Appendix 4E

Preliminary final report
Year Ended 30 June 2005

Name of entity

CDS TECHNOLOGIES LIMITED

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended (2005)
066 810 026		✓	3Oth June 2005

For announcement to the market

Extracts from this report for announcement to the market (see note 1). $A'000

Revenues from ordinary activities *(item 1.1)*	Up	41%	to	88,694
Profit (loss) from ordinary activities after tax attributable to members (*item 1.22*)	Up	6%	to	5,006
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of			
Net profit (loss) for the period attributable to members *(item 1.11)*	Up	6%	to	5,006

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only - item 15.4)* Interim dividend *(Half yearly report only - item 15.6)*	4c -	- -
Previous corresponding period *(Preliminary final report - item 15.5; half yearly report - item 15.7)*	3c -	- -

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)*: 14 September 2005

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer to the review of operations for details of the increase in revenues.

Condensed consolidated statement of financial performance

		2005 $A'000	2004 $A'000
1.1	Revenues from ordinary activities *(see items 1.23 –1.25)*	88,694	62,974
1.2	Expenses from ordinary activities (*see items 1.26 & 1.27)*	(82,176)	(58,546)
1.3	Borrowing costs	(392)	(175)
1.4	Share of net profits (losses) of associates and joint venture entities (*see item 16.7*)	-	-
1.5	**Profit (loss) from ordinary activities before tax**	**6,126**	**4,253**
1.6	Income tax on ordinary activities	(1,120)	458
1.7	**Profit (loss) from ordinary activities after tax**	**5,006**	**4,711**
1.8	Profit (loss) from extraordinary items after tax (*see item 2.5*)	-	-
1.9	**Net profit (loss)**	**5,006**	**4,711**
1.10	Net profit (loss) attributable to outside +equity interests	-	-
1.11	**Net profit (loss) for the period attributable to members**	**5,006**	**4,711**
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves	-	-
1.13	Net exchange differences recognised in equity	(1,594)	322
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)	-	
1.15	Initial adjustments from UIG transitional provisions		-
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	(1,594)	322
1.17	**Total changes in equity not resulting from transactions with owners as owners**	3,412	5,033

Earnings per security (EPS)		2005 $A'000	2004 $A'000
1.18	Basic EPS	14.7c	14.1c
1.19	Diluted EPS	14.5c	13.9c

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

		2005 $A'000	2004 $A'000
1.20	Profit (loss) from ordinary activities after tax (*item 1.7*)	**5,006**	**4,711**
1.21	Less (plus) outside +equity interests	-	-
1.22	**Profit (loss) from ordinary activities after tax, attributable to members**	**5,006**	**4,711**

Revenue and expenses from ordinary activities

(see note 15)		2005 $A'000	2004 $A'000
1.23	Revenue from sales	88,269	61,706
	Rendering of Services	117	-
1.24	Interest revenue	89	118
1.25	Other revenue from ordinary activities	219	1,150
1.26	Raw materials and consumables cost	(53,891)	(30,254)
	Borrowing costs	(392)	(175)
	Employee expenses	(20,092)	(18,960)
	General administration & office expenses	(2,990)	(2,944)
	Travel & transport	(1,162)	(2,649)
	Amortisation of intangibles	(483)	(378)
	Litigation costs (USA)	(882)	-
	Other	(1,885)	(2,766)
	Sub-total of all expenses as above	(81,777)	(58,126)
1.27	Depreciation and amortisation excluding amortisation of intangibles *(see item 2.3)*	(791)	(595)
	Sub-total of 1.26 & 1.27 above (excluding Borrowing Cost Expenses)	(82,176)	(58,546)
Capitalised outlays			
1.28	Interest costs capitalised in asset values	-	-
1.29	Outlays capitalised in intangibles (unless arising from an +acquisition of a business)	-	-

Consolidated retained profits

		2005 $A'000	2004 $A'000
1.30	Retained profits (accumulated losses) at the beginning of the financial period	(11,465)	(16,176)
1.31	Net profit (loss) attributable to members (*item 1.11*)	5,006	4,711
1.32	Net transfers from (to) reserves *(details if material)*	-	-
1.33	Net effect of changes in accounting policies	-	-
1.34	Dividends and other equity distributions paid or payable	(1,008)	-
1.35	**Retained profits (accumulated losses) at end of financial period**	**(7,467)**	**(11,465)**

Intangible and extraordinary items

		Consolidated – current period 2005			
		Before tax $A'000 (a)	Related tax $A'000 (b)	Related outside +equity interests $A'000 (c)	Amount (after tax) attributable to members $A'000 (d)
2.1	Amortisation of goodwill	(313)	-	-	(313)
2.2	Amortisation of other intangibles	(170)	-	-	(170)
2.3	**Total amortisation of intangibles**	**(483)**	**-**	**-**	**(483)**
2.4	Extraordinary items (details)	-	-	-	-
2.5	**Total extraordinary items**	**-**	**-**	**-**	**-**

Comparison of half year profits *(Preliminary final report only)*		2005 $A'000	2004 $A'000
3.1	Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year (item 1.22 in the half yearly report)	1,100	1,688
3.2	Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	3,906	3,023
	Total Profits for the year	**5,006**	**4,711**

Condensed consolidated statement of financial position		2005 $A'000	2004 $A'000	As in last half yearly report 31-Dec-04 $A'000
	Current assets			
4.1	Cash	4,852	6,326	3,514
4.2	Receivables	19,227	13,983	14,831
4.3	Investments	-	-	-
4.4	Inventories	6,677	3,743	8,835
4.5	Tax assets	-	-	-
4.6	Other (provide details if material)	1,567	842	1,618
4.7	**Total current assets**	**32,323**	**24,894**	**28,798**
	Non-current assets			
4.8	Receivables	-	-	-
4.9	Investments (equity accounted)	-	-	-
4.10	Other investments	-	-	-
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)*	-	-	-
4.13	Development properties (+mining entities)	-	-	-
4.14	Other property, plant and equipment (net)	3,549	3,328	3,373
4.15	Intangibles (net)	9,936	5,578	6,052
4.16	Tax assets	187	1,430	1,631
4.17	Other: Research and development cost	368	451	48
4.18	**Total non-current assets**	**14,040**	**10,787**	**11,104**
4.19	**Total assets**	**46,363**	**35,681**	**39,902**
	Current liabilities			
4.20	Payables	(15,287)	(10,598)	(13,577)
4.21	Interest bearing liabilities	(544)	(759)	(2,860)
4.22	Tax liabilities	(1,136)	(1,191)	(1,806)
4.23	Provisions exc. tax liabilities	(180)	(488)	(192)
4.24	Other (Declared dividend)	-	-	-
4.25	**Total current liabilities**	**(17,147)**	**(13,036)**	**(18,435)**
	Non-current liabilities			
4.26	Payables	-	-	-
4.27	Interest bearing liabilities	(17)	(100)	(56)
4.28	Tax liabilities	(167)	(153)	(174)
4.29	Provisions exc. tax liabilities	(197)	(120)	-
4.30	Other (provide details if material)	-	-	-
4.31	**Total non-current liabilities**	**(381)**	**(373)**	**(230)**

Condensed consolidated statement of financial position continued

4.32	**Total liabilities**	**(17,528)**	**(13,409)**	**(18,665)**
4.33	**Net assets**	**28,835**	**22,272**	**21,237**

	Equity			
4.34	Capital/contributed equity	(37,781)	(33,622)	(33,679)
4.35	Reserves	1,479	(115)	1,367
4.36	(Retained profits) / accumulated losses	7,467	11,465	11,373
4.37	**Equity attributable to members of the parent entity**	**(28,835)**	**(22,272)**	**(20,939)**
4.38	Outside +equity interests in controlled entities	-	-	298
4.39	**Total equity**	**(28,835)**	**(22,272)**	**(21,237)**
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

CASH ASSETS	2005 $A'000	2004 $A'000
Cash at bank and on hand	4,852	6,326

RECEIVABLES	2005 $A'000	2004 $A'000
Current		
Trade debtors	19,247	13,074
Less: Provision for doubtful trade debtors	(20)	(111)
	19,227	12,963
Other debtors	-	15
	-	15
Short term deposits maturing between 30 days and 7 months and paying interest rates at 0% (2004: 4.3% and 4.46%)	-	1,005
	19,227	**13,983**

INVENTORIES	2005 $A'000	2004 $A'000
Current		
Raw materials and stores – at cost	2,286	1,418
Construction work in progress - amounts due from customers	4,391	2,325
	6,677	**3,743**

OTHER CURRENT ASSETS	2005 $A'000	2004 $A'000
Prepayments	1,567	842

PROPERTY, PLANT AND EQUIPMENT	2005 $A'000	2004 $A'000
Freehold land and buildings		
At cost	679	721
Accumulated depreciation	(22)	(15)
	657	706
Plant and equipment		
At cost	5,660	4,980
Accumulated depreciation	(3,076)	(2,615)
	2,584	2,365
Motor vehicles		
At cost	237	406
Accumulated depreciation	(140)	(200)
	97	206
Leasehold improvements		
At cost	249	77
Accumulated depreciation	(47)	(36)
	202	41
Leased motor vehicles, plant and equipment		
At capitalised cost	49	49
Accumulated amortisation	(40)	(39)
	9	10
Total property, plant and equipment net book value	**3,549**	**3,328**

INTANGIBLE ASSETS	2005 $A'000	2004 $A'000
Goodwill		
At cost	10,140	5,222
Accumulated amortisation	(909)	(552)
	9,231	4,670
Patents and trademarks		
At cost	-	470
Accumulated amortisation	-	(431)
	-	39
Patents and trademarks		
Directors' valuation	1,400	1,400
Accumulated amortisation	(1,400)	(1,400)
	-	-
License agreements		
At cost	869	917
Accumulated amortisation	(164)	(48)
	705	869
	9,936	**5,578**

OTHER NON-CURRENT ASSETS	2005 $A'000	2004 $A'000
Research and development costs:		
Expenditure brought forward	451	561
Exchange difference	82	-
	533	561
Accumulated amortisation	(165)	(110)
	368	**451**

PAYABLES	2005 $A'000	2004 $A'000
Trade creditors	(9,708)	(6,039)
Other creditors and accruals	(5,579)	(4,559)
	(15,285)	**(10,598)**

INTEREST BEARING LIABILITIES	2005 $A'000	2004 $A'000
Current		
Bank overdraft	(224)	(491)
Bank loans – unsecured	(209)	(137)
Lease liability	(111)	(131)
	(544)	**(759)**
Non-Current		
Other loan	(17)	(49)
Loan note – unsecured	-	-
Lease liability	-	(51)
	(17)	**(100)**

Credit card facility
The effective annual interest rate on the credit card facility was Nil % at 30 June 2005, based on the arrangement, where no interest is charged for payments made within the allowed time.

Bank guarantee
The consolidated entity has issued bank guarantees relating to security over the defect liability period for installation of CDS units.

Invoice discounting facility
The invoice discounting facility is a facility where, upon the invoicing of a sale, the financial institution will advance a portion of the sale to CDS. Interest is charged on this facility at 2% above the Lloyds TSB Bank Plc base rate.

PROVISIONS	2005 $A'000	2004 $A'000
Current Employee entitlements Declared dividend	(180) -	(488) -
	(180)	**(488)**
Non-Current Employee entitlements	(197)	(120)
	(197)	**(120)**

CONTRIBUTED EQUITY	2005 $A'000	2004 $A'000
Share capital 35,407,009 (2004: 33,628,839) ordinary shares, fully paid	**(37,781)**	**(33,622)**
(a) Ordinary shares Movements during the year		
Balance at the beginning of year	(33,622)	(33,201)
Shares Issued – 1,407,000 shares issued to purchase of Triwater Australia Pty Limited	(3,658)	
371,400 (2004: 290,500) from the exercise of options under the Employee Share Option Plan.	(501)	(421)
Balance at the end of year	**(37,781)**	**(33,622)**

Terms and conditions

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

RESERVES	2005 $A'000	2004 $A'000
Share issue reserve Foreign currency translation	(1,478) 2,957	(1,478) 1,363
	1,479	**(115)**

Movements during the year

a) Share issue reserve

Balance at the beginning of the year	(1,478)	(1,478)
Balance at the end of the year	**(1,478)**	**(1,478)**

b) Foreign currency translation

Balance at the beginning of the year	1,363	1,685
Net translation adjustment	1,594	(322)
Balance at the end of the year	**2,957**	**1,363**

Nature and purpose of reserves

Share issue reserve

Forming part of the purchase consideration of the "buy-out" of the Copa Ltd minority interest in a previous financial year, 1,120,023 shares in CDS Technologies Ltd were issued on 21 July 2005 at $1.32 per share.

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

ACCUMULATED LOSSES	2005 $A'000	2004 $A'000
Accumulated losses at beginning of year	11,465	16,176
Net (profit) / loss attributable to members of the parent entity	(5,006)	(4,711)
Less: Dividend	1,008	-
Accumulated losses at the end of the year	**7,467**	**11,465**

A final unfranked dividend of 4c per share has been declared in respect of the financial year ended 30 June 2005 totalling $1,461,081 to be paid on or before 27 September 2005.

OUTSIDE EQUITY INTERESTS	2005 $A'000	2004 $A'000
Outside equity interests in controlled entities comprise:		
Interest in accumulated losses at the beginning of the financial year after adjusting for outside equity interests in entities acquired during the financial year	-	-
Interest in operating profit / (loss) after income tax	-	-
Interest in retained profits / (accumulated losses) at the end of the financial year	-	-
Interest in share capital	-	-
Reduction in outside equity interest due to "buy-out" of remaining portion of outside equity interest	-	-
Total outside equity interests	-	-

TAXATION	2005 $A'000	2004 $A'000
Prima facie income tax expense/(benefit) calculated at 30% (2004: 30%) on the operating result from ordinary activities	1,838	1,276
Increase in income tax expense/(benefit) due to:		
Effect of higher tax rate on overseas income	76	39
Non-deductible expenses	87	266
Tax losses and timing differences not brought to account	-	(85)
Californian state tax payable	92	(242)
Decrease in income tax benefit due to:		
Non assessable income	(56)	-
Benefit of tax losses and timing differences not previously brought to account	(974)	(1,455)
Capital allowances	(32)	(134)
Sundry	89	(123)
Income tax expense / (benefit) attributable to operating profit/(loss) from ordinary activities	**1,120**	**(458)**

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

		2005 $A'000	2004 $A'000
5.1	Opening balance		
5.2	Expenditure incurred during current period		
5.3	Expenditure written off during current period		
5.4	Acquisitions, disposals, revaluation increments, etc.		
5.5	Expenditure transferred to Development Properties		
5.6	**Closing balance as shown in the consolidated balance sheet** (*item 4.12)*	**N/A**	**N/A**

Development properties

(To be completed only by entities with mining interests if amounts are material)

		2005 $A'000	2004 $A'000
6.1	Opening balance		
6.2	Expenditure incurred during current period		
6.3	Expenditure transferred from exploration and evaluation		
6.4	Expenditure written off during current period		
6.5	Acquisitions, disposals, revaluation increments, etc.		
6.6	Expenditure transferred to mine properties		
6.7	**Closing balance as shown in the consolidated balance sheet** *(item 4.13)*	**N/A**	**N/A**

Condensed consolidated statement of cash flows

		2005 $A'000	2004 $A'000
	Cash flows related to operating activities		
7.1	Receipts from customers	82,171	63,058
7.2	Payments to suppliers and employees	(81,076)	(56,655)
7.3	Dividends received from associates	-	-
7.4	Other dividends received	-	-
7.5	Interest and other items of similar nature received	88	86
7.6	Interest and other costs of finance paid	(66)	(62)
7.7	Income taxes paid	(212)	(781)
7.8	Other (provide details if material)	-	-
7.9	**Net operating cash flows**	**905**	**5,646**
	Cash flows related to investing activities		
7.10	Payment for purchases of property, plant and equipment	(1,451)	(751)
7.11	Proceeds from sale of property, plant and equipment	86	211
7.12	Payment for purchases of equity investments	-	(2,861)
7.13	Proceeds from sale of equity investments	-	-
7.14	Loans to other entities	-	-
7.15	Loans repaid by other entities	-	-
7.16	Other		
	- Payment for purchases of controlled entity	(468)	(1,436)
	- Payments for R&D Capitalised	-	-
	- Payments for licences/patents	-	-
7.17	**Net investing cash flows**	**(1,833)**	**(4,837)**
	Cash flows related to financing activities		
7.18	Proceeds from issues of +securities (shares, options, etc.)	501	420
7.19	Proceeds from borrowings	-	-
7.20	Repayment of borrowings	-	-
7.21	Dividends paid	(1,008)	(1,000)
7.22	Other (Finance lease payments)	(588)	(128)
7.23	**Net financing cash flows**	**(1,095)**	**(708)**
7.24	**Net increase (decrease) in cash held**	**(2,024)**	**101**
7.25	Cash at beginning of period *(see Reconciliation of cash)*	6,840	6,803
7.26	Exchange rate adjustments to item 7.25.	(188)	(64)
7.27	**Cash at end of period** *(see Reconciliation of cash)*	**4,628**	**6,840**

Reconciliation of cashflow

	2005 $A'000	2004 $A'000
Operating profit after tax	5,006	4,711
Add/(less) items classified as investing/financing activities		
Patents	-	-
(Profit)/loss on non current assets	(18)	(85)
Finance lease charges	-	15
R&D	-	-
Add/(less) non-cash items		-
Amortisation	488	381
Dividends	-	-
Write off of bad trade debts	20	48
Net foreign exchange (gains)/losses unrealised	-	39
Depreciation	809	592
Amounts set aside to provisions	-	-
Provision for diminution	-	-
Write down in value of inventory	-	-
(Decrease)/increase in deferred income taxes payable	-	(32)
Decrease/(increase) in deferred tax assets	659	(1,385)
Increase in income taxes payable	255	178
Net cash provided by/(used in) operating activities before change in assets and liabilities	**7,219**	**4,452**
Change in assets and liabilities	-	
(Increase)/decrease in trade/other debtors	(6,742)	194
(Increase)/decrease in inventories	(3,351)	95
Decrease/(increase) in prepayments	2,167	(224)
(Increase)/decrease in project work in progress	(643)	550
Increase in trade/other creditors and accruals	2,024	569
Increase in provisions	231	-
Net cash provided by / (used in) operating activities	**905**	**5,646**

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

The Consolidated entity acquired an additional equity interest in a controlled entity, Triwater Australia Pty Limited, in April 2005 for a purchase price of $4,823,000. This was partly settled by the issue of 1,407,000 shares at $2.60 each.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	2005 $A'000	2004 $A'000
8.1 Cash on hand and at bank	4,852	6,326
8.2 Deposits at call	-	1,005
8.3 Bank overdraft	(224)	(491)
8.4 Other - Cash in trust	-	-
8.5 Total cash at end of period *(item 7.27)*	**4,628**	**6,840**

Other notes to the condensed financial statements

Ratios	2005 $A'000	2004 $A'000
9.1 **Profit before tax / revenue** Consolidated profit (loss) from ordinary activities before tax (*item 1.5*) as a percentage of revenue (*item 1.1*)	7%	7%
9.2 **Profit after tax / +equity interests** Consolidated net profit (loss) from ordinary activities after tax attributable to members (*item 1.11*) as a percentage of equity (similarly attributable) at the end of the period (*item 4.37*)	17%	21%

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

Earnings reconciliation	**$A'000**	
Net profit		
Basic earnings	5,006	[a]
After-tax effect of interest	-	
Diluted earnings	5,006	[b]
Allocation of earnings to category of ordinary shares		
Basic:		
■ Ordinary shares	5,006	
Diluted:		
■ Ordinary shares	5,006	
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	34,114,787	[c]
Ordinary shares	34,114,787	
Effect of share options on issue	419,591	
Allocation of diluted number of shares to category of ordinary share	34,534,378	[d]
Earning Per Share		
Basic EPS calculated as [a] ÷ [c]	14.7c	
Diluted EPS calculated as [b] ÷ [d]	14.5c	

NTA backing *(see note 7)*	2005 $A'000	2004 $A'000
11.1 Net tangible asset backing per +ordinary security	52c	48c

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	Triwater Australia Pty Limited
13.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired	$2,264,000
13.3	Date from which such profit has been calculated	20/12/2004
13.4	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Triwater Australia Pty Limited commenced trading during the current financial year.

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	N/A
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	$
14.3	Date to which the profit (loss) in item 14.2 has been calculated	
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	$
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	$

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	27 September 2005
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	14 September 2005
15.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	Yes

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	*(Preliminary final report only)* **Final dividend:** Current year	4c	Nil	-
15.5	Previous year	3c	Nil	-
15.6	*(Half yearly and preliminary final reports)* **Interim dividend:** Current year	-	-	-
15.7	Previous year	-	-	-

Total dividend (distribution) per security (interim *plus* final)
(Preliminary final report only)

	2005	2004
15.8 +Ordinary securities	$0.04	$0.03
15.9 Preference +securities	-	-

Preliminary final report - final dividend (distribution) on all securities

	2005 $A'000	2004 $A'000
15.10 +Ordinary securities *(each class separately)*	1,461	1,008
15.11 Preference +securities *(each class separately)*	-	-
15.12 Other equity instruments *(each class separately)*	-	-
15.13 Total	**1,461**	**1,008**

The +dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans	N/A

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2005 $A'000	2004 $A'000
16.1 Profit (loss) from ordinary activities before tax		
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities	**N/A**	**N/A**

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (*item 1.9*)	
	2005	2004	2005 $A'000	2004 $A'000
17.1 Equity accounted associates and joint venture entities				
17.2 Total	**N/A**	**N/A**	**N/A**	**N/A**
17.3 Other material interests				
17.4 Total	**N/A**	**N/A**	**N/A**	**N/A**

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 **Preference +securities** *(description)*				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 **+Ordinary securities**	35,407,009	35,407,009		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,778,170 Nil	1,778,170	$1 - $1.90	$1 - $1.90
18.5 **+Convertible debt securities** (*description and conversion factor)*				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 **Options** *(description and conversion factor)*			*Exercise price*	*Expiry date (if any)*
	90,000	Nil	$1.90	2005
	25,000	Nil	$2.00	2005
	175,000	Nil	$2.40	2005
	90,000	Nil	$0.90	2006
	3,000	Nil	$1.27	2006
	364,500	Nil	$1.30	2006
	5,000	Nil	$1.41	2006
	35,000	Nil	$1.43	2006
	262,000	Nil	$1.47	2006
	185,000	Nil	$1.90	2006
	15,000	Nil	$2.48	2006
	3,000	Nil	$2.65	2006
	5,000	Nil	$1.19	2007
	5,000	Nil	$1.26	2007
	5,000	Nil	$1.28	2007
	5,000	Nil	$1.30	2007
	20,100	Nil	$1.75	2007
	50,000	Nil	$2.63	2009
18.8 Issued during current period	Nil			

18.9	Exercised during current period	371,400	Nil	$1.00 - $1.90	N/A
18.10	Expired or cancelled during current period	Nil			
18.11 18.12	**Debentures** *(description)* Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.13 18.14	**Unsecured notes** *(description)* Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's +accounts should be reported separately and attached to this report.)

Refer to attached Segment Report

Basis of financial report preparation

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Refer to attached Review of Operations

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Forming part of the purchase consideration of the "buy-out" of the Copa Ltd minority interest in a previous financial year, 1,120,023 shares in CDS Technologies Ltd were issued on 21 July 2005 at $1.32 per share.

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

During the year the group has also conformed to AASB 1047 (Disclosing the Impacts of Adopting Australian Equivalence to International Financial Reporting Standards). A summary of differences identified under AIFRS is included in the review of operations.

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

N/A

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

The consolidated entity has issued bank guarantees against term deposits it maintains. The liability associated with these bank guarantees concerns potential faulty installation of CDS units. These contingent liabilities are only in existence for the period of the installation of the units.

	2005 $	2004 $
Bank guarantees	2,053,684	717,264

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties.	N/A
20.2	A statement of the fees and commissions payable to the management company or responsible entity. Identify: • initial service charges • management fees • other fees	N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	SYDNEY
Date	24th November, 2005
Time	11.30 AM
Approximate date the +annual report will be available	

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used	Nil

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on +accounts to which one of the following applies.
(Tick one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
✓	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

6 The entity has a formally constituted audit committee.

Sign here: .... (CEO)   Date: 2nd September 2005

Print name: Michael Froud

SEGMENT REPORTING

Geographical Segments

The consolidated entity comprises the following main geographical segments, based on the consolidated entity's management reporting system:

Australia Design, construction and delivery functions with sales offices servicing all states and territories.
USA Autonomous operating unit, providing design, construction and delivery functions with sales offices servicing all states and territories.
UK Autonomous operating unit, providing design, construction and delivery functions with sales offices servicing all states and territories.

	Australia Year ended 30 June 2005		USA Year ended 30 June 2005		UK Year ended 30 June 2005		Eliminations Year ended 30 June 2005		Consolidated Year ended 30 June 2005	
Primary reporting	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Geographical segments	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Revenue										
External segment revenue	17,829	7,558	24,212	22,631	46,653	33,055	-	-	88,694	62.974
Inter-segment revenue	1,191	1,852	-	-	-	-	(1,191)	(1,852)	-	-
Total segment revenue	19,020	9,410	24,212	22,631	46,653	33,055	(1,191)	(1,852)	88,694	62,974
Other unallocated revenue									-	-
Total revenue									88,694	62,794
Result										
Segment result	2,960	2,917	1,599	1,580	1,627	2,544	211	(2,572)	6,397	4,469
Unallocated corporate expenses									(270)	(216)
Profit from ordinary activities before income tax									6,126	4,253
Income tax expense									(1,120)	458
Net profit									5,006	4,711

	Australia Year ended 30 June 2005		USA Year ended 30 June 2005		UK Year ended 30 June 2005		Eliminations Year ended 30 June 2005		Consolidated Year ended 30 June 2005	
Primary reporting	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Geographical segments	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
Depreciation and amortisation	486	368	179	69	608	536	-	-	1,273	973
Non-cash expenses other than depreciation and amortisation	28	39	12	48	-	-	-	-	40	87
Individually significant items										
Restructuring costs	-	472	-	-	-	-			-	472
Amounts set aside to / (reversed from) provision for diminution in value of inter-segment loans	(211)	(2,572)	-	-	-	-	(211)	(2,572)	-	-
Assets										
Segment assets	35,473	22,301	11,189	12,570	18,574	15,164	(18,885)	(14,354)	46,351	35,681
Consolidated total assets	35,473	22,301	11,189	12,570	18,574	15,164	(18,885)	(14,354)	46,351	35,681
Liabilities										
Segment liabilities	(4,137)	(2,387)	(12,517)	(13,525)	(11,473)	(8,065)	(10,613)	10,568	17,516	(13,409)
Consolidated total liabilities	(3,902)	(2,387)	(12,517)	(13,525)	(10,943)	(8,065)	(10,613)	10,568	17,516	(13,409)
Acquisition of non-current assets	602	85	265	129	1,052	3,452	-	-	1,919	3,666

The consolidated entity operates in the one business segment, being the development and commercialisation of environmental and industrial technology.

Appendix 4E

Annual Report: 30 June 2005

2005 ANNUAL REPORT

REVIEW OF OPERATIONS

- Revenue increased by 41% to $88.7m
- EBITDA increased by 63% to $7.8m (after accounting for $900k of legal costs in the USA)
- Australian business unit posts significant profit before tax of $2.9m
- Dividend increased by 33% to 4 cents per share

The directors are delighted to announce record revenue and profits for the year ended 30 June 2005.

Group revenues increased by 41% to $88.7 million (2004: $62.9m), profit before tax increased by 44% to $6.1 million (2004: $4.3 million) and profit after tax increased 6% to $5 million (2004: $4.7 million). In 2004 profit after tax was favourably impacted by a $1.4 million one-off tax benefit. During the year non-recurring legal costs of $0.9 million were incurred; excluding these costs, profit before tax would increase to $7.0 million (2004: $4.8 million adjusted for restructuring costs).

The strengthening of the Group through the acquisition of Triwater Australia Pty Limited ("Triwater") in April and the inaugural profit reported by that operation has resulted in a better balance to the global business and may enable recognition of significant Australian tax losses in future financial years.

The creation of Copa Water Pty Ltd through the merging of CDS Pty Limited with Triwater has improved the Group's focus on two strong brands, CDS for stormwater in the USA and Copa for wastewater in the UK and Australia.

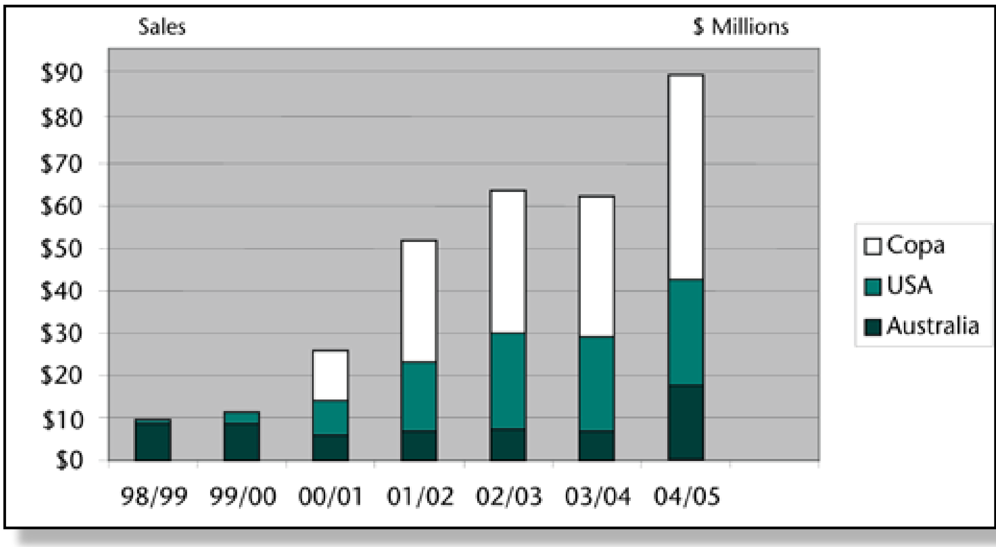
The Group remains un-geared despite a significant increase in working capital, driven by the 41% growth in Group revenues, which further evidences a strong cash flow.

The Directors are pleased to support a 33% increase in the final dividend from 3 cents per share in 2004 to 4 cents per share this year. The Board is committed to a progressive dividend policy underpinned by the strong growth in the Company.

To demonstrate the improvement in revenues of our UK/USA operations without the distortion of a strengthening Australian dollar, the results in local currencies are as follows:

USA operation			
	12 months to 30/06/05	12 months to 30/06/04	12 months to 30/06/03
(USD currency: US$ 000s)	Actual	Actual	Actual
Operating revenue (Copa & CDS Product)	18,134	15,884	13,237
Profit before tax and intercompany charges	1,924	2,304	2,395
Intercompany charges	(759)	(1,180)	(16)
Profit after intercompany charges but before tax	1,165	1,124	2,379
Profit after tax	663	1,899	2,144
UK operation			
	12 months to 30/06/05	12 months to 30/06/04	12 months to 30/06/03
(GBP currency: GBP 000s)	Actual	Actual	Actual
Operating revenue	18,888	13,391	12,298
Profit before tax, corporate costs and intercompany charges	999	1,100	948
Intercompany charges	(73)	(79)	(222)
Corporate costs	(272)	–	–
Profit after intercompany charges and corporate costs but before tax	654	1,021	726
Profit after tax	482	760	462
Australian operation			
	12 months to 30/06/05	12 months to 30/06/04	12 months to 30/06/03
(Australian Currency: A$-000s)	Actual	Actual	Actual
Operating revenue	17,779	7,588	7,282
Profit before tax, corporate costs and intercompany revenues	2,572	5	249
Corporate costs	(838)	(1,657)	(1,340)
Intercompany income	1,193	1,852	624
Profit after intercompany income and corporate costs but before tax	2,927	200	(467)
Profit after tax	2,874	162	(467)

For comparison purposes, the sales graph below illustrates the Group's steady growth expressed in Australian dollars.



US OPERATION

Revenues for the US business grew 14 per cent during 2004/2005 to US$18.1 million (2004: US$15.9 million). Growth was lower than expected due to severe winter rains that delayed construction activity throughout the USA. However after allowing for adverse weather conditions, total revenues are pleasing and the order book is healthy.

The pre-tax profit of US$1.9 million (2004: US$2.3 million) was impacted by legal costs of US$662,000 the result of a patent infringement dispute settled in June 2005. The terms of settlement do not require a financial payment and settlement was made without any admission of liability.

The media filtration product, the subject of the above referred to alleged patent infringement, contributed US$200,000 of revenue this year with increasing interest in the product. There is expectation of significantly better sales of this product in 2005/2006 as the market looks for an alternative to other existing filtration technologies.

Although revenue growth was lower than budgeted in 2005, due to the extended winter period, projects were delayed but not lost; in consequence strong revenue growth is forecast in 2005/2006. The number of installed CDS screening units throughout the USA and Canada exceeds 3,500 (2004: 2,500).

Revenues include a contribution of US$396,000 from CSO (combined sewer overflow) screens. With support from the Company's representative network and an improved marketing focus on CSO and other wastewater products, prospective sales opportunities are emerging. Sales of CSO projects take longer to materialise as they are packaged together with other major municipal project capital works activities. The US operation is now specified as a component of these major works programs.

In June the first sales of the Volute Dehydrator (sludge dewatering unit) were secured to Port Deposit sewer treatment works in Maryland. The commissioning and operational activity commenced in July with successful performance levels achieved. Port Deposit sewer treatment works were the first to trial this technology and have recognised the cost saving benefits in removing excessive moisture thereby reducing sludge removal costs.

Further potential sales opportunities are emerging providing confidence for increased sales in the future. The US order book is healthy and provides a solid platform to increase sales activity for 2005/2006. The US marketing teams are confident that revenues will continue to grow across all product lines whilst the potential to open further sales offices and explore new business opportunities and partnering arrangements will be explored.

UK OPERATION

Revenues for the UK business increased by 41% in 2004/2005 to GBP 18.9 million (2004: GBP 13.4 million).

Profit after tax was lower than expected at GBP 0.48 million compared to GBP 0.76 million in 2004,

However the lower profit is after costs arising from the movement of management from Australia to UK corporate of GBP 0.27 million (2004: nil). The reduction in profit is the result of a number of reasons – over the year the Company experienced a doubling in the price of stainless steel and a 50% rise in the price of GRP, two of the most common raw materials. On the positive side, the higher prices have been fully included in prices on the more recent framework agreements.

Predicted profits from the MBR (formerly Aquator) business have approximated 3% less than that anticipated at the time of acquisition 18 months ago; as a result, rationalisation initiatives have been taken with the business being downsized. A return from this business of 10% PBT is anticipated next year, with similar revenue.

The growth in revenue has also had an effect on cash flow, as higher levels of working capital are required to support the business having shifted from being a supplier of products to a turnkey process solution company. The change has required higher levels of engineers to meet the ever more demanding project delivery and health and safety requirements. The business will benefit from this in the future with a structure designed to manage contracts of greater complexity with higher value.

The Company is delighted to announce that the position as one of the UK's leading framework suppliers has been strengthened significantly over the year with the addition of a Submerged Aerated Filter (SAF) framework agreement with Scottish Water Services, and a SAF, Hybrid Biological Nutrient Removal (HBNR) and Membrane Bio Reactor (MBR) agreement with Southern Water Plc. The Company has also successfully negotiated two year framework extensions for the Combined Sewer Overflows (CSOs) range with South West Water Plc, Wessex Water Plc, and United Utilities Plc and where the Company won the much coveted award as "best framework supplier for 04/05".

The factory in Cornwall, recently ISO 9000 2000 accredited, manufactures 20% of the SAF and CSO range, the balance being outsourced to key fabricators across the Country. The ability to manufacture in-house has been paramount in securing so many framework agreements with Water Plc clients.

The recently established office in Ireland has experienced rapid growth during the year, in particular MBR sales, with over six installations completed this year, including a complete design and build order from Water Services Northern Ireland at Rathfriland worth GBP 1.8 million, including the civil engineering. Orders have been secured for Rotating Biological Contactors (RBC), CSOs and SAFs.

Sales in Scottish Water Services have also been particularly strong for both SAF wastewater treatment works and CSO screens, representing 15% of annual turnover.

A number of large contracts from Southern Water Plc have been secured this year including a GBP 0.3 million SAF contract at Smarden STW, and a GBP 1.1 million HBNR system at Sellindge STW. The HBNR system is jointly managed by Copa UK and Copa Water (Australia). The Tomkinson factory was awarded a GPB 0.5 million order for a Rotating Bridge Scraper for Southern Water Margate and Broadstairs scheme.

It is particularly encouraging to note that significant growth is now being generated from business opportunities outside the traditional core Water Plc market, in particular the provision of temporary re- locatable wastewater treatment systems for the Ministry Of Defence and oil/gas producers such as British Petroleum. The trend is forecast to continue in the coming years as a result of providing more systems for these clients, and current opportunities in Eastern Europe are converted into orders. The emerging "non core" business will represent a buffer from the effects of the cyclic Water Plc AMP (Asset Management Plan) 5-year spend profiles, which can damage businesses as they move from famine to feast.

The year ahead is an exciting one. The UK operation is well positioned to take advantage of the growing SUDS (Sustainable Urban Drainage Systems) market with a range of products such as the StormTech modular storage system, Surf Sep screen and Hydroslide flow regulators. Growth in this area is being driven by environmental legislation and regulatory pressures imposed on house building and urban development schemes

Early in 2005/06 the range of sludge dewatering systems will be extended to supplement the Amcon dewaterer with additional systems from Roediger Passavant. Spend in sludge dewatering is predicted to ramp up considerably as the industry moves into the next AMP spend cycle.

The UK operation will also be entering the domestic and industrial wastewater treatment market by the second half of 2005/2006, with a range of budget systems designed around current products; considerable growth is anticipate in this sector in the coming years.

AUSTRALIAN OPERATION

The Australian operation embarked on a year of acquisitions plus rationalisation and consolidation of the stormwater business. As recorded in the Chairman's Address last year, a strategic stake in Triwater was taken in July 2004. Triwater specialises in the design and construction of biological wastewater treatment plants. Its proprietary Hybrid Biological Nutrient Removal (HBNR) process is a competitively priced, world class wastewater treatment technology. In December 2004 a controlling interest was acquired and in April 2005 a "scrip for scrip" acquisition resulted in the purchase of the remaining shares.

The combined revenue of both businesses for the year was $17.8 million with a profit before tax of $2.9 million and a profit after tax of $2.87 million, after offsetting past tax losses. Two thirds of the revenue and 90% of the profit came from the Triwater operation.

The business entered the year with a healthy order book and while the revenue for 2005/06 should be similar, the profit levels are unlikely to be matched this year, as the Australian operation embarks on an expansion strategy with Triwater's technology into the growth markets of the United Kingdom, Poland and the United States.

The wastewater and stormwater businesses were merged in April under the leadership of Ray Anderson, Triwater's Managing Director. The combined businesses have been rebadged Copa Water from the 1 July. The relocation of both head offices to a single location in September 2005 will result in further synergies and cost savings.

In the stormwater market, Sydney Water's EIP had further delays and projects were not awarded as envisaged until towards the end of the financial year. In the traditional market, NSW and Queensland had strong years but Victoria was disappointing. The FSS process has been incorporated into new processes and these coupled with the introduction of Copa MBR's technology, will provide the new combined business unit with a wide range of technologies for the varying water reuse markets.

In the Asia Pacific region the Korean licensee had a solid year and Malaysia was steady. However some technicalities in Japan have delayed the widespread introduction of the FSS technology into the sewer overflow market. The Australian operation also commenced marketing Copa's and other licensees' products into the industry.

The wastewater business undertook a number of high profile projects during the year, including new HBNR plants for Cooktown in far North Queensland, Cabramurra in Kosciusko National Park, for the Barwon Prison near Melbourne and the township of Normanville in South Australia. The latter two projects produce high quality treated effluent for reuse. At Port Augusta in South Australia a sewer mining project was installed for the local Council by extracting sewage from the local sewer and reusing the effluent on playing fields. Two additional sewer mining projects are on the drawing board and continuing water restrictions in many areas represent opportunities for market growth into the future.

There were three HBNR projects constructed in the UK, two, for one of the largest water companies, Southern Water Services. SWS has included the HBNR process on their framework agreement and is using Copa Water processes for the construction of pre-treatment facilities for tankered septic tank wastes at a number of its problematic overloaded plants. There is significant interest in the HBNR technology from a number of other companies and the opportunities look promising for AMP 4 when it gets into full swing. At this time the Company is engaged in negotiations with the objective of forming a joint venture in Poland and is well progressed with the introduction of the technology into the US market.

Overall the combination of a restructured stormwater business, a more diverse business unit and the international expansion strategy is expected to lead to sustained profitability in 2005/2006 and into the foreseeable future.

DIVIDEND

The Board is pleased to declare an unfranked dividend of 4 cents per share totalling $1,461,081 to be paid out of the profits of the company for the year ended 30 June 2005 (2004: 3cents totalling $1,008,940). The dividend will be paid on or before the 27 of September 2005 to shareholders named on the register of members as at the close of business on 14 September 2005.

STATE OF AFFAIRS

Acquisition of Triwater

In July 2004 CDS Technologies purchased 10% of the shares in Triwater Australia Pty Ltd (Triwater).

On the 21 December 2004 CDS Technologies purchased a further 30% shareholding of Triwater Australia Pty Ltd from Simon Engineering (Australia) Pty Ltd, a wholly owned subsidiary of Henry Walker Eltin, bringing CDS' holding to 40%.

The acquisition of additional shares in Triwater was for a consideration of $1 million, in addition to the temporary provision of customer guarantees and working capital.

CDS completed the acquisition of Triwater with the purchase of the remaining 60% of shares from Triwater shareholders on 7 April 2005. Consideration was the issue of 1,406,770 shares to Triwater shareholders, to be held in escrow until 1 September 2006.

Triwater is a company engaged in the provision of certain sewage treatment and related services comprising the design and construction of sewage treatment plants and associated facilities with operations in both Australia and the United Kingdom.

In the opinion of the Directors there were no other significant changes in the state of the affairs of the consolidated entity during the year.

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for year ended 30 June 2005.

TRANSITION MANAGEMENT

The company has continued to assess the impact of adopting AIFRS during the financial year under the supervision of the Chief Financial Officer. The company has substantially completed its consideration of material impacts on accounting policies, systems and processes as at reporting date. The company is expected to complete implementation of identified changes to systems and processes during the 2006 financial year.

IMPACT OF TRANSITION TO AIFRS

The impact of transition to AIFRS disclosed herein is based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Property, plant and equipment

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. No adjustment is expected for the Group or Company for the financial year ended 30 June 2005

(b) Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1, as discussed.

Post acquisition adjustments recognised in the year ended 30 June 2005 under Australian GAAP relating to acquisitions that occurred more than 12 months earlier will be recognised through profit and loss under AIFRS, unless the adjustment relates to the correction of an error.

Comparative period

Business combinations that occurred on or after 1 July 2004 may need to be restated to comply with AIFRS. All business combinations will be accounted for by applying the purchase method.

The acquisition of the final 60% equity interest in Triwater Australia Pty Limited, is expected to be treated differently under AIFRS. Goodwill recognised on the acquisition of the final 60% is calculated based on the goodwill allocated to Minority Interests when control was gained. Under AGAAP the goodwill calculation was based on the difference between purchase consideration and the fair value of the identifiable net assets at the date of acquisition of the final tranche. Adoption of AIFRS is expected to result in a decrease in goodwill on consolidation and decrease in equity of $3,812,006.

(c) Intangible assets

Goodwill

In respect of acquisitions prior to transition date, goodwill is expected to be included on the basis of its deemed cost, which represents the amount recorded under Australian GAAP. No reclassifications are expected.

Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment (refer (d) for further details on impairment testing).

Research and development

Under AIFRS expenditure on research activities will be expensed as incurred whereas under current Australian GAAP certain research costs are included within development projects and therefore have historically been capitalised and amortised.

Under AIFRS, expenditure on development activities must be capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses.

On transition research expenditure previously capitalised in the United States and Australia is expected to be derecognised and an adjustment of $451,000 is expected to be made through retained earnings of the consolidated entity at 1 July 2004. The impact on the balance sheet at 30 June 2005 is a reduction in capitalised research and development of $368, 000. The impact on the 30 June 2005 operating result is an increase of $55,000 representing reversal of the 2005 amortisation charge. There is no impact expected for the Company.

Other intangible assets

Other intangible assets acquired including licences will be stated at cost less accumulated amortisation and impairment losses.

On transition other intangible assets are being reviewed to ensure they are capable of recognition under AASB 138 Intangible Assets and tested for impairment. No reclassifications or impairment losses are expected.

Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the date they are available for use. Estimated useful lives for 1 July 2004 are expected to be unchanged, with the exception of goodwill.

The impact on the consolidated results for the year ended 30 June 2005 is expected to be an increase of $313,000 from the reversal of goodwill amortisation.

(d) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, (excluding deferred tax assets and goodwill) will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS (refer (c)), intangible assets that have an indefinite useful life and intangible assets not yet ready for use are tested for impairment annually.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined. A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement.

Goodwill and indefinite life intangible assets are in the process of being tested for impairment as at transition date and at 30 June 2005. No indications have arisen to date which would indicate that a significant impairment write down would be required.

The recoverable amount of relevant assets under AIFRS is based on the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

(e) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP. Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

No significant AIFRS tax adjustments are expected on transition or for the year ending 30 June 2005. It is possible that some part of unrecognised carried forward tax losses in Australia may be recognised earlier in future reporting periods applying the AIFRS recognition criteria; any impact has not yet been quantified pending further analysis of the likelihood and timing of their recoupment.

(f) Share based payments

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees becomes unconditionally entitled to the options. The fair value of options granted will be measured using an appropriate valuation method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

No adjustment will be made for options granted before 7 November 2002 which have vested before 1 January 2004. Options granted after 7 November 2002 remaining unvested at 1 January 2004 will be recognised in the opening balance sheet through retained earnings resulting in a nil impact on transition.

For the financial year ended 30 June 2005, employee benefits expense and equity are expected to be increased by $11,000 in the consolidated entity and in the Company, representing the options expense for the period.

(g) Foreign currency

Financial statements of foreign operations

Under current Australian GAAP, the assets and liabilities of self-sustaining foreign operations are translated at the rates of exchange ruling at reporting date. Equity items and goodwill are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve until disposal of the operation, when it is transferred directly to retained earnings.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

There are no expected changes in functional currency for the Company or its subsidiaries and therefore the translation methodology is expected to remain unchanged.

The AASB 1 election to reset existing foreign currency translation reserve balance to nil is not expected to be adopted. Foreign currency translation differences that have arisen prior to the date of transition are expected to continue to be presented as a separate component of equity.

(h) Earnings per share

Under AIFRS basic and diluted earnings per share are calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity. The basic and diluted earnings per share for the discontinued operations is calculated and disclosed separately.

The earnings per share for the financial year ended 30 June 2005 calculated on the AIFRS adjusted results are expected to be:

Basic EPS from continuing operations	15.7c
Diluted EPS from continuing operations	15.5c

(i) Financial instruments

The Company Limited expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

SUMMARY OF FINANCIAL IMPACT

A summary of the expected financial impact on the consolidated entity is provided below:

	AGAAP	Transition impact	AIFRS
	A$'000	A$'000	A$'000
Upon transition (1 July 2004):			
Total current assets	24,894		24,894
Total non-current assets	10,787	(451)	10,336
Total current liabilities	(13,036)		(13,036)
Total non-current liabilities	(373)		(373)
Net assets	22,272	(451)	21,821
Total shareholders' equity	22,272	(451)	21,821
At the end of the financial year (30 June 2005):			
Total current assets	32,323		32,323
Total non-current assets	14,040	(3,867)	10,173
Total current liabilities	(17,147)		(17,147)
Total non-current liabilities	(381)		(381)
Net assets	28,835	(3,867)	24,968
Total shareholders' equity	28,835	(3,867)	24,968
For the year ended 30 June 2005:			
Total sales revenue	88,386		88,386
Total other revenue	308		308
Raw materials and consumables used	(53,891)		(53,891)
Employee expenses	(20,092)	(11)	(20,103)
Depreciation and amortisation costs	(1,274)	368	(906)
Other expenses	(7,311)		(7,311)
Profit before income tax expense	6,126	357	6,483
Income tax expense	(1,120)	–	(1,120)
Profit after income tax expense	5,006	357	5,363

Details of the expected financial impact on the Company are provided below:

The reported 2005 result is expected to decrease by $11,000 being the share based payment expense for the period.

The basis for assessing the provision for diminution in the value of loans to controlled entities is expected to change under AIFRS once AASB 139 Financial instruments: Recognition and Measurement is adopted. The impact of this change will be assessed in the 2006 year.