

17 February 2005

The Manager  
Company Announcements Office  
10<sup>th</sup> Floor  
20 Bond Street  
**SYDNEY NSW 2001**

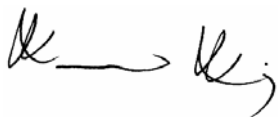
Dear Sir,

**Notification in Accordance with Listing Rule 4.3a**

1. Details of reporting period – half year ended 31 December 2004
2. Key Items
  - 2.1 Revenue from ordinary activities Up 11.6% to \$163,133k
  - 2.2 Profit from ordinary activities after tax attributable to members Up 62.4% to \$3,854k
  - 2.3 Profit for the period after tax attributable to members Up 62.4% to \$3,854k
  - 2.4 Interim dividend amount per security 2.50 cents  
Franked amount per security 100%
  - 2.5 Record date for determining dividend entitlements 11 March 2005
  - 2.6 Diluted Earnings per share 5.11 cents
3. Statement of financial performance and notes – attached
4. Statement of financial position and notes – attached
5. Statement of cash flows and notes – attached

6. Total dividend distribution - \$1,872,964  
Dividend distribution date – 4 April 2005
7. Dividend reinvestment plan – Watpac Limited Dividend Reinvestment Plan – the last date for receipt of election notices for the dividend reinvestment plan is 11 March 2005.
8. Statement of retained earnings – refer Note 3 of the financial statements.
9. Net tangible assets per security – 41.19 cents per share
10. Details of entities over which control has been gained or lost – refer Note 5 of the financial statements
11. Details of associates and joint ventures – no major change from 30 June 2004 financial statements
12. Any other significant information – nil
13. Foreign entities – not applicable
14. Commentary on results for the period – refer attached press release
15. The financial statements have been reviewed and are not the subject of dispute or qualification.

Yours sincerely,  
**WATPAC LIMITED**

A handwritten signature in black ink, appearing to read 'Ravin Raj', with a horizontal line extending from the first part of the signature.

Ravin Raj  
**COMPANY SECRETARY**

Enc.

RR:mah:170205HalfYearResults

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Statement of Financial Position**  
**As at 31 December 2004**

	NOTES	31 December 2004 \$'000	30 June 2004 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash Assets		38,044	29,724
Receivables		39,109	32,995
Inventories		15,162	15,400
Other		122	1,464
<b>TOTAL CURRENT ASSETS</b>		<b>92,437</b>	<b>79,583</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment		3,401	9,240
Deferred Tax Assets		765	658
Receivables		1,545	1,860
Inventories		18,713	5,544
Intangible Assets		3,250	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,674</b>	<b>17,302</b>
<b>TOTAL ASSETS</b>		<b>120,111</b>	<b>96,885</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables		64,645	54,295
Interest-bearing Liabilities		9,659	4,953
Current Tax Liabilities		-	1,251
Provisions		2,101	1,373
<b>TOTAL CURRENT LIABILITIES</b>		<b>76,405</b>	<b>61,872</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables		1,478	1,297
Interest-bearing Liabilities		7,350	650
Deferred Tax Liabilities		615	216
Provisions		154	283
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,597</b>	<b>2,446</b>
<b>TOTAL LIABILITIES</b>		<b>86,002</b>	<b>64,318</b>
<b>NET ASSETS</b>		<b>34,109</b>	<b>32,567</b>
<b>EQUITY</b>			
Contributed Equity	2	21,021	19,636
Retained Profits	3	12,650	12,471
<b>TOTAL PARENT ENTITY INTEREST</b>		<b>33,671</b>	<b>32,107</b>
Outside Equity Interests		438	460
<b>TOTAL EQUITY</b>		<b>34,109</b>	<b>32,567</b>

The Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 14.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Statement of Financial Performance**  
**for the half-year ended 31 December 2004**

	Consolidated	
	2004	2003
	\$'000	\$'000
Property Sales Revenue	5,117	10,814
Revenue from Construction Services	143,141	134,280
Gross proceeds from sale of Non-current Assets	12,241	8
Other Revenue from Ordinary Activities	2,634	1,070
<b>Total Revenue</b>	<b>163,133</b>	<b>146,172</b>
Cost of Properties Sold	(3,568)	(7,753)
Construction Expenses	(137,495)	(131,174)
Administration Expenses	(5,248)	(2,833)
Borrowing Costs	(113)	(18)
Carrying value of Non-current Assets sold	(9,935)	(5)
Other Expenses from Ordinary Activities	(2,380)	(970)
<b>Profit from Ordinary Activities before Income Tax Expenses</b>	<b>4,394</b>	<b>3,419</b>
Income Tax Expense	(525)	(1,047)
<b>Net Profit</b>	<b>3,869</b>	<b>2,372</b>
Net Profit attributable to Outside Equity Interests	(15)	-
<b>Net Profit attributable to Members of the Parent Entity</b>	<b>3,854</b>	<b>2,372</b>
Basic earnings per share		
Ordinary shares	\$0.0519	\$0.0324
Diluted earnings per share		
Ordinary shares	\$0.0511	\$0.0324

The Statement of Financial Performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 14.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Statement of Cash Flows**  
**for the half-year ended 31 December 2004**

	Consolidated	
	2004	2003
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	159,609	144,840
Cash payments in the course of operations	(163,361)	(137,439)
Interest received	737	711
Borrowing costs paid	(739)	(212)
Income taxes paid	(1,561)	(2,003)
	<hr/>	
Net cash provided by/(used in) operating activities	(5,315)	5,897
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(4,487)	(2,444)
Proceeds from the sale of non-current assets	12,241	8
Payments for acquisition of controlled entity (net of cash acquired)	(3,197)	-
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Net cash provided by/(used in) investing activities	4,557	(2,436)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	12,088	3,189
Repayment of borrowings	(683)	-
Dividends paid	(2,333)	(1,903)
Proceeds from issues of shares	43	-
Distribution to outside equity interests	(37)	-
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Net cash provided by/(used in) financing activities	9,078	1,286
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Net increase/(decrease) in cash held	8,320	4,747
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Cash at the beginning of the financial year	29,724	26,148
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Cash at the end of the financial year	38,044	30,895
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The Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 14.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICY**

**(a) BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT**

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Watpac Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

Consolidated	
31 December	30 June
2004	2004
\$'000	\$'000

**2. CONTRIBUTED EQUITY**

**Issued and paid-up capital**

74,918,559 (June 2004: 73,503,840)

ordinary shares fully paid

**21,021**      19,636

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**21,021**      19,636

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On 30 September 2004, 1,289,719 ordinary shares at the price of \$1.04 per share were issued under the dividend reinvestment plan.

On 20 September 2004, 75,000 options over the Company's unissued ordinary share capital were exercised at an exercise price of \$0.35. On 8 November 2004, a further 50,000 options were exercised at an exercise price of \$0.35.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**2. CONTRIBUTED EQUITY (CONTINUED)**

**(a) Preserved Options**

On 2 April 2004, the Company granted options over 1,600,000 unissued Company shares to employees under the Share Option Plan. The options are exercisable at any time up to the expiry date at a price of \$0.35 once the Company's share price reaches the target price listed below. The options expire on 1 April 2009 or on the termination of the employee's employment.

There are no voting or dividend rights attached to the options. Any ordinary shares issued on exercise of the options will have the usual dividend and voting rights.

During the half-year, 125,000 of these options were exercised at the exercise price of \$0.35. None of these options were exercised in the prior year.

None of these options expired during the half-year, or prior year.

Details of preserved options outstanding at half year end are as follows:

Expiry Date	Exercise Price	Target Share Price	Consolidated	
			31 December 2004	30 June 2004
			Number of Options	
1 April 2009	\$0.35	\$0.65	<b>675,000</b>	800,000
1 April 2009	\$0.35	\$0.80	<b>800,000</b>	800,000

**(b) New Options**

On 2 April 2004, the Company granted options over a further 875,000 unissued ordinary shares to employees under the Share Option Plan. During the half year, a further 500,000 options were granted to the Managing Director, Mr Greg Kempton, following shareholder approval at the Company's Annual General Meeting in November 2004. The options are exercisable at any time up to the expiry date at a price of \$0.70 once the Company's share price reaches the target prices listed below. The options expire on 1 April 2009 or on the termination of the employee's employment.

There are no voting or dividend rights attached to the options. Any ordinary shares issued on exercise of the options will have the usual dividend and voting rights.

During the half year none of these options were exercised. None of these options were exercised in the prior year.

None of these options expired during the half-year, or prior year.

Details of the new options outstanding at half year end are as follows:

Expiry Date	Exercise Price	Target Share Price	Consolidated	
			31 December 2004	30 June 2004
			Number of Options	
1 April 2009	\$0.70	\$0.91	687,500	437,500
1 April 2009	\$0.70	\$1.12	687,500	437,500

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

	Consolidated	
	2004 \$'000	2003 \$'000
<b>3. RETAINED PROFITS</b>		
Retained Profits at the beginning of the half-year	12,471	7,221
Net Profit attributable to members of the Company	3,854	2,372
Dividends recognised during the half-year	(3,675)	(2,180)
Retained Profits at the end of the half-year	12,650	7,413

**4. DIVIDENDS**

Dividends paid or provided for in the current and comparative periods by the Company are:

	Cents per share	Total amount \$'000	Date of payment	Franked/ Unfranked
<b>2004</b>				
<b>Final - Ordinary</b>	5.0	3,675	30 September 2004	Franked
<b>2003</b>				
Final - Ordinary	3.0	2,180	29 September 2003	Franked

Franked dividends were franked at the tax rate of 30%.

**Subsequent events**

Since the end of the half-year, the Directors declared the following dividends:

	Cents per share	Total amount \$'000	Date of payment	Franked/ Unfranked
<b>2005</b>				
<b>Interim - Ordinary</b>	2.5	1,873	4 April 2005	Franked

The financial effect of these dividends has not been brought to accounts in the consolidated entity financial statement for the half-year ended 31 December 2004 and will be recognised in subsequent financial reports.



**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**5. ACQUISITION OF CONTROLLED ENTITIES**

The following controlled entities were acquired during the period:

**Acquisition  
2004**

<b>Name</b>	<b>Date acquired</b>	<b>Consolidated entity's interest %</b>	<b>Consideration \$'000</b>	<b>Contribution to consolidated profit before tax \$'000</b>
Grant Constructions (NSW) Pty Ltd	1 July 2004	100	3,250	224

**2003**

The consolidated entity did not gain control over any entities during the prior corresponding half-year period.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**6. SEGMENT REPORTING**

**Business segments**

	Construction \$'000	Property Development \$'000	Elimination \$'000	Consolidated \$'000
<b>31 December 2004</b>				
<b>Segment revenue</b>	<b>156,820</b>	<b>6,885</b>	<b>(1,310)</b>	<b>162,395</b>
Other unallocated revenue				<u>738</u>
<b>Total revenue</b>				<u><b>163,133</b></u>
<b>Segment result</b>	<b>3,060</b>	<b>962</b>	<b>-</b>	<b>4,022</b>
Unallocated revenue and expenses				<u>372</u>
<b>Profit from ordinary activities before income tax</b>				<u><b>4,394</b></u>
<b>31 December 2003</b>				
<b>Segment revenue</b>	135,349	11,150	(1,039)	145,460
Other unallocated revenue				<u>712</u>
<b>Total revenue</b>				<u><b>146,172</b></u>
<b>Segment result</b>	505	2,444	88	3,037
Unallocated revenue and expenses				<u>382</u>
<b>Profit from ordinary activities before income tax</b>				<u><b>3,419</b></u>

**7. CONTINGENT LIABILITIES**

There were no material changes in contingent liabilities since 30 June 2004.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**8. EVENTS SUBSEQUENT TO REPORTING DATE**

**International Financial Reporting 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 half-year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

**Implementation project**

The board has established a formal implementation project, monitored by a steering committee, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005. The implementation project consists of three phases: Assessment and planning; Design; and Implementation.

**Assessment and planning phase**

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implication for staff, for example training requirements
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed in most respects as at 31 December 2004.

**Design phase**

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase has commenced with various project teams working on areas such as treasury operations, application of impairment requirements and transitional elections.

The design phase incorporates:

- formulating revised accounting policies and procedures for compliance with AIFRS requirements
- identifying potential financial impacts at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- developing revised AIFRS disclosures
- designing accounting and business processes to support AIFRS reporting obligations
- identifying and planning required changes to financial reporting and business source systems
- developing training programs for staff.

The design phase is expected to be completed by 30 June 2005.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**8. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)**

**Implementation phase**

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to AIFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, this phase is expected to be substantially complete by 30 June 2005.

**Impact of transition to AIFRS**

The differences between Australian Generally Accepted Accounting Principles (Australian GAAP) and Australian equivalents to International Financial Reporting Standards (AIFRS) identified to date as potentially having a significant impact on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not completed its project to assess the impact of adoption of AIFRS and has not quantified the effects of all the differences discussed below. Where work streams have been completed, accounting policies have been determined and the transitional elections available under AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards have been considered.

Any assessments made in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual / half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretation, changes in the operations of the business, or additional of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**8. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)**

The key potential implications on the consolidated entity of conversion to AIFRS, identified to date, are summarised below:

<b>Differences identified</b>	<b>Potential nature of impact</b>
<b>Income tax</b>	
Accounting treatment changes from income statement liability approach to a balance sheet approach	Additional deferred tax assets and deferred tax liabilities will be recognised relating to revalued assets and compound financial instruments.  In addition, as tax effects follow the underlying transaction, certain tax effects will be recognised in equity.  Additional deferred tax assets may be recognised as a result of the change in recognition criteria to "probable" rather than "virtual certain" or "beyond reasonable doubt".
<b>Tax Consolidation</b>	
Current intercompany transfers in relation to the tax funding / sharing agreements may be treated as an equity transaction	The UIG has currently proposed that wholly owned subsidiaries in the tax consolidated group will be required to recognise their own tax balances directly. The current tax liability or asset will be assumed by the head entity via an equity contribution or distribution. Tax sharing agreement transactions will also be treated as equity transactions.  If finalised, this will impact retained earnings and intercompany balances in the parent and subsidiary financial reports.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Notes to Financial Statements**  
**for the half-year ended 31 December 2004**

**8. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)**

<b>Differences identified</b>	<b>Potential nature of impact</b>
<b>Equity based compensation</b>	
Options and shares are expensed over the period of service by the employee to which the options relate	<p>Employee benefit expense increases due to the expensing of the fair value of options and shares over the vesting period.</p> <p>For equity settled share based payment plans, the fair value of the options are measured at grant date and expensed over the vesting period. The expense recognised is adjusted through the income statement for forfeiture due to non-market or service conditions not being met. The fair value includes an adjustment for market conditions.</p> <p>Where employees of subsidiaries participate in option or share schemes of the parent entity, the recognition of the employee benefit expense occurs in the entity receiving the benefit of the service. Whilst the consolidated entity treats the scheme as equity settled, it may be considered cash settled in the books of the subsidiary. IFRIC is currently considering this issue.</p> <p>On transition, only those instruments granted after 7 November 2002 remaining unvested at 1 January 2005 are recognised. The adjustment will be a net \$nil impact in equity.</p>
<b>Intangibles</b>	
Intangible assets are amortised over the useful economic life and may be assessed as having an infinite life subject to an annual impairment test.	Where tangible assets are assessed as having infinite useful lives, they will not be amortised but subject to an annual impairment test.
Goodwill is not amortised but tested annually for impairment.	

## **WATPAC LIMITED AND ITS CONTROLLED ENTITIES**

### **Directors' Declaration**

In the opinion of the Directors of Watpac Limited ("the Company"):

1. The financial statements and notes set out on pages 3 to 14 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 17<sup>th</sup> day of February 2005

Signed in accordance with a resolution of the Directors:

.....  
**K W Seymour - Chairman**

.....  
**G K Kempton - Director**