



**CHARTER
PACIFIC**
Corporation Limited

APPENDIX 4E

Preliminary final report

Period ending 30 June 2005

Results for announcement to the market:

Revenues from ordinary activities	down	21%	to	\$30,636,488
Profit from ordinary activities after tax attributable to members	down	79%	to	\$ 4,982,333
Net profit for the period attributable to members	down	78%	to	\$ 5,212,661

No final dividend has been declared for the current year and no dividend was declared or paid for the previous year.

The net tangible asset (NTA) per security as at 30 June 2005 was \$0.54 (2004: \$0.52)

The accounts are in the process of being audited.

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**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Sales of inventory - shares held for trading	1	28,755,592	38,009,277	28,755,592	38,009,277
Other revenues from ordinary activities	1	<u>1,880,896</u>	<u>531,422</u>	<u>2,869,482</u>	<u>530,668</u>
Total revenue		30,636,488	38,540,699	31,625,074	38,539,945
Depreciation and amortisation expenses	10	51,805	58,821	51,805	58,821
Rent and occupancy costs		188,308	173,941	180,582	165,592
Consulting fees		1,050,905	570,852	510,186	147,365
Travel expenses		182,211	59,813	164,913	49,723
Shareholder reports and registry costs		114,069	81,723	114,069	81,723
Employee expenses		1,554,683	1,125,156	1,527,257	1,116,120
Carrying amounts of inventory sold		15,463,441	1,789,103	16,373,716	3,344,927
Goodwill written off		349,272	-	-	-
Write down of inventory/(reversal)		(29,383)	203,220	(29,383)	203,220
Other expenses from ordinary activities		1,226,827	1,308,301	2,254,659	1,498,670
Share of net (profits)/losses of associates accounted for using the equity method	19	<u>1,951,506</u>	<u>1,482,297</u>	<u>-</u>	<u>-</u>
Profit/(loss) from ordinary activities before related income tax expense		8,532,844	31,687,472	10,477,270	31,873,784
Income tax expense/(benefit) relating to ordinary and abnormal activities	2	<u>3,550,511</u>	<u>8,395,329</u>	<u>3,550,511</u>	<u>8,395,329</u>
Net profit/(loss)		<u>4,982,333</u>	<u>23,292,143</u>	<u>6,926,759</u>	<u>23,478,455</u>
Net (profit)/loss attributable to outside equity interests	17	<u>230,329</u>	<u>127,460</u>	<u>-</u>	<u>-</u>
Net profit/(loss) attributable to members of the parent entity	16	<u>5,212,661</u>	<u>23,419,603</u>	<u>6,926,759</u>	<u>23,478,455</u>
Non-owner transaction changes in equity					
Net foreign exchange difference relating to self-sustaining foreign associates	15	<u>(146,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total changes in equity from non-owner related transactions attributable to members of the parent entity		<u>5,065,726</u>	<u>23,419,603</u>	<u>6,926,759</u>	<u>23,478,455</u>
Basic earnings/(loss) per share	3	\$ 0.075	\$ 0.340		
Diluted earnings/(loss) per share	3	\$ 0.074	\$ 0.334		

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	NOTE	CONSOLIDATED		COMPANY	
		2005 \$	2004 \$	2005 \$	2004 \$
CURRENT ASSETS					
Cash	4	27,131,448	34,382,621	27,131,341	34,143,975
Receivables	5	1,598,843	853,369	1,598,843	792,992
Inventories	9	<u>2,942,663</u>	<u>2,240,512</u>	<u>3,033,507</u>	<u>3,241,632</u>
Total current assets		<u>31,672,954</u>	<u>37,476,503</u>	<u>31,763,691</u>	<u>38,178,599</u>
NON-CURRENT ASSETS					
Receivables	5	170,000	-	170,000	683,620
Investments accounted for using the equity method	7	11,252,998	8,201,045	-	-
Other financial assets	6	-	-	16,065,099	9,926,119
Intangibles	8	-	349,272	-	-
Plant and equipment	10	<u>127,683</u>	<u>151,271</u>	<u>127,683</u>	<u>151,271</u>
Total non-current assets		<u>11,550,681</u>	<u>8,701,588</u>	<u>16,362,782</u>	<u>10,761,010</u>
Total assets		<u>43,223,635</u>	<u>46,178,091</u>	<u>48,126,473</u>	<u>48,939,609</u>
CURRENT LIABILITIES					
Current tax liabilities		3,574,087	8,395,329	3,574,087	8,395,329
Payables	11	131,106	266,795	90,230	175,960
Interest bearing liabilities	12	22,211	15,435	22,211	15,435
Provisions	13	<u>143,196</u>	<u>168,004</u>	<u>143,196</u>	<u>168,004</u>
Total current liabilities		<u>3,870,600</u>	<u>8,845,563</u>	<u>3,829,724</u>	<u>8,754,728</u>
NON-CURRENT LIABILITIES					
Payables	11	500,000	500,000	-	-
Interest bearing liabilities	12	-	22,211	-	22,211
Provisions	13	<u>852,472</u>	<u>755,942</u>	<u>852,472</u>	<u>755,942</u>
Total non-current liabilities		<u>1,352,472</u>	<u>1,278,153</u>	<u>852,472</u>	<u>778,153</u>
Total liabilities		<u>5,223,072</u>	<u>10,123,716</u>	<u>4,682,196</u>	<u>9,532,881</u>
NET ASSETS		<u>38,000,563</u>	<u>36,054,375</u>	<u>43,444,277</u>	<u>39,406,728</u>
EQUITY					
Contributed equity	14	21,263,692	24,152,902	21,263,692	24,152,902
Reserves	15	(146,935)	-	373,681	373,681
Accumulated profit/(losses)	16	<u>17,358,020</u>	<u>12,145,358</u>	<u>21,806,904</u>	<u>14,880,145</u>
Total parent entity interest		<u>38,474,777</u>	<u>36,298,260</u>	<u>43,444,277</u>	<u>39,406,728</u>
Outside equity interest	17	<u>(474,214)</u>	<u>(243,885)</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	18	<u>38,000,563</u>	<u>36,054,375</u>	<u>43,444,277</u>	<u>39,406,728</u>

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		27,287,209	37,206,043	27,350,500	37,191,446
Cash payments in the course of operations		(21,679,778)	(5,131,670)	(20,827,212)	(4,306,790)
Tax paid		(8,371,753)	-	(8,371,753)	-
Interest received		1,862,520	425,936	1,862,520	439,779
Net cash provided by/(used in) operating activities	20(ii)	<u>(901,802)</u>	<u>32,500,309</u>	<u>14,055</u>	<u>33,324,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash received from acquisition of subsidiaries		-	14,412	-	-
Payments for deposits/(refunds)		960	-	(4,000)	-
Proceeds from sale of plant and equipment		-	22,727	-	22,727
Payments for plant and equipment		(28,218)	(111,726)	(28,218)	(111,726)
Loans to controlled entities		-	-	(672,358)	(1,088,474)
Repayment of loans from other entities		75,000	-	75,000	-
Loans from other entities		-	523,909	-	28,870
Loans to other entities		(355,915)	(595,844)	(355,915)	(75,000)
Payments for investments		<u>(3,133,979)</u>	<u>(524,475)</u>	<u>(3,133,979)</u>	<u>(510,063)</u>
Net cash provided by/(used in) investing activities		<u>(3,442,152)</u>	<u>(670,997)</u>	<u>(4,119,470)</u>	<u>(1,733,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from exercise of options	14	632,000	-	632,000	-
Capital return paid to shareholders	14	(3,521,210)	-	(3,521,210)	-
Lease payments		<u>(18,009)</u>	<u>(31,035)</u>	<u>(18,009)</u>	<u>(31,035)</u>
Net cash provided by/(used in) financing activities		<u>(2,907,219)</u>	<u>(31,035)</u>	<u>(2,907,219)</u>	<u>(31,035)</u>
Net increase/(decrease) in cash held		(7,251,173)	31,798,277	(7,012,634)	31,559,734
Cash at beginning of financial year		<u>34,382,621</u>	<u>2,584,345</u>	<u>34,143,975</u>	<u>2,584,241</u>
Cash at end of financial year	20(i)	<u>27,131,448</u>	<u>34,382,621</u>	<u>27,131,341</u>	<u>34,143,975</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
1. REVENUE FROM ORDINARY ACTIVITIES				
Sales of inventory	<u>28,755,592</u>	<u>38,009,277</u>	<u>28,755,592</u>	<u>38,009,277</u>
Other revenues from Ordinary Activities:				
Other items	31,614	37,324	1,020,200	37,324
Interest received or due and receivable from other parties	<u>1,849,282</u>	<u>494,098</u>	<u>1,849,282</u>	<u>493,344</u>
Total other revenues	<u>1,880,896</u>	<u>531,422</u>	<u>2,869,482</u>	<u>530,668</u>
Total revenue	<u><u>30,636,488</u></u>	<u><u>38,540,699</u></u>	<u><u>31,625,074</u></u>	<u><u>38,539,945</u></u>
2. TAXATION				
(a) Income Tax Expense/(Benefit)				
Prima facie income tax expense/(benefit) calculated @ 30% (2004:30%) on the operating profit/(loss) from ordinary activities	2,559,853	9,506,241	3,143,181	9,562,134
Increase in income tax expense due to:				
Non-deductible items	496,751	317,987	502,147	392,988
Share of net losses of associates	585,452	-	-	-
Addition through acquisition of controlled entity	-	<u>152,952</u>	-	-
	<u>3,642,056</u>	9,977,180	<u>3,645,328</u>	9,955,122
Decrease in income tax expense due to:				
Other non-assessable items	283,424	-	10,342	-
Share of net profits/(losses) of associates	-	22,058	-	-
Recovery of tax losses of controlled entities not previously brought to account	-	549,728	-	549,728
Recoupment of prior year tax losses not previously brought to account	-	715,124	-	715,124
Net timing adjustments not previously accounted for	-	<u>294,941</u>	-	<u>294,941</u>
	<u>3,358,632</u>	8,395,329	<u>3,634,986</u>	8,395,329
Future income tax benefit not brought to account	302,450	-	26,056	-
Income tax over provided in prior year	<u>(110,531)</u>	-	<u>(110,531)</u>	-
Income tax expense attributable to profit/(loss) from ordinary activities before tax	<u><u>3,550,551</u></u>	<u><u>8,395,329</u></u>	<u><u>3,550,511</u></u>	<u><u>8,395,329</u></u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. TAXATION continued				
(b) Future Income Tax Benefit Not Taken to Account				
The potential future income tax benefit calculated at 30% (2004:30%) arising from the following tax losses and timing differences has not been recognised as an asset because recovery of timing differences is not assured beyond any reasonable doubt				
Tax losses carried forward	-	-	-	-
Timing differences	<u>814,317</u>	<u>511,867</u>	<u>537,923</u>	<u>511,867</u>
	<u>814,317</u>	<u>511,867</u>	<u>537,923</u>	<u>511,867</u>

The potential future income tax benefits in respect of the tax losses will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the relevant company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant in realising the benefit.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

3. EARNINGS PER SHARE

Ordinary shares

Classification of Securities as Potential Ordinary Shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- options outstanding under the Employee Option Plan
- options expiring 19 July 2007 exercisable @ \$0.20
- options expiring 23 December 2008 exercisable @ \$0.20

	CONSOLIDATED	
	2005	2004
	\$	\$
Earnings reconciliation		
Net profit/(loss)	4,982,333	23,292,143
Net (profit)/loss attributable to outside equity interests	<u>230,329</u>	<u>127,460</u>
Basic earnings	<u>5,212,661</u>	<u>23,419,603</u>
Diluted earnings	<u>5,212,661</u>	<u>23,419,603</u>
<i>Allocation of earnings to category of ordinary share:</i>		
Basic and diluted		
- ordinary shares	<u>5,212,661</u>	<u>23,419,603</u>

	CONSOLIDATED	
	2005	2004
	Number of Shares	
Weighted average number of shares used as the denominator		
<i>Number for basic earnings per share</i>		
Ordinary shares	<u>69,466,404</u>	<u>68,524,212</u>
<i>Number for diluted earnings per share</i>		
Ordinary shares	69,466,404	68,524,212
Effect of options expiring 19 July 2007	492,195	473,684
Effect of options expiring 23 December 2008	276,098	236,842
Effect of employee options on issue	<u>470,120</u>	<u>480,263</u>
	<u>70,704,817</u>	<u>69,715,001</u>

On 1 December 2004, 1,900,000 employee options were exercised and converted to ordinary shares. The diluted EPS calculation includes that portion of these employee options to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 147,157 (2004:nil).

On 2 December 2004, 260,000 (2004:nil) employee options lapsed. The diluted EPS calculation includes that portion of these employee options to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 8,027 (2004:nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
4. CASH ASSETS				
Cash	1,836,180	1,011,641	1,836,074	772,995
Bank short term deposits and floating rate notes with financial institutions mature within 90 days and pay interest at weighted average interest rate of 5.42% (2004:5.10%)	<u>25,295,268</u>	<u>33,370,980</u>	<u>25,295,267</u>	<u>33,370,980</u>
	<u>27,131,448</u>	<u>34,382,621</u>	<u>27,131,341</u>	<u>34,143,975</u>
5. RECEIVABLES				
Current				
Loans to associated companies	1,754,130	872,619	1,754,130	872,619
Provision for non-recoverability	<u>(354,119)</u>	<u>(351,775)</u>	<u>(354,119)</u>	<u>(351,775)</u>
	1,400,011	520,844	1,400,011	520,844
Prepayments	53,345	35,883	53,345	28,275
Other debtors	<u>145,487</u>	<u>296,642</u>	<u>145,487</u>	<u>243,873</u>
	<u>1,598,843</u>	<u>853,369</u>	<u>1,598,843</u>	<u>792,992</u>
Non-current				
Loans to associated companies	400,000	-	400,000	-
Provision for non-recoverability	<u>(230,000)</u>	-	<u>(230,000)</u>	-
	170,000	-	170,000	-
Loans to controlled entities	-	-	5,118,946	4,446,587
Provision for non-recoverability	<u>-</u>	<u>-</u>	<u>(5,118,946)</u>	<u>(3,762,967)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,620</u>
	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>683,620</u>

Other debtor amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Interest may be charged at market rates where the terms of repayment exceed three months. Collateral is generally not obtained.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
6. OTHER FINANCIAL ASSETS					
Non-current					
Investments in associates					
Listed at cost		-	-	13,649,226	9,486,119
Unlisted at cost		-	-	2,415,873	440,000
Investments in controlled entities					
Unlisted shares at cost	20	-	-	82,827	82,827
Provision for diminution in value		-	-	(82,827)	(82,827)
		<u>-</u>	<u>-</u>	<u>16,065,099</u>	<u>9,926,119</u>
7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD					
Associates	19	<u>11,252,998</u>	<u>8,201,045</u>	<u>-</u>	<u>-</u>
		<u>11,252,998</u>	<u>8,201,045</u>	<u>-</u>	<u>-</u>
8. INTANGIBLE ASSETS					
Goodwill					
At cost		<u>-</u>	<u>349,272</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>349,272</u>	<u>-</u>	<u>-</u>
9. INVENTORIES					
Current					
Shares in other corporations -					
Listed at cost		3,763,413	2,085,646	3,854,257	3,086,766
Provision for diminution in value		<u>(850,752)</u>	<u>(110,135)</u>	<u>(850,752)</u>	<u>(110,135)</u>
		2,912,661	1,975,511	3,003,505	2,976,631
Unlisted at cost		30,002	1,035,001	30,002	1,035,001
Provision for diminution in value		<u>-</u>	<u>(770,000)</u>	<u>-</u>	<u>(770,000)</u>
		<u>2,942,663</u>	<u>2,240,512</u>	<u>3,033,507</u>	<u>3,241,632</u>
Market value of listed shares in other corporations:					
Consolidated \$3,419,436 (2004:\$19,486,152)					
Company \$3,419,436 (2004:\$19,486,152)					

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
10. PLANT AND EQUIPMENT				
Plant and equipment - at cost	280,954	252,737	280,954	252,737
Accumulated depreciation	<u>(166,611)</u>	<u>(134,810)</u>	<u>(166,611)</u>	<u>(134,810)</u>
Plant and equipment - net book value	<u>114,343</u>	<u>117,927</u>	<u>114,343</u>	<u>117,927</u>
Leased plant and equipment	104,372	104,372	104,372	104,372
Accumulated amortisation	<u>(91,032)</u>	<u>(71,028)</u>	<u>(91,032)</u>	<u>(71,028)</u>
Leased plant and equipment - net book value	<u>13,340</u>	<u>33,344</u>	<u>13,340</u>	<u>33,344</u>
Total plant and equipment - net book value	<u><u>127,683</u></u>	<u><u>151,271</u></u>	<u><u>127,683</u></u>	<u><u>151,271</u></u>
Reconciliations				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
Plant and Equipment				
Carrying amount at beginning of year	117,927	161,656	117,927	161,656
Additions	28,217	111,954	28,217	111,954
Disposals	-	(123,465)	-	(123,465)
Depreciation	<u>(31,801)</u>	<u>(32,218)</u>	<u>(31,801)</u>	<u>(32,218)</u>
Carrying amount at end of year	<u><u>114,343</u></u>	<u><u>117,927</u></u>	<u><u>114,343</u></u>	<u><u>117,927</u></u>
Leased Plant and Equipment				
Carrying amount at beginning of year	33,344	80,843	33,344	80,843
Additions	-	-	-	-
Disposals	-	(20,896)	-	(20,896)
Amortisation	<u>(20,004)</u>	<u>(26,603)</u>	<u>(20,004)</u>	<u>(26,603)</u>
Carrying amount at end of year	<u><u>13,340</u></u>	<u><u>33,344</u></u>	<u><u>13,340</u></u>	<u><u>33,344</u></u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
11. PAYABLES				
Current				
Trade creditors	<u>131,106</u>	<u>266,795</u>	<u>90,230</u>	<u>175,960</u>
	<u><u>131,106</u></u>	<u><u>266,795</u></u>	<u><u>90,230</u></u>	<u><u>175,960</u></u>
Non-current				
Non-interest bearing loan - related party	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
	<u><u>500,000</u></u>	<u><u>500,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<p>The non-interest bearing loan from a related party is interest free, unsecured and has no fixed date for repayment.</p>				
12. INTEREST BEARING LIABILITIES				
Current				
Lease liabilities	<u>22,211</u>	<u>15,435</u>	<u>22,211</u>	<u>15,435</u>
	<u><u>22,211</u></u>	<u><u>15,435</u></u>	<u><u>22,211</u></u>	<u><u>15,435</u></u>
Non-current				
Lease liabilities	<u>-</u>	<u>22,211</u>	<u>-</u>	<u>22,211</u>
	<u><u>-</u></u>	<u><u>22,211</u></u>	<u><u>-</u></u>	<u><u>22,211</u></u>
13. PROVISIONS				
Current				
Employee entitlements	<u>143,196</u>	<u>168,004</u>	<u>143,196</u>	<u>168,004</u>
	<u><u>143,196</u></u>	<u><u>168,004</u></u>	<u><u>143,196</u></u>	<u><u>168,004</u></u>
Non-current				
Employee entitlements	<u>852,472</u>	<u>755,942</u>	<u>852,472</u>	<u>755,942</u>
	<u><u>852,472</u></u>	<u><u>755,942</u></u>	<u><u>852,472</u></u>	<u><u>755,942</u></u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
14. CONTRIBUTED EQUITY				
Issued and paid up share capital				
70,424,208 ordinary shares (2004:68,524,208 ordinary shares)	21,263,691	24,152,901	21,263,691	24,152,901
4 management shares (2004:4 management shares)	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>21,263,692</u>	<u>24,152,902</u>	<u>21,263,692</u>	<u>24,152,902</u>
Ordinary shares				
Balance at beginning of year	24,152,902	24,152,902	24,152,902	24,152,902
Shares issued				
- 1,900,000 (2004:nil) shares issued from exercise of employee options	632,000	-	632,000	-
Return of capital	<u>(3,521,210)</u>	<u>-</u>	<u>(3,521,210)</u>	<u>-</u>
Balance at end of year	<u>21,263,692</u>	<u>24,152,902</u>	<u>21,263,692</u>	<u>24,152,902</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

The voting rights attaching to the management shares are:

The holder of the management shares when present in person or by proxy or attorney at any general meeting of the company shall on a poll or any resolution be entitled to as many votes as shall together with votes which the holder may exercise in respect of the shares held solely by him in his own capacity and not as trustee, attorney or otherwise as shall institute thirty per centum (30%) of the votes given personally or by proxy or attorney on such resolution.

Return of capital

On 9 December 2004 the company, completed a return of capital of \$0.05 per share on a total of 70,424,208 shares, resulting in a total payment of \$3,521,210. The return of capital was approved by shareholders at the annual general meeting on 25 November 2004.

Options

On 19 July 2002, the company granted options over 1,000,000 unissued ordinary shares in the company exercisable at \$0.20 per share with the options expiring on 19 July 2007.

On 23 December 2003, the company granted options over 500,000 unissued ordinary shares in the company exercisable at \$0.20 per share with the options expiring on 23 December 2008.

14. CONTRIBUTED EQUITY (continued)

Employee Option Plan

All employees of the company are eligible to receive options.

On 2 December 1999, the company granted options over 660,000 unissued ordinary shares in the company to five employees under the approved Employee Option Plan. These options were exercisable at any time up to the expiry date at a price of 38 cents per share. 400,000 of these options were exercised on 1 December 2004. The balance of the options expired on 2 December 2004.

On 30 October 2000, the company granted options over 650,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 36 cents per share. These options expire on 30 October 2005. The market price of shares at the date of issue was \$0.84. 400,000 of these options were exercised on 1 December 2004.

On 5 December 2001, the company granted options over 650,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 35 cents per share. These options expire on 5 December 2006. The market price of shares at the date of issue was \$0.97. 400,000 of these options were exercised on 1 December 2004.

On 27 November 2002, the company granted options over 800,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 28 cents per share. These options expire on 27 November 2007. The market price of shares at the date of issue was \$0.44. 700,000 of these options were exercised on 1 December 2004.

On 23 December 2003, the company granted options over 700,000 unissued ordinary shares in the company to four employees under the approved Employee Option Plan. These options are exercisable at any time up to the expiry date at a price of 28 cents per share. These options expire on 23 December 2008. The market price of shares at the date of issue was \$0.40.

3,210,000 ordinary shares have been issued under this plan and 1,300,000 options were still unexercised at reporting date (2004:3,460,000).

The market value of shares of the company at 30 June 2005 was \$0.38 (2004:\$0.40).

The company has an Employee Option Plan approved at the annual general meeting on 29 November 1994.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the Rules of the Plan, is based on the weighted average price of the company's shares trading during the five business days preceding the date of granting the option.

All options expire on the earlier of their expiry date or at the discretion of the directors. Options vest twelve months after they are granted.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

Details of options over unissued ordinary shares as at the beginning and ending of the reporting date and movements during the year are set out above.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
15. RESERVES				
Asset revaluation	-	-	373,681	373,681
Foreign currency translation reserve	(146,935)	-	-	-
	<u>(146,935)</u>	<u>-</u>	<u>373,681</u>	<u>373,681</u>
Movements during the Year				
<i>Asset revaluation</i>				
Balance at beginning of year	-	-	373,681	373,681
Transfer to retained profits	-	-	-	-
Balance at end of year	<u>-</u>	<u>-</u>	<u>373,681</u>	<u>373,681</u>
<i>Foreign currency translation</i>				
Balance at beginning of year	-	-	-	-
Exchange difference on translation of self-sustaining foreign associates	(146,935)	-	-	-
Balance at end of year	<u>(146,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nature and purpose of reserves				
<i>Foreign currency translation</i>				
The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign associates.				
<i>Asset revaluation</i>				
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB1041.				
16. RETAINED PROFITS				
Retained profits/(losses) at beginning of year	12,145,358	(11,274,245)	14,880,145	(8,598,310)
Net profit/(loss) attributed to members of the parent entity	5,212,661	23,419,603	6,926,759	23,478,455
Transfer from asset revaluation reserve	-	-	-	-
Retained profits/(losses) at end of year	<u>17,358,020</u>	<u>12,145,358</u>	<u>21,806,904</u>	<u>14,880,145</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED	
	2005	2004
17. OUTSIDE EQUITY INTERESTS	\$	\$
Outside equity interests in controlled entities comprise:		
Interest in retained profits/(losses) at the beginning of the financial year	(368,886)	-
Interest in profit from ordinary activities after income tax	<u>(230,329)</u>	<u>(127,460)</u>
Interest in retained profits at the end of the year	(599,215)	(127,460)
Interest in share capital	125,001	125,001
Interest in accumulated losses on acquisition	<u>-</u>	<u>(241,426)</u>
Total outside equity interest	<u>(474,214)</u>	<u>(243,885)</u>

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
18. TOTAL EQUITY RECONCILIATION				
Total equity at beginning of year	36,054,375	12,878,657	39,406,728	15,928,273
Total changes in parent entity interest in equity recognised in statements of financial performance	5,065,727	23,419,603	6,926,759	23,478,455
Transactions with owners as owners	(2,889,210)	-	(2,889,210)	-
Total changes in outside equity interest	<u>(230,329)</u>	<u>(243,884)</u>	<u>-</u>	<u>-</u>
Total equity at end of year	<u>38,000,563</u>	<u>36,054,375</u>	<u>43,444,277</u>	<u>39,406,728</u>

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates			Ownership Interest		Investment Carrying Amount			
Associated Company	Principal Activity	Balance Date	CONSOLIDATED & CONSOLIDATED COMPANY		CONSOLIDATED		COMPANY	
			2005	2004	\$'000	\$'000	\$'000	\$'000
GMCGLL	Investment Banking	31-Dec	38.75%	15.00%	756	-	1,976	-
DCR Global Limited ChemGenex	Technology	30-Jun	50.00%	50.00%	-	-	-	-
Pharmaceuticals Limited	Biotechnology	30-Jun	20.48%	22.60%	9,018	7,916	11,649	9,486
Monteray Group Limited	Investment	30-Jun	39.50%	15.00%	1,283	-	2,000	-
OEM NuTech Pty Ltd	Powder Coating	30-Jun	50.00%	50.00%	<u>196</u>	<u>285</u>	<u>440</u>	<u>440</u>
					<u>11,253</u>	<u>8,201</u>	<u>16,065</u>	<u>9,926</u>

DCR Global Limited

The consolidated entity acquired its investment in DCR Global Limited in 2002 by way of subscription for 250,000 shares at \$1.00 each, representing 50% of the issued capital. These shares are unlisted.

DCR Global Limited's principal activity is the research and development, and commercialisation of certain technologies.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

ChemGenex Pharmaceuticals Limited

The consolidated entity acquired shares in ChemGenex Pharmaceuticals Limited in June 2002 and December 2002. The company owns 20.48% of ChemGenex Pharmaceuticals Limited which has been accounted using the equity method. The company also owns 7,399,324 ChemGenex Pharmaceuticals Limited options which expire 12 March 2010. Based on the market value of the quoted ChemGenex Pharmaceuticals Limited shares and options as at 30 June 2005, the gross value of this non-current investment is \$18,222,144.

ChemGenex Pharmaceuticals Limited's principal activity is biomedical research, gene discovery and drug development, and the commercialisation of its discoveries and developments.

The directors consider that the carrying value of the investment in ChemGenex Pharmaceuticals Limited is supported by the expected earnings potential of the investment and the market value of the shares and options at the date of this report. At 1 September 2005 market price of \$0.60 per share and \$0.15 per option, the investment represents an asset of \$15,215,951.

As at 30 June 2005, the consolidated entity's holding entitled it to 25% plus 1 vote of the voting power of ChemGenex Pharmaceuticals Limited (2004:22.6%).

OEM NuTech Pty Ltd

The consolidated entity acquired its investment in OEM NuTech Pty Ltd in 2003 by way of subscription of 400,000 ordinary \$1 shares and the acquisition of a further 200,000 ordinary \$1 shares, representing 50% of the issued capital. The acquisition of 40,000 \$1 ordinary shares has been completed, the balance of 160,000 ordinary \$1 shares will take place on the achievement of certain milestones by OEM NuTech Pty Ltd. These shares are unlisted.

OEM NuTech Pty Ltd's principal activity is the commercialisation of newly developed advanced powder coating systems in Australia.

The directors consider the carrying value of the investment in OEM NuTech Pty Ltd is supported by the expected earnings potential of the investment.

GMCG LLC

The consolidated entity acquired its investment in GMCG LLC in 2002 and 2004 by way of acquisition of shares. The holding now represents 38.75% which has been accounted using the equity method.

GMCG LLC's principal activity as an investment bank involves the provision of advisory services for mergers and acquisitions, stock and asset purchases, buy outs and restructures.

The directors consider the carrying value of the investment in GMCG LLC is supported by the expected earnings potential of the investment.

Monteray Group Limited

The consolidated entity acquired shares in Monteray Group Limited in 2003 and 2004 financial years. The company owns 39.5% which has been accounted using the equity method. Based on the market value of the quoted Monteray Group Limited shares and options as at 30 June 2005, the gross value of this non current investment is \$2,580,000.

Monteray Group Limited's principal activity is the investment in Gpen Ltd, a superannuation software package.

The directors consider the carrying value of the investment in Monteray Group Limited is supported by the market value of the shares and options.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	CONSOLIDATED	
	2005	2004
	\$	\$
Results of Associates		
Share of associates operating profit/(loss) before income tax	(1,704,606)	(1,482,297)
Share of associates income tax expense attributable to operating profit	-	-
Share of associates extraordinary items after income tax	-	-
Shares of associates net profit/(loss) - as disclosed by associates	<u>(1,704,606)</u>	<u>(1,482,297)</u>
Adjustments:		
Amortisation of goodwill	<u>(246,900)</u>	-
Share of associates net profit/(loss) - equity accounted	<u>(1,951,506)</u>	<u>(1,482,297)</u>

An amount of \$88,760 (2004:\$57,669), representing a share of associates operating losses, has not been recognised in the financial statements as it would have reduced the carrying amount of the investments below zero.

Share of post-acquisition retained profits and reserves attributable to Associates

Retained profits/(losses)

Share of associates retained profits/(losses) at beginning of financial year	(4,395,724)	(2,913,427)
Share of net profit/(loss) of associates	(1,951,506)	(1,482,297)
Dividends from associates	<u>(998,586)</u>	-
Share of associates retained profits/(losses) at end of financial year	<u>(7,345,816)</u>	<u>(4,395,724)</u>

Movements in carrying amount of Investments

Carrying amount of investment in associates at beginning of financial year	8,201,045	8,598,213
Increase/(decrease) in investment in associates during the year	6,138,980	1,085,129
Share of associates net loss	(1,951,506)	(1,482,297)
Dividends received from associate	(988,586)	-
Share of movements in reserves	<u>(146,935)</u>	-
Carrying amount of investments in associates at end of financial year	<u>11,252,998</u>	<u>8,201,045</u>

Commitments

Shares of associates research commitments contracted but not provided for and payable:

Within one year	566,393	1,179,947
One year or later and no later than five years	<u>-</u>	<u>-</u>
	<u>566,393</u>	<u>-</u>

Shares of associates operating lease commitments payable:

Within one year	57,972	-
One year or later and no later than five years	<u>20,341</u>	<u>-</u>
	<u>78,313</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	CONSOLIDATED	
	2005	2004
Details of Investments in Associates	\$	\$
Summary of financial position of Associates		
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:		
Current assets	3,370,691	423,711
Non-current assets	<u>3,981,158</u>	<u>4,276,849</u>
Total assets	<u>7,351,849</u>	<u>4,700,559</u>
Current liabilities	455,531	807,804
Non-current liabilities	<u>450,296</u>	<u>174,049</u>
Total liabilities	<u>905,827</u>	<u>981,853</u>
Net assets - as reported by associates	6,446,023	3,718,706
Adjustments arising from equity accounting		
Goodwill (net of amortisation)	<u>1,324,577</u>	<u>454,346</u>
Net assets - equity adjusted	<u>7,770,600</u>	<u>4,173,052</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

20. NOTES TO THE STATEMENTS OF CASH FLOWS

(i) **Reconciliation of Cash**

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call including floating rate notes with financial institutions, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	NOTE	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash		<u>27,131,448</u>	<u>34,382,621</u>	<u>27,131,341</u>	<u>34,143,975</u>
		<u>27,131,448</u>	<u>34,382,621</u>	<u>27,131,341</u>	<u>34,143,975</u>

(ii) **Reconciliation of Profit/(Loss) from Ordinary Activities
After Income Tax to Net Cash provided by Operating Activities**

Profit/(loss) from ordinary activities after income tax		4,982,334	23,292,143	6,926,760	23,478,455
Add/(less) items classified as investing/financing activities:					
Finance charges on capitalised leases		2,575	5,943	2,575	5,943
Loss on disposals		-	97,513	-	97,513
Diminutions		-	203,220	-	203,220
Add/(less) non-cash items:					
Depreciation	3(b)	31,801	32,218	31,801	32,218
Amortisation		20,004	26,603	20,004	26,603
Amount set aside to provisions		274,684	459,510	1,630,662	709,510
(Decrease)/increase in income taxes payable		(4,821,242)	8,395,018	(4,821,242)	8,395,018
Profit on inventories transferred to acquire an investment		(1,500,000)	-	(1,500,000)	-
Goodwill written off		349,272	-	-	-
Share of associates net loss		<u>1,951,506</u>	<u>1,482,297</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities before changes in assets and liabilities		1,290,934	33,994,464	2,290,560	32,948,479
Change in assets and liabilities/adjusted for effects of purchase and disposal of controlled entities during the year:					
(Increase)/decrease in trade and other debtors		120,721	(68,162)	(885,119)	(68,162)
(Increase)/decrease in inventories		(2,177,766)	(984,025)	(1,267,492)	571,797
Increase/(decrease) in other liabilities		<u>(135,690)</u>	<u>(441,968)</u>	<u>(123,893)</u>	<u>(127,679)</u>
Net cash provided by/(used in) operating activities		<u>(901,801)</u>	<u>32,500,309</u>	<u>14,056</u>	<u>33,324,435</u>