WINPAR HOLDINGS LIMITED

A.C.N. 003 035 523

G.P.O. Box 4248
Sydney
New South Wales 2001
13 May 2005

Mr. Scott Evans
General Manager
Newcastle Stock Exchange Limited
Facsimile 4929 1556

Dear Mr. Evans

The company's attention has been drawn by the Australian Securities and Investments Commission to the omission from its annual report for the year ended 30 June 2004 of an explanation of how the transition to international financial reporting standards for the year ending 30 June 2006 is being managed. This explanation is required by A.A.S.B. 1047.

The Commission has requested that the omission be rectified, and I am enclosing a statement of how the company is managing the transition, and explaining the impact that the adoption of A.A.S.B equivalents to I.A.S.B. standards will have on the company's financial accounts.

I would be grateful if you would release this information to the market.

Yours sincerely

Gordon Elkington

Gordon B. Elkington
Secretary

Adoption of Australian Equivalents to International Financial Reporting Standards

Winpar Holdings Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources to perform an assessment of the likely impacts as a result of the transition to IFRS.
As Winpar Holdings Limited has a 30 June year end priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future and is required when Winpar Holdings Limited prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. The transitional rules for adoption of IFRS for the first time require that we restate our comparative financial statements using Australian equivalents of IFRS.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Winpar Holdings Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Income Tax

Currently, Winpar Holdings Limited adopts the liability method of tax-effect accounting in which the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, Winpar Holdings will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Non-current Investments

Under the pending AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current listed investments at market value and unrealised gains and losses are recognised in the Statement of Financial Performance.

Unlisted investments have been stated at cost or directors' valuation, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.