflect 5% organic growth on FY04 and the return to normal business levels from the major customer whose operation was interrupted in FY04.

Forecasts for FY05 are for EBIT growth of 16% on a 7% lift in revenues. In addition a 2.5 CPS dividend, fully franked, is forecast representing a 5% yield on the \$0.50 IPO price.

\$'000	Adjusted Historical		Normalised	Forecast	
	2002	2003	2004	2004 6 mths	2005
Year end 30 June					
Revenue	47,587	48,682	49,049	24,695	52,701
EBITDA	9,376	10,462	10,099	4,979	10,967
Depreciation	1,855	1,668	1,529	748	1,397
Amortisation	2,399	2,399	2,399	1,200	2,399
EBIT	5,122	6,395	6,171	3,031	7,171
Gross Interest expense & financial charges			2,219	1,125	2,125
Op. profit before tax			3,952	1,906	5,046
Income tax expense			1,780	837	2,139
Net profit after tax			2,172	1,069	2,907
NPAT pre amortisation			4,571	2,269	5,306
Dividend per share			N/A	-	2.5

Strong cashflows for FY04 & FY05 help offset a stretched pro-forma balance sheet.

The Proforma balance sheet, as at 1 January 2004, is carrying net debt/equity of 86.6% with net assets, excluding the \$46.6 million of intangibles, of (\$9.6 million).

While we believe a more conservative balance sheet would be desirable on Colorpak listing, concerns are somewhat alleviated by strong operating cashflow forecast for FY04 (6 month period), \$3.6 million, and FY05, \$7.3 million.

Based on overall cashflow forecasts for FY04 & FY05 the company should improve its gearing position to achieve net debt/equity of 77% in FY04 and 60.0% in FY05.

Interest cover is healthy at 3.8x for FY04 and 4.5x for FY05

In addition the company comes to market with minimal funds required for new PP&E having invested approximately \$16 million over the past 5 years on state-of-the-art technology and equipment. For FY04 capex of \$0.64 million is forecast reducing to \$0.25 in FY05.


Valuation based on FY05 forecasts:

EBITA	9.57
Multiple x	7.0
EV	66.99
less net debt	(22.22)
Value	44.77
Shares	77.2
Per share value	\$0.58
Price earnings	
EPS pre g'will	\$0.073
Multiple x	8.5
Per share value	\$0.62
Ave per share value	\$0.60

*Balance date 30 June

12-month valuation of \$0.60 represents a 20% premium to the IPO price of \$0.50.

We believe we have been conservative in our assumptions of a 7x EBITA multiple and 8.5x EPS (pre-goodwill) multiple for FY05 prospectus forecasts.

We believe there is potential for upside to our valuation of **\$0.60** based on Colorpak outperforming prospectus forecasts and by further participation in industry consolidation.

Recommendation: BUY with a 12-month valuation of \$0.60.

Appendices:

Appendix 1: Offer statistics

Appendix 2: Top 20 Shareholders

Appendix 3: Directors & Senior Management



Appendix 1: Offer Statistics

Year end 30 June		Normalised	Forecast
		2004	2005
Forecast earnings per Share (post-goodwill amortisation)	cents	2.8	3.8
Forecast earnings per Share (pre-goodwill amortisation)	cents	5.9	6.9
Price to earnings multiple (post-goodwill amortisation) ¹	times	17.9	13.3
Price to earnings multiple (pre-goodwill amortisation) ¹	times	8.4	7.3
Enterprise Value / EBITDA ²	times	6.8	6.3
Enterprise Value / EBITA ²	times	8.1	7.2
Operating cash flow per share	cents	7.8	9.5
Price / operating cash flow per share ¹	times	6.4	5.3
Forecast dividend per Share (fully franked)	cents	-	2.5
Dividend yield (fully franked) ¹	%	-	5.0

Note:

1. Based on the IPO price of \$0.50 per share.
2. Based on the IPO price of \$0.50 per share and net debt as at listing date.

Appendix 2: Top twenty shareholders

1.	Colorpak Packaging Ltd <Commins Family>	25,532,436	33.08%
2.	ANZ Nominees Ltd	9,933,550	12.87%
3.	M.F. Custodians Ltd	4,000,000	5.18%
4.	Westpac Custodians Ltd	3,400,000	4.40%
5.	Equity Trustees Ltd <SGH PI Smaller Co's fund>	2,000,000	2.59%
6.	Invia Custodian Pty Ltd <White A/C>	2,000,000	2.59%
7.	Permanent Trustee Australia <MMC0002 A/C>	2,000,000	2.59%
8.	Health Super Pty Ltd	1,534,000	1.99%
9.	Permanent Trustee Australia <MMC0001 A/C>	1,000,000	1.30%
10.	Gemfield Cove Pty Ltd	828,000	1.07%
11.	Mr David Heaney	828,000	1.07%
12.	Charmof Nominees Pty Ltd	800,000	1.04%
13.	Government Superannuation Office	728,000	0.94%
14.	JP Morgan Nominees Australia Ltd	702,000	0.91%
15.	Invia Custodian Pty Ltd <WAM Capital Ltd>	640,000	0.83%
16.	MM & E Capital Pty Ltd	500,000	0.65%
17.	Permanent Trustee Australia <CDL0001>	500,000	0.65%
18.	UBS Nominees Pty Ltd	400,000	0.52%
19.	Permanent Trustee Australia <EGG0001 A/C>	364,000	0.47%
20.	Invia Custodian Pty Ltd <WAM Equity Fund>	360,000	0.47%



Appendix 3: Directors and Senior Management

Directors and Senior Management

Chairman - Geoff Willis

Geoff Willis has a strong commercial and industrial background and he has undertaken a number of senior management leadership roles during the past decade.

Geoff was a member of the Amcor Limited senior management team from 1982 until 1998. Geoff was directly involved in Amcor's move into the corrugated box industry, in the initial moves to internationalise the packaging operations and in the integration of APPM into the Amcor Group. Following this merger, Geoff was Group General Manager for Paper Merchants and was subsequently appointed Managing Director of the Amcor Paper Group.

Geoff is currently Chief Executive Officer of Hydro-Electric Corporation, Tasmania's state-owned electricity generation business. He is also Chairman of the Energy Supply Association of Australia Environment Committee and a member of the National Electricity Code Administrator Reliability Panel.

Geoff holds a Bachelor of Commerce degree and a Masters of Business Administration. He is a Certified Practising Accountant and a member of the Institute of Company Directors.

Managing Director - Alex Commins

Prior to joining Colorpak in 1992, Alex held several accounting roles in a number of industrial and manufacturing companies, including HJ Heinz Company, in internal audit and financial accounting.

Since then Alex has worked in all areas of Colorpak with particular emphasis on expanding existing customer business relationships and new business development. Alex has played a major role in Colorpak's acquisition negotiations and has been responsible for Colorpak's entry into and continued involvement in its global alliances. Alex currently acts as secretary of the Global Packaging Alliance.

In January 2003, Alex took up the responsibilities of Managing Director. He continues to have responsibility for Colorpak's customer relationships, business development and to drive growth and innovation throughout the business.

Alex holds a Bachelor of Business (Accounting).

Executive Director - Paul Commins

In 1987 Paul started his own screen printing business and manufactured screen printed clothing for premium brands such as Adidas, Puma and Diadora. In 1993 he sold this business to join Colorpak.

Paul implemented the ISO 9001 quality standard and played a key role in the integration of Pemara Corporation's folding carton division into Colorpak's Braeside operations in 2001. Paul's expertise in systems saw him oversee the implementation of the Colorpak management information system in 1996 which provides the Company with the ability to closely monitor its manufacturing data and capture its costs in real time.

In 1999 Paul was instrumental in the selection and managed phase in of in-house computer-to-plate technology. Colorpak was the first Australian folding carton company to install this cutting edge digital equipment.

Between 1999 (when Walter Commins retired from an executive position) and December 2002 Paul was Managing Director of Colorpak. Paul's primary focus continues to be seeking productivity efficiencies for the business by the adoption of new technologies and world's best practice manufacturing. In addition to these operational duties Paul also has responsibility for a number of Colorpak's key customer relationships.

Paul holds a Bachelor of Business (Accounting).

Non-Executive Director - Tony Dynon

Tony has had over 20 years' corporate experience in general management and finance. He was most recently Managing Director of Farm Pride Foods Ltd. The majority of Tony's career has been with the HJ Heinz Company where he was Chief Financial Officer for Heinz Australia for six years and then Managing Director of Heinz Diversified Businesses (Green seas Tuna, Weight Watchers, Heinz Foodservice businesses), a major trading division of Heinz Australia.

He has also consulted to a number of organisations specialising in strategic planning, business restructuring and interim management. He is currently a Director of LBA Holdings Pty Ltd, a financial services provider. He is a Certified Practising Accountant with a wide range of management, marketing and financial skills gained both in Australia and overseas.



Non-Executive Director - David Heaney

David Heaney has more than 38 years experience in banking and corporate finance gained with the National Australia Bank and subsidiary companies. David held several senior management positions in Australia and the United States, the most recent positions being General Manager Corporate Banking Victoria and Regional Director, Project and Structured Finance, prior to his retirement in August 1999.

He is currently an executive director of Thompson Partners a consulting company and a non-executive Director and Chairman of the Audit Committee of Gribbles Group Ltd and a Director of several private companies. He brings strong banking and finance skills, together with corporate governance experience to the Company.

Consultant - Walter Commins

Walter has spent over 53 years in the printing and packaging industry. Walter worked in various roles for a number of printing companies and spent over 23 years working at Thomas Frame (a former industry participant) where he progressed through to estimator, factory manager, sales manager and finally general manager.

Walter, along with three of his colleagues purchased Colorpak in 1985. In 1992 Walter bought out his partners and invited his sons to join him in the business. In 1998 Walter initiated Colorpak's purchase of Foilmasters, a small trade supplier of foil stamping and embossing to the packaging industry.

Walter retired from an executive position in 1999 and became non-executive Chairman of Colorpak Packaging Limited until early 2004.

Walter is a trustee of the Committee for Economic Development of Australia and holds a Bachelor of Economics.

Senior management

National Production Manager - Harry Commins

Harry completed his apprenticeship at Wilke & Co. a large printing company, part of News Corporation. Following a number of promotions, he was a supervisor in the web offset department, prior to joining Colorpak in January 1992, as Factory Manager.

Harry was project manager for the development of the Colorpak sites in Braeside and Dandenong.

Harry oversees production, maintenance, crewing levels, and is a key driver on the Quality Assurance and Occupational Health & Safety committees. He plays a major role in Colorpak's assessment and development of new technologies such as, computer-to-plate, laminating, window facing, and foil stamping. Harry supports the sales team in a technical capacity with new product development and promotional activities.

Harry brings great technical strength and a thorough understanding of printing technology and employee management to the business.

He is also an Alternate Director for both Alex and Paul Commins.

Chief Operating Officer – New South Wales David Johnson

David Johnson started as an apprentice printer at Colorpak in 1980 and worked his way up from printer, to print room supervisor, to manager of the pre-press function. In 1999, David moved to Sales as Account Executive and has been instrumental in securing several major accounts. After the acquisition of the Sydney based Hale Foldpack business in 2000, David was appointed Chief Operating Officer – New South Wales and relocated to Sydney.

David continues to bring technical strength and commitment to the strategically important Sydney business. David holds a Post Graduate Diploma in Applied Science.

Production Manager – New South Wales Tom Hale

Thomas Hale has been involved in the printing and packaging industry for 28 years. He is a qualified printing machinist and has a Diploma in Accounting. He was Production Director of Hale Foldpack Pty Ltd for 25 years. His duties involve overseeing all facets of production from design to finished product at the Sydney operation.

Tom also acts as an Account Executive for two of Colorpak's longer standing customers.



**Chief Financial Officer & Company Secretary
Stephen Nicholls**

Stephen is an experienced chartered accountant and professional financial manager. He commenced his career with nine years in the audit division of Coopers & Lybrand both in Australia and the United Kingdom, subsequently holding senior financial positions in several medium and large commercial organisations, predominantly in the IT industry. In 1998, and 1999 he contributed to the privatisation of the Victorian gas retailers in his capacity as a commercial adviser to Gascor. He is experienced in the requirements of listed companies having participated, as Chief Financial Officer and Company Secretary, in the public listings of IT&e Ltd and Stockford Ltd.

Stephen holds a Bachelor of Arts (Economic & Financial Studies) and is a member of the Institutes of Chartered Accountants, Chartered Secretaries and Company Directors.



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Disclosure of Interest

Tolhurst Noall Ltd ('Tolhurst Noall') and/or entities and persons connected with it may have an interest in the securities the subject of the recommendations set out in this report. In addition, Tolhurst Noall and/or its agents will receive brokerage on any transaction involving the relevant securities.

The Offer under the prospectus was fully underwritten by Tolhurst Noall. Colorpak Limited has agreed to pay Tolhurst Noall:

- an underwriting fee equal to 3.5% of the total Application Monies payable for all the Shares in the Offer; and
- a management fee equal to 1.25% of the total Application Monies payable for all of the Shares in the Offer.

Disclaimer

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Explanation of Tolhurst Noall's Recommendation and Risk Rating system:

Recommendations are assessments of each Tolhurst Noall Analyst's view of potential total returns over a 1-year period relative to the performance of the All Ordinaries Accumulation Index.

Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into four main categories:

Strong Buy: Expected Total Return in excess of 25% over a 1 year period relative to All Ordinaries Accumulation Index

Buy: Expected Total Return between 15% and 25% over a 1 year period relative to All Ordinaries Accumulation Index

Accumulate: Expected Total Return between 5% - 15% over a 1-year period relative to All Ordinaries Accumulation Index

Hold: Expected Total Return between -5% and 5% over a 1 year period relative to All Ordinaries Accumulation Index

Sell: Expected Total Return less than -5% over a 1 year period relative to All Ordinaries Accumulation Index

Risk Ratings:

Risk is a subjective assessment of overall risk within a company including price volatility and earnings variability, external liquidity, and size.

We divide our risk into three categories:

High: Company typically has high price volatility and earnings variability, low external liquidity and has a small market capitalisation.

Medium: Company typically has moderate price volatility and earnings variability, external liquidity and a medium size market capitalisation.

Low: Company typically has low price volatility and earnings variability, high external liquidity and is a large size market capitalisation.

I verify that I, **Warren Jeffries**, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.