WATPAC LIMITED
ABN: 98 010 562 562

1024 Ann Street
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Phone: 07 3251 6300
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16 February 2006

The Manager
Company Announcements Office
10th 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 2005

2. Key Items

2.1	Revenue from ordinary activities	Up 62.0% to $248,135k
2.2	Profit from ordinary activities after tax attributable to members	Up 32.02% to $5,084k
2.3	Profit for the period after tax attributable to members	Up 32.02% to $5,084k
2.4	Interim dividend amount per security Franked amount per security	4.0 cents 100%
2.5	Record date for determining dividend entitlements	10 March 2006
2.6	Diluted Earnings per share	6.52 cents

3. Condensed consolidated interim income statement – attached

4. Condensed consolidated interim statement of recognized income an expense – attached

5. Condensed consolidated interim balance sheet – attached

6. Condensed consolidated interim statement of cash flows and notes – attached

7. Total dividend distribution - $3,117,167
   Dividend distribution date – 3 April 2006

8. Dividend reinvestment plan – Watpac Limited Dividend Reinvestment Plan – the last date for receipt of election notices for the dividend reinvestment plan is 10 March 2006.

9. Statement of retained earnings – refer Note 5 of the financial statements.

10. Net tangible assets per security – 55.36 cents per share

11. Details of entities over which control has been gained or lost – not applicable

12. Details of associates and joint ventures – no major change from 30 June 2005 financial statements

13. Any other significant information – nil

14. Foreign entities – not applicable

15. Commentary on results for the period – refer attached press release

16. The financial statements have been reviewed and are not the subject of dispute or qualification.

Yours sincerely,
WATPAC LIMITED

Ravin Raj
COMPANY SECRETARY

Enc.

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MEDIA RELEASE

16 February 2006

WATPAC ACHIEVES 56% RISE IN HALF YEAR PRE-TAX PROFIT; INTERIM DIVIDEND UP 60%

A strong first half performance has resulted in Watpac Limited today announcing a 56% increase in pre-tax profit to $6.850 million (2004: $4.389 million) for the half-year to 31 December 2005.

Good performances across all of Watpac's divisions delivered a 62.0% increase in revenue to $248.1 million (2004 first half: $153.19 million).

A higher tax provision resulted in net profit after tax being $5.084m compared to $3.851m in the previous corresponding period, an increase of 32.02%.

These positive results will see Watpac pay shareholders an interim dividend of 4.0 cents per share, an increase of 60.0% on last year's interim dividend of 2.5 cents.

Watpac Chairman Mr Kevin Seymour said the Board was very pleased with the company's first half performance, offering shareholders a higher dividend based on the expectation of significant earnings in the second half.

"Our first half results are traditionally lower than second half results and this year is no exception. Second half results will benefit from continued contributions from all divisions, enhanced by the sale of joint interests in development properties included within Seymour Group's sale of the Queensland Collection portfolio," Mr Seymour said.

"The company has already announced the likely profit contribution of $6 million from the sale of the Australian Red Cross building which has now become unconditional, and is awaiting the outcome of the purchaser's due diligence for the sale of other joint venture properties," he said.

Significant carried forward construction projects completed during the period include Axis Apartments at Main Beach, Milton Edge Apartments, Gabba Stage VI and Mater Carpark. NSW projects completed during the period included Pemulway Marketplace, Rosehill Stables, Alpha N commercial office and Arndell Park Shopping Centre.

Work in hand at 31 December 2005 stood at $439.24m ($334.8m at 31 December 2004), with a number of continuing major projects including:

Queensland
- Queens Plaza Stage II
- Peninsula Apartments (Airlie Beach)
- Woolworths Distribution Centre
- Skyline Apartments
- Grand Plaza
- Carrara Stadium.

New South Wales

- Aqua Apartments
- Fig Tree Drive Commercial
- Homebush Campus
- Hillsong Chapel
- The Zone Commercial
- Windsor Market Town.

Summarised, the results are:

	Current Half Year $'000	**Previous Half Year $'000**	**Percentage Change %**
Revenue	248,135	153,198	62.0%
Operating Profit Before Abnormals and Tax	6,850	4,389	56.1%
Less Tax	1,763	523	237.1%
Operating Profit After Tax	5,087	3,866	31.6%
Operating Profit After Tax and Outside Equity Interests	5,084	3,851	32.0%
Diluted Earnings per Share	6.52c	5.10c	27.8%
NTA per Share	55.36c	41.19c	34.4%
Dividend per Share	4.00c	2.50c	60.0%

- ENDS -

K W Seymour
CHAIRMAN

For further information, contact:
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Chairman
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Greg Kempton
Managing Director
Ph: (07) 3251 6300

Ravin Raj
Company Secretary
Ph: (07) 3251 6300

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Condensed consolidated interim income statement
For the six months ended 31 December 2005

In thousands of AUD	Notes	31 December 2005	31 December 2004
Revenue	2	246,133	148,258
Cost of sales		(232,533)	(141,063)
Gross profit		13,600	7,195
Other operating income		918	4,203
Administrative expenses		(6,496)	(5,253)
Other operating expenses		(2,212)	(2,380)
Operating profit before financing costs		5,810	3,765
Financial income		1,084	737
Financial expenses		(44)	(113)
Net financing income		1,040	624
Profit before tax		6,850	4,389
Income tax expense	3	(1,763)	(523)
Profit for the period		5,087	3,866
Attributable to:			
Equity holders of the parent		5,084	3,851
Minority interest		3	15
Profit for the period		5,087	3,866
Basic earnings per share attributable to ordinary equity holders (AUD)	6	6.60¢	5.19¢
Diluted earnings per share attributable to ordinary equity holders (AUD)	6	6.52¢	5.10¢

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 5 to 22.

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Condensed consolidated interim statement of recognised income and expense
For the six months ended 31 December 2005

In thousands of AUD	**31 December 2005**	**31 December 2004**
Revaluation of investments	1,943	-
Net income recognised directly in equity	1,943	-
Profit for the period	5,087	3,866
Total recognised income and expense for the period	7,030	3,866
Attributable to:		
Equity holders of the parent	7,027	3,851
Minority interest	3	15
Total recognised income and expense for the period	7,030	3,866

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 5 to 22.

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Condensed consolidated interim balance sheet
As at 31 December 2005

In thousands of AUD	Notes	31 December 2005	30 June 2005
ASSETS			
Current assets			
Cash and cash equivalents		39,724	42,692
Trade and other receivables		33,597	68,467
Inventories		26,404	25,400
Income tax receivable		944	298
Other		352	540
Total current assets		101,021	137,397
Non-current assets			
Property, plant and equipment	4	5,267	3,734
Deferred tax assets		1,205	1,155
Receivables		1,706	1,623
Inventories		36,898	12,289
Intangible assets		3,250	3,250
Investments		7,985	-
Total non-current assets		56,311	22,051
Total assets		157,332	159,448
LIABILITIES			
Current liabilities			
Trade and other payables		72,158	100,258
Interest-bearing loans and borrowings		14,316	10,309
Employee benefits		2,847	2,610
Provisions		50	25
Total current liabilities		89,371	113,202
Non-current liabilities			
Trade and other payables		2,628	2,388
Interest-bearing loans and borrowings		19,725	2,392
Deferred tax liabilities		2,390	1,920
Employee benefits		173	239
Total non-current liabilities		24,916	6,939
Total liabilities		114,287	120,141
Net assets		43,045	39,307
Equity			
Issued capital		23,234	21,924
Reserves		1,943	-
Retained earnings		17,284	16,807
Total equity attributable to equity holders of the parent	5	42,461	38,731
Minority interest		584	576
Total equity		43,045	39,307

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 5 to 22.

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Condensed consolidated interim statement of cash flows
For the six months ended 31 December 2005

In thousands of AUD	Notes	31 December 2005	31 December 2004
Cash flows from operating activities			
Cash receipts from customers		316,963	159,609
Cash paid to suppliers and employees		(328,687)	(163,361)
Cash generated from operations		(11,724)	(3,752)
Interest received		1,084	737
Interest paid		(797)	(739)
Income taxes paid		(2,821)	(1,561)
Net cash used in operation activities		(14,258)	(5,315)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,015)	(4,487)
Proceeds from the sale of property, plant and equipment		5	12,241
Proceeds from sale of investments		2,098	-
Acquisition of other investments		(6,846)	-
Acquisition of subsidiary, net of cash acquired		-	(3,197)
Net cash from/(used in) investing activities		(6,758)	4,557
Cash flows from financing activities			
Proceeds from borrowings		22,299	12,088
Repayment of borrowings		(959)	(683)
Dividends paid		(4,607)	(2,333)
Proceeds from issue of share capital		1,310	43
Contribution from outside equity interest		5	-
Payments to related parties		-	(37)
Net cash from financing activities		18,048	9,078
Net increase/(decrease) in cash and cash equivalents		(2,968)	8,320
Cash and cash equivalents at 1 July		42,692	29,724
Cash and cash equivalents at 31 December		39,724	38,044

The statement of cashflows is to be read in conjunction with the notes to the interim financial statements set out on pages 5 to 22.

1. SIGNIFICANT ACCOUNTING POLICIES

Watpac Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The condensed consolidated interim financial report was authorised for issue by the Directors on 16 February 2006.

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Watpac Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 8. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of preparation

The financial report is presented in Australian dollars and prepared on the historical cost basis except that investments are stated at their fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-current assets and disposal groups held for sale are stated at the lower of carrying and fair values less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs on issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 8. Where relevant, the accounting policies applied to the comparative period have disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases.

Joint ventures
Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled operations and assets
The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to` account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation
Intragroup balances, and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(d) Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets
Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for a described in accounting policy (o).

Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Buildings and Improvement	40 years
- Plant and equipment	2.5 – 9 years

The residual value, if not insignificant, is reassessed annually.

(e) Intangible assets

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy note 1(i)).

(f) Trade and other receivables

Trade debtors represent the balance of progress claims certified.

Trade and other receivables are stated at their cost less impairment losses (see accounting policy note 1(i)).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Development properties
Current assets include land and property at cost and development costs which have been or are in the process of being developed for sale and are expected to be sold within 12 months. Cost includes the cost of acquisition, development and holding costs such as interest, rates and taxes. Interest and other holding costs incurred after completion of development are expensed as incurred.

Development properties, which are not expected to be sold within 12 months, are classified as non-current.

Development properties are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Construction work in progress
Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed, less progress billings and less provision for foreseeable losses, allocated between amounts due from customers and amounts due to customers. Provision for the total loss on a contract is made as soon as the loss is identified.

Cost includes both variable and fixed costs directly related to specific contracts, those costs which relate to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Those costs which are expected to be incurred under penalty clauses and warranty provisions are also included.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (g)) and deferred tax assets (see accounting policy (p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated annually.

An impairment loss will be recognised whenever the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated as a reversal of previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a prorata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount
The recoverable amount is 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 are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that doest not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

Reversal of impairment
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Interest-bearing borrowings

Current accounting policy
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy
Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Trade and Other Payables.

There is no material adjustment on this change in accounting policy.

(k) Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

Long-term service benefits
The consolidated entity’s net obligation in respect of long-term service benefits, other than superannuation plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wages and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the consolidated entity’s obligations.

Share-based payment transactions
The Employee Share Option Plan and Tax Exempt Share Plan allows the consolidated entity employees to acquire shares of the Company. The fair value of options granted and shares issued is recognised as an employee expense with a corresponding increase in equity. The fair value of options granted and shares issued is measured at grant date and spread over the period which the employees become unconditionally entitled to the options/shares. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of the shares issued is measured by reference to the market price at the time they are granted. The amount recognised as an expense, from both options granted and shares issued, is adjusted to reflect the actual number of options/shares that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees’ services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Trade and other payables

Trade and other payables are stated cost.

(n) Revenue

Construction contracts
As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The state of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognised immediately in the income statement.

Profit recognition does not normally commence until a contract is at least 20% complete.

Sales of development properties
Revenues and expenses associated with sales of all development property are recognised when revenue and costs can be reliably measured, and all risks and rewards of ownership or legal title are transferred to the buyer and the consolidated entity no longer retains control or managerial involvement in the project.

Rental income from development properties
Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(o) Expenses

Operating lease payments
Payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread over the lease term.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Make good provisions
The consolidated entity has an operating lease over its office accommodation. This lease requires that the accommodation be returned to the lessor in its original condition excluding reasonable wear and tear. The operating lease payments do not include an element for repairs/overhauls. A provision for refurbishment costs is recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

Net financing income/costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, and interest received on funds invested.

Interest income is recognised as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment 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 amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is 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 are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation
The Company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Watpac Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Nature of tax funding arrangements and tax sharing agreements
The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) in the separate financial statements of the members of the tax consolidated group equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) is at call.

The head entity recognises the assumed current tax amounts as current tax liabilities/(assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities/(assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity’s obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax-consolidated group have also entered into a tax-sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(q) Segment reporting

A segment is a distinguished component of the consolidated entity that is engaged in providing sales or services (business segments), or in providing sales or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Investments – equity securities

Investments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

2. SEGMENT REPORTING

Segment information is presented in the condensed consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments:

- Construction: Building, refurbishment, project management and construction management.
- Property developments: Development of commercial and residential properties.

Geographical segments

The consolidated entity's business segments operate wholly in Australia.

2. SEGMENT REPORTING (continued)

Business segments
For six months ended 31 December 2005

	CONSTRUCTION		PROPERTY DEVELOPMENT		ELIMINATIONS		CONSOLIDATED	
In thousands of AUD	2005	2004	2005	2004	2005	2004	2005	2004
Segment revenue	250,049	144,451	1,325	5,117	(5,241)	(1,310)	246,133	148,258
Unallocated income							918	4,203
							247,051	152,461
Segment result	7,452	3,055	(1,358)	962	(240)	-	5,854	4,017
Unallocated expense							(44)	(252)
Operating profit							5,810	3,765
Net financing income							1,040	624
Income tax expense							(1,763)	(523)
Profit for the period							5,087	3,866

3. INCOME TAXES

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

The primary components of the entity's recognised deferred tax assets include temporary differences related to employee benefits, provisions and other items.

The primary components of the entity's deferred tax liabilities include temporary differences related to property, plant and equipment and inventories.

Deferred tax expense arises from the origination and reversal of temporary differences, the effects of changes in tax rates and the benefit of tax losses recognised. The primary component of deferred tax expense for the six months ended 31 December 2005 is related to an increase in deferred tax liabilities, relating primarily to property, plant and equipment and inventories.

Tax consolidation

In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability/(asset). There is no impact on the consolidated entity upon adoption of UIG 1052 *Tax Consolidation Accounting*.

4. PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposals

During the six months ended 31 December 2005, the consolidated entity acquired assets with a cost of $2,015,000 (six months ended 31 December 2004: $4,487,000). Assets with a net book value of $15,000 were disposed of during the six months ended 31 December 2005 (six months ended 31 December 2004:$9,959,000), resulting in a loss on disposal of $10,000 (six months ended 31 December 2004: gain of $2,282,000).

5. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves
Attributable to equity holders of the parent

Consolidated

In thousands of AUD	Share capital	Revaluation reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2005	21,924	-	16,807	38,731	576	39,307
Total recognised income and expenses	-	1,943	5,084	7,027	3	7,030
Shares issued	1,310	-	-	1,310	-	1,310
Dividends to shareholders	-	-	(4,607)	(4,607)	-	(4,607)
Contribution from outside equity interest	-	-	-	-	5	5
Balance at 31 December 2005	23,234	1,943	17,284	42,461	584	43,045

5. CAPITAL AND RESERVES (continued)

Share capital

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares.

For the six months ended 31 December 2005

In thousands of AUD	Share capital	
	31 December 2005	**30 June 2005**
Issuance of ordinary shares	1,310	2,184

In thousands of shares	Ordinary shares	
	2005	**2004**
On issue at 1 January	74,919	73,164
Issued under dividend reinvestment plan	1,000	1,630
Issued under employee share option plan	1,771	125
Issued under tax exempt employee share plan	59	-
On issue at 31 December - fully paid	77,749	74,919

Dividends

The following dividends were paid by the consolidated entity.

For the six months ended 31 December 2005

In thousands of AUD	**2005**	**2004**
$0.06 per qualifying ordinary share (2004:$0.05)	4,607	3,675
	4,607	3,675

6. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2005 was based on the profit attributable to ordinary shareholders of $5,084,000 (six months ended 31 December 2004:$3,851,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 77,055,000 (six months ended 31 December 2004: 74,919,000), calculated as follows:

Profit attributable to ordinary shareholders
For the six months ended 31 December 2005

In thousands of AUD	**2005**	**2004**
Profit for the period	5,084	3,851
Profit attributable to ordinary shareholders	5,084	3,851

6. EARNINGS PER SHARES (continued)

Weighted average number of ordinary shares
For the six months ended 31 December 2005

In thousands of shares	31 December 2005	31 December 2004
Issued ordinary shares at 1 July	76,277	73,504
Effect of shares issued	778	701
Weighted average number of ordinary shares at 31 December	77,055	74,205

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2005 was based on profit attributable to ordinary shareholders of $5,084,000 (six months ended 31 December 2004: $3,851,000) and a weighed average number of ordinary shares outstanding during the six months ended 31 December 2005 of 77,991,000 (six months ended 31 December 2004: 75,572,000), calculated as follows:

Profit attributable to ordinary shareholders (diluted)
For the six months ended 31 December 2005

In thousands of AUD	2005	2004
Profit for the period	5,084	3,851
Profit attributable to ordinary shareholders	5,084	3,851

Weighted average number of ordinary shares (diluted)
For the six months ended 31 December 2005

In thousands of shares	31 December 2005	31 December 2004
Weighted average number of ordinary shares at 31 December	77,055	74,205
Effect of share options on issue	936	1,243
Weighted average number of ordinary shares (diluted) at 31 December	77,991	75,448

7. EMPLOYEE BENEFITS

Share-based payments

Employee Share Option Plan

At 1 July 2004, the consolidated entity established a share option programme that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option programme and grants made during the year ended 30 June 2005 are disclosed in the most recent annual financial report. No options are granted under these terms since 30 June 2005.

The following details options exercised between 1 July 2005 and 31 December 2005:

Grant date	Exercise date on or after	Expiry date	Exercise price $	Target share price $	Options exercised
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	135,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	135,000
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	57,500
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	57,500
4 November 2004	4 November 2004	1 April 2009	0.70	0.91	193,175
4 November 2004	4 November 2004	1 April 2009	0.70	1.12	193,175
					771,350

Tax Exempt Share Plan

On 26 July 2005, the consolidated entity granted shares to eligible employees under the Tax Exempt Share Plan ("TESP") which was approved by the Directors on 19 April 2005. The TESP is available to all eligible employees to acquire ordinary shares in the Company for no consideration. Full-time employees are entitled up to $1,000 of free shares. Shares issued under TESP rank equally with other fully paid ordinary shares.

To be eligible, employees must complete at least 3 years full time service. Shares are issued in the name of the participating employee. They vest to the employee at the earlier of three years from the date of issue or the date employment ceases. The TESP has no conditions that could result in a recipient forfeiting ownership of shares.

There are no voting or dividend rights attaching to the shares until they are fully vested. Once the shares vest with the employee they are distributed as fully paid ordinary shares. No consideration is received by the Company from the employees.

The TESP complies with current Australian Tax legislation, enabling permanent employees to have up to $1,000 of free shares, in respect of an employee share scheme, excluded from their assessable income.

The fair value of shares issued during the reporting period at their issue date is the market price of the Company on the Australian Stock Exchange as at close of trading on each of the issue.

59,133 shares at a fair value of $1.16 were issued to employees on 26 July 2005 and these shares vested on that day.

8. EXPLANATION OF TRANSITION TO AIFRSs

As stated in note 1 (a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.
The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Notes to the condensed consolidated interim financial statements

8. EXPLANATION OF TRANSITION TO AIFRSs (continued)

Reconciliation of equity

In thousands of AUD	Notes	Previous AGAAP	Effect of transition to AIFRSs	AIFRSs	Previous AGAAP	Effect of transition to AIFRSs	AIFRSs	Previous AGAAP	Effect of transition to AIFRSs	AIFRSs
			1 July 2004			31 December 2004			30 June 2005	
ASSETS										
Current assets										
Cash and cash equivalents		29,724	-	29,724	38,044	-	38,044	42,692	-	42,692
Trade and other receivables	(e)	32,995	-	32,995	39,109	-	39,109	72,845	(4,378)	68,467
Inventories	(e)	15,400	-	15,400	15,162	-	15,162	21,879	3,521	25,400
Income tax receivable		-		-	-		-	298	-	298
Other		1,464	-	1,464	122	-	122	540	-	540
Total current assets		79,583	-	79,583	92,437	-	92,437	138,254	(857)	137,397
Non-current assets										
Property, plant and equipment		9,240	-	9,240	3,401	-	3,401	3,734	-	3,734
Deferred tax assets	(f)	658	-	658	765	2	767	1,133	22	1,155
Receivables		1,860	-	1,860	1,545	-	1,545	1,623	-	1,623
Inventories		5,544	-	5,544	18,713	-	18,713	12,289	-	12,289
Intangible assets	(c)	-	-	-	3,250	-	3,250	3,122	128	3,250
Total non-current assets		17,302	-	17,302	27,674	2	27,676	21,901	150	22,051
Total assets		96,885	-	96,885	120,111	2	120,113	160,155	(707)	159,448

8. EXPLANATION OF TRANSITION TO AIFRSs (continued)

Reconciliation of equity (continued)

In thousands of AUD	Notes	Previous AGAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous AGAAP	Effect of transition to AIFRSs 31 December 2004	AIFRSs	Previous AGAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
LIABILITIES										
Current liabilities										
Trade and other payables	(a)	54,295	(181)	54,114	64,645	5	64,650	100,211	47	100,258
Interest-bearing loans and borrowings		4,953	-	4,953	9,659	-	9,659	10,309	-	10,309
Employee benefits		1,373	181	1,554	2,101	-	2,101	2,610	-	2,610
Income tax payable		1,251	-	1,251	-	-	-	-	-	-
Provisions	(b)	-	-	-	-	-	-	-	25	25
Total current liabilities		61,872	-	61,872	76,405	5	76,410	113,130	72	113,202
Non-current liabilities										
Trade and other payables		1,297	-	1,297	1,478	-	1,478	2,388	-	2,388
Interest-bearing loans and borrowings		650	-	650	7,350	-	7,350	2,392	-	2,392
Deferred tax liabilities	(f)	216	-	216	615	-	615	2,177	(257)	1,920
Employee benefits		283	-	283	154	-	154	239	-	239
Total non-current liabilities		2,446	-	2,446	9,597	-	9,597	7,196	(257)	6,939
Total liabilities		64,318	-	64,318	86,002	5	86,007	120,326	(185)	120,141
Net assets		32,567	-	32,567	34,109	(3)	34,106	39,829	(522)	39,307
Equity										
Issued capital	(d)	19,636	-	19,636	21,021	-	21,021	21,820	104	21,924
Retained earnings	(g)	12,471	-	12,471	12,650	(3)	12,647	17,433	(626)	16,807
Total equity attributable to equity holders of the parent		32,107	-	32,107	33,671	(3)	33,668	39,253	(522)	38,731
Minority interest		460	-	460	438	-	438	576	-	576
Total equity		32,567	-	32,567	34,109	(3)	34,106	39,829	(522)	39,307

8. EXPLANATION OF TRANSITION TO AIFRSs (continued)

(a) Leased expenses

Under previous GAAP, payments made under operating leases are expensed as incurred. Under AIFRS, operating lease expense is recognised on a straight line basis over the term of the lease. There is no effect at 1 July 2004, as the lease commenced during the financial year ended 30 June 2005. At 31 December 2004 the effect is to increase administration expense by $5,000 and $47,000 at 30 June 2005.

(b) Make good provision

The consolidated entity has an operating lease over its office accommodation which requires that the accommodation be returned to the lessor in its original condition excluding reasonable wear and tear. The operating lease payments do not include an element for repairs/overhauls.

Under previous GAAP the costs of refurbishment are not recognised until the expenditure is incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

There is no effect at 1 July 2004 and at 31 December 2004 as the lease commenced in December 2004. At 30 June 2005 the effect is to increase provisions by $25,000.

(c) Amortisation of goodwill

Under previous GAAP Goodwill was amortised on a straight-line basis over it estimated useful life being 20 years. Under AIFRS, Goodwill will not be subject to amortisation but tested for impairment annually.

There is no effect at 1 July 2004 and 31 December 2004. At 30 June 2005 the effect is $128,000 from the reversal of the goodwill amortisation.

(d) Share based payments

Under previous 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 become unconditionally entitled to the options. The fair value of options granted will be measured using the Black-Scholes 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.

As permitted by the election available under AASB 1, the Company and consolidated entity have elected not to apply AASB 2 *Share-based Payments* to equity instruments that vested before 1 January 2005.

There is no effect at 1 July 2004 and 31 December 2004. The effect is to increase administration expenses and equity by $104,000 at 30 June 2005.

(e) Revenue recognition from sale of development projects

Under previous GAAP, revenues and expenses associated with pre-completion unconditional sales of units in residential property development projects are recognised using a percentage completion method when the outcome of the project can be reliably measured. Revenue from sales of other developments properties is recognised when unconditional contracts are exchanged and a non-refundable deposit is received.

Under AIFRS, revenues and expenses associated with sales of all development property is recognised when revenue and costs can be reliably measured, and all risks and rewards of ownership or legal title are transferred to the buyer.

There is no effect at 1 July 2004 and 31 December 2004. The effect is to decrease revenue and receivables by $4,378,000, and cost of sales by $3,521,000, and to increase inventories by $3,521,000 at 30 June 2005.

8. EXPLANATION OF TRANSITION TO AIFRSs (continued)

(f) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting is adopted, rather than the liability method applied 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 is 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 following temporary differences are not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit and differences relating to investments in subsidiaries to the extent that they are probably not reverse in the foreseeable future. The amount of deferred tax provided is 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 is recognised only to the extent that it is probable that future taxable profits is available against which the asset can be utilised. Deferred tax assets are educed to the extent it is no longer probable that the related tax benefit will be realised.

(g) Retained earnings

In thousands of AUD	Notes	1 July 2004	31 December 2004	30 June 2005
Lease expenses	(a)	-	(3)	(33)
Make good provisions	(b)	-	-	(17)
Amortisation	(c)	-	-	128
Administration expenses	(d)	-	-	(104)
Revenue	(e)	-	-	(3,065)
Cost of sales	(e)	-	-	2,465
Total adjustment to equity		-	(3)	(626)
Attributable to:				
Equity holders of the parent		-	(3)	(626)
Minority interest		-	-	-
Total adjustment to retained earnings		-	(3)	(626)

8. EXPLANATION OF TRANSITION TO AIFRSs (continued)

Reconciliation of profit for 2005

In thousands of AUD	Notes	Previous AGAAP	Effect of transition to AIFRSs	AIFRSs	Previous AGAAP	Effect of transition to AIFRSs	AIFRSs
		For the six months ended 31 December 2004			For the year ended 30 June 2005		
Revenue	(e)	148,258	-	148,258	395,334	(4,378)	390,956
Cost of sales	(e)	(141,063)	-	(141,063)	(373,858)	3,521	(370,337)
Gross profit		7,195	-	7,195	21,476	(857)	20,619
Other operating income		4,203	-	4,203	7,325	-	7,325
Administrative expenses	(a),(b),(d)	(5,248)	(5)	(5,253)	(10,881)	(176)	(11,057)
Amortisation expenses	(c)	-	-	-	(128)	128	-
Other operating expenses		(2,380)	-	(2,380)	(5,276)	-	(5,276)
Operating profit before financing costs		3,770	(5)	3,765	12,516	(905)	11,611
Financial income		737	-	737	1,534	-	1,534
Financial expenses		(113)	-	(113)	(155)	-	(155)
Net financing costs		624	-	624	1,379	-	1,379
Profit before tax		4,394	(5)	4,389	13,895	(905)	12,990
Income tax expense	(f)	(525)	2	(523)	(3,280)	279	(3,001)
Profit for the period		3,869	(3)	3,866	10,615	(626)	9,989
Attributable to:							
Equity holders of the parent	(g)	3,854	(3)	3,851	10,529	(626)	9,903
Minority interest		15	-	15	86	-	86
Profit for the period		3,869	(3)	3,866	10,615	(626)	9,989
Basic earnings per share from continuing operations (AUD)		5.19¢		5.19¢	14.04¢		13.21¢
Diluted earnings per share from continuing operations (AUD)		5.11¢		5.10¢	13.84¢		13.01¢