

Rule 4.2A.3

Appendix 4D Half Yearly Report

Name of entity	ABN
Colorpak Limited	56 107 485 898

Current reporting period:	Previous corresponding period:
Period ended 31 December 2005	Period ended 31 December 2004

Results for announcement to the market	AUD'000 s
Revenues from ordinary activities	up / down 25.5 % to 35,222
Profit from ordinary activities after tax attributable to members	up / down 10.4 % to 3,023
Net profit for the period attributable to members	up / down 10.4 % to 3,023

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

The information in the Half Yearly Report should be read in conjunction with the most recent annual financial report (30 June 2005).

	Amount per security	Franked amount per security
Final dividend	Nil cents	Nil cents
Interim dividend	1.0 cents	1.0 cents
Record date for determining entitlements to the dividend	3 March 2006	
Dividend reinvestment plan	not applicable	
	2005	2004
Net tangible assets per security	1.2 cents	(3.6) cents

Commentary on Results:

Financial Performance

Colorpak's six months to 31 December 2005 produced increased revenues of 25.5% compared to the corresponding prior comparable period ("pcp") and 15.5% on the six months to June 2005. The strong growth in sales translated into an increased NPAT of 10.4% above the pcp and a 14.2% increase above the six months to June 2005.

Growth in sales was partially attributable to additional revenues generated by Castle Graphics which was acquired in December 2004, but pleasingly most of the revenue growth (15.8% over pcp) came from robust organic growth from both new and existing customers. The main growth areas have been in the Pharmaceutical/Healthcare, Food, Beverage and FMCG sectors.

Profit growth flowed directly from the increased revenue and after taking account of substantial costs which were not included in the pcp, being a bad debt (\$90K), legals to fend off an infringement to our trading name rights by a foreign company (\$68K), and the senior executive incentive plan (\$115K). These items alone have accounted for 7.0% of the pcp after tax profit.

Cash Flow

Cash generation from operations for the half year was an outflow of \$0.395 million compared with an inflow of \$3.635 million last year. This difference was caused by:

1. no tax was paid in the comparative period, being the first year of the company's operations. Total tax in the current period was \$1.976 million, of which \$0.756 million was a catch-up for 2005 and therefore is not recurring;
2. the company's success in generating a 25.5% revenue increase has resulted in increased working capital requirements, predominantly debtors and inventories. This increased working capital requirement is expected to be ongoing; and
3. approximately \$0.638 million in customer receipts, anticipated for collection in late December, fell into early January.

Debt at 31 December 2005 totalled \$33.949 million, a little above expectations as a consequence of the increased working capital. The company maintains adequate cash reserves and undrawn bank credit limits to meet its increased working capital requirements.

Commentary on Results (cont'd):

Operating Activities

The second half of 2005 saw the successful commissioning of our Roland 700 six colour twin coating machine. Productivity data coming out of this press has been very strong and is expected to underpin continued revenue growth.

Colorpak's Pharmakit model is being well accepted within the Pharmaceutical industry and the company is forging ahead with its batch style multiple printed components for a number of clients, with many more showing interest in the model.

Construction of a greenfield site in the Sydney suburb of Auburn is now well advanced and on schedule for completion in May 2006. This state of the art facility will improve manufacturing efficiency and drive new client growth in the important NSW market. As well, a finished goods warehouse in Braeside, adjacent to the current premises, will be ready for occupancy by the end of January 2006. This facility will improve warehousing costs.

Capital Expenditure program

A second Roland 700 six colour twin coating machine will be commissioned in Sydney in time for the opening of the Auburn site. A new foil press has also been purchased for the flexibles business and was commissioned in early January 2006. These units complete the major capital expenditure plans for the 2006 year.

Outlook

The company remains confident for the remainder of the 2006 year and considers that the earnings guidance provided at the 2005 AGM of sales growth of between 10% and 15% and EPS growth of at least 5% for the full year is achievable.

Cash from operations in the second half year is expected to be in excess of \$4.5 million.

Dividend

We are pleased to announce our interim dividend of 1.0 cents per share, fully franked, which will be paid on 6 April 2006.

Audit Statement:

This report is based on the 2006 Half-Year Report of Colorpak Limited which is in the process of being reviewed by the Company's auditor. An unqualified review report is expected.

Entities over which control has been gained during the half year	Nil
Entities over which control has been lost during the half year	Nil
Details of associates	Nil
Details of joint venture entities	Nil

Condensed Income Statement
for the Half-Year ended 31 December 2005

	Notes	2005 \$000	2004 \$000
Continuing operations			
Revenue	2	35,222	28,077
Other income		-	-
Changes in inventories of finished goods and work in progress		1,067	243
Raw materials and consumables used		(15,769)	(11,303)
Employee benefits expense	2	(10,586)	(8,343)
Depreciation and amortisation		(1,116)	(746)
Occupancy costs		(952)	(791)
Other expenses	2	(2,597)	(2,273)
Profit from continuing operations before tax and finance costs		5,359	4,864
Finance costs		(1,019)	(945)
Profit before income tax		4,340	3,919
Income tax expense		(1,317)	(1,180)
Net profit for the period attributable to members		3,023	2,739

Earnings per share (cents per share)

- basic for profit from continuing operations		3.76	3.52
- diluted for profit from continuing operations		3.76	3.52
- dividends paid per share	3	1.50	nil

Condensed Balance Sheet as at 31 December 2005

	Notes	As at 31 December 2005 \$000	As at 30 June 2005 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		2	2
Trade and other receivables		13,039	10,900
Inventories		6,239	5,152
Prepayments		1,268	1,148
Total Current Assets		20,548	17,202
Non-current Assets			
Property, plant and equipment	4	23,011	19,561
Intangible assets		46,134	46,134
Deferred income tax asset		1,142	1,203
Total Non-current Assets		70,287	66,898
TOTAL ASSETS		90,835	84,100
LIABILITIES			
Current Liabilities			
Trade and other payables		5,872	5,850
Interest-bearing loans and borrowings		3,811	3,860
Income tax payable		355	1,337
Provisions		1,450	2,500
Derivatives		152	-
Total Current Liabilities		11,640	13,547
Non-Current Liabilities			
Interest-bearing loans and borrowings		30,138	23,642
Deferred income tax liabilities		779	578
Provisions		1,149	880
Total Non-Current Liabilities		32,066	25,100
TOTAL LIABILITIES		43,706	38,647
NET ASSETS		47,129	45,453
EQUITY			
Issued capital		38,861	38,861
Retained earnings		8,320	6,592
Other reserves		(52)	-
TOTAL EQUITY		47,129	45,453

Condensed Cash Flow Statement
for the Half-Year ended 31 December 2005

Notes	2005 \$000 Inflows/(Outflows)	2004 \$000 Inflows/(Outflows)
Cash flows from operating activities		
Receipts from customers	36,349	30,224
Payments to suppliers and employees	(33,704)	(25,527)
Interest received	6	18
Income taxes paid	(1,976)	-
Finance costs	(1,070)	(1,080)
Net cash flows from operating activities	(395)	3,635
Cash flows from investing activities		
Purchase of business, net of cash acquired	-	(2,242)
Payments of acquisition costs	-	(106)
Purchase of property, plant and equipment	(4,959)	(572)
Proceeds from sale of property, plant and equipment	115	16
Net cash flows used in investing activities	(4,844)	(2,904)
Cash flows from financing activities		
Proceeds from issues of shares	-	-
Proceeds from borrowings	8,000	2,000
Repayment of finance lease principal	(267)	(860)
Repayment of borrowings	(1,200)	(1,000)
Equity dividends paid	(1,207)	-
Net cash flows used in financing activities	5,326	140
Net increase / (decrease) in cash and cash equivalents	87	871
Cash and cash equivalents at beginning of period	(809)	(820)
Cash and cash equivalents at end of period	(723)	51

Condensed Statement of Changes in Equity
for the Half-Year ended 31 December 2005

	Attributable to equity holders of the Company			
	Issued capital \$000	Retained earnings \$000	Other Reserves \$000	Total Equity \$000
At 1 July 2004	36,860	2,010	-	38,870
Unrealised loss on held for trading financial instruments on transition to AASB 139	-	-	-	-
Cash flow hedges:	-	-	-	-
Gains / (losses) taken to equity	-	-	-	-
Deferred tax on gains / (losses)	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit for the period	-	2,739	-	2,739
Total income / expense for the period	-	2,739	-	2,739
Issued capital during period	2,000	-	-	2,000
Issue costs	(1)	-	-	(1)
Equity dividends	-	-	-	-
At 31 December 2004	38,859	4,749	-	43,608
At 1 July 2005	38,861	6,592	-	45,453
Unrealised loss on held for trading financial instruments on transition to AASB 139	-	(88)	-	(88)
Cash flow hedges:	-	-	-	-
Gains / (losses) taken to equity	-	-	(74)	(74)
Deferred tax on gains / (losses)	-	-	22	22
Total income and expense for the period recognised directly in equity	-	(88)	(52)	(140)
Profit for the period	-	3,023	-	3,023
Total income / expense for the period	-	2,935	(52)	2,883
Equity dividends	-	(1,207)	-	(1,207)
At 31 December 2005	38,861	8,320	(52)	47,129

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Colorpak Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 July 2005 ('AGAAP'). It is also recommended that the half-year financial report be considered together with any public announcements made by Colorpak Limited during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost convention except for derivative financial instruments that have been measured at fair value. The carrying values of recognised liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full year 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the company under AIFRS are disclosed in Note (c) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
 - AIFRS profit for the half-year ended 31 December 2004 and full year 30 June 2005,
- to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

(c) Summary of significant accounting policies

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognized and as well as through the amortisation process.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Plant and Equipment

Each class of plant and equipment is carried at cost, or fair value less any accumulated depreciation. All assets are depreciated over their useful economic lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Method
Leasehold improvements	11 – 18 %	Diminishing value
Computers and office equipment	37.5 – 50 %	Diminishing value
Motor vehicles	18.75 – 22.5 %	Diminishing value
Plant and equipment	7.5 – 20 %	Diminishing value
Furniture, fixtures and fittings	3.8 – 60 %	Diminishing value

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement in the depreciation and amortisation line item.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU) expected to benefit from the combination's synergies. If acquired goodwill does not generate cash flows independently of other assets or groups of assets and contributes to the cash flows of a number of CGUs within the Company, or to the Company as a whole, then goodwill is allocated on that basis and the Company measured as a collection of cash generating units to form a single CGU.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Recoverable Amount of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue is recognised upon the delivery of the service to customers. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Derivative Financial Instruments

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, these hedges are classified as cash flow hedges as they hedge the exposure to the variability in cash flows attributable to changes in interest rates. Gains or losses arising from the remeasurement of the hedging instrument of derivatives that qualify for cash flow hedge accounting are deferred to a separate component of equity until such time as the underlying exposure is recognised in the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

(d) AASB 1 Transitional exemptions

The company has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (ie business combinations that occurred before the date of transition to AIFRS).

Designation of financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The company has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(e) Impact of Adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	Notes	30 June 2005** \$000	31 December 2004** \$000	1 July 2004* \$000
Total Equity under AGAAP		42,631	41,925	38,328
<i>Adjustments to retained earnings (net of tax):</i>				
Impairment of assets including goodwill	(i)	-	-	-
Write-back of goodwill amortisation	(ii)	2,359	1,172	-
Tax effect of float and acquisition costs	(iii)	383	411	437
Write-back of doubtful debts provision	(iv)	81	100	105
"Mark-to-market" financial derivatives	(v)	-	-	-
Total Equity under AIFRS		45,453	43,608	38,870

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

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005 and half-year ended 31 December 2004 respectively.

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(e) Impact of Adoption of AIFRS

(i) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. The Company's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The Company's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This did not result in impairment losses being recognised under AIFRS.

(ii) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Previously, the Company amortised goodwill over its useful life but not exceeding 20 years. The Company has elected not to apply AASB 3 retrospectively and hence, prior year amortisation has not been written-back as at the date of transition to AIFRS on 1 July 2004.

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

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

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

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

	30 June 2005 \$000	31 December 2004 \$000	30 June 2004 \$000
Increase in deferred tax asset from items (i) – (v) above	343	365	392

Notes to the Half-Year Financial Statements

1. Basis of preparation of the half-year financial report (continued)

(e) Impact of Adoption of AIFRS (continued)

(ii) Reconciliation of profit before tax under previous AGAAP to that under AIFRS

	Notes	Year ended 30 June 2005 \$000	Half-Year ended 31 December 2004 \$000
Net Profit as reported under AGAAP		3,107	1,598
Amortisation of goodwill	(i)	2,359	1,172
Impairment losses recognised	(ii)	-	-
Write-back of doubtful debts provision	(iii)	(34)	(7)
Adjustment to income tax expense	(v)	(45)	(24)
Net profit under AIFRS		5,387	2,739

(i) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Previously, the Company amortised goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation is no longer charged, but goodwill is written down to the extent it is impaired.

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

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

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

(iii) Explanation of material adjustments to the cashflow statements

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

Notes to the Half-Year Financial Statements
31 December 2005

	2005	2004
	\$000	\$000
2. Revenue and Expenses		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Company:		
(i) Revenue		
Sale of goods and services	35,064	27,885
Interest from unrelated persons	6	18
Other revenue	152	174
	35,222	28,077
(ii) Other Income		
Gain on disposal of plant & equipment	-	-
(iii) Expenses		
Finance costs		
Interest paid or payable to unrelated persons	1,049	890
Finance charges payable under finance leases and hire purchase	18	55
Total finance costs (on historical cost basis)	1,067	945
Unrealised gains / (losses) on interest rate swaps	(48)	-
Total finance costs expensed	1,019	945
Other Expenses includes:		
Doubtful debts	90	-
Employee Benefits Expense includes:		
Senior executive incentive plan	115	-
(b) Seasonality of Operations		
The Company does not typically experience seasonality in relation to demand for its product. Subject to revenue growth attributable to new customers, revenues tend to average out on a productive day basis throughout the year, with a similar number of productive days in both halves of the year.		
3. Dividends Paid and Proposed		
Equity dividends on ordinary shares:		
(a) Dividends paid during the half-year		
Final franked dividend for financial year 30 June 2005: 1.5 cents (2004: nil)	1,207	-
(b) Dividends Proposed and not recognised as a liability		
Interim franked dividend for financial year 30 June 2006: 1.0 cent (2004: 1.0 cent)	805	805
	2,012	805

Notes to the Half-Year Financial Statements
31 December 2005

4. Expenditure Commitments

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

	2005	2004
	\$000	\$000
	3,777	3,973