

19 February 2009

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

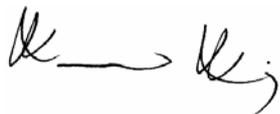
Dear Sir,

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

1. Details of reporting period – half year ended 31 December 2008.
2. Key Items
  - 2.1 Revenue from ordinary activities Up 1.62% to \$482.487m
  - 2.2 Profit from ordinary activities after tax attributable to members Down 45.33% to \$8.668m
  - 2.3 Profit for the period after tax attributable to members Down 45.33% to \$8.668m
  - 2.4 Interim dividend amount per security 4.5 cents  
Franked amount per security 100%
  - 2.5 Record date for determining dividend entitlements 27 February 2009
  - 2.6 Diluted Earnings per share 7.29 cents
3. Condensed consolidated interim income statement – attached.
4. Condensed consolidated interim statement of recognized income and expense – attached.
5. Condensed consolidated interim balance sheet – attached.
6. Condensed consolidated interim statement of cash flows and notes – attached.

7. Total dividend distribution - \$5,376,253.  
Dividend distribution date – 23 March 2009.
8. Dividend reinvestment plan – Watpac Limited Dividend Reinvestment Plan – the last date for receipt of election notices for the dividend reinvestment plan is 12 March 2009.
9. Statement of retained earnings – refer Note 12 of the financial statements.
10. Net tangible assets per security – \$1.58 per share.
11. Details of entities over which control has been gained or lost – refer Note 8 of the financial statements.
12. Details of associates and joint ventures – no major change from 30 June 2008 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**

A handwritten signature in black ink, appearing to read 'Ravin Raj', with a stylized flourish at the end.

Ravin Raj  
**COMPANY SECRETARY**

Enc.

media release

## WATPAC INTERIM PROFIT IN LINE WITH GUIDANCE

### Key Highlights:

- Contracting businesses remain strong with pre-tax segment contribution up 11.26% compared to prior year.
- Underlying after-tax profit of \$14.427 million (2007: \$15.856 million) before significant items.
- Core Debt renegotiated.
- Strong underlying cash flows and good liquidity in balance sheet.
- Recent acquisitions performing in line with expectations.
- Businesses well-positioned to take advantage when markets return to normal.
- Interim dividend of 4.5 cents fully franked.
- Record construction work in hand of \$1.112 billion.

One of Australia's leading construction and property companies, Watpac Limited (ASX:WTP), announced an after-tax profit for the half year to 31 December 2008 of \$8.668 million, compared to \$15.856 million in the previous corresponding period.

The half-year result was foreshadowed by the company through previous guidance and as flagged was impacted by a number of non-operating and non-cash significant items, including Net Realisable Value (NRV) adjustments to the property portfolio, and losses on sale and mark to market of share investments, which had the effect to reduce the operating result from \$14.427 million after tax to \$8.668 million.

Shareholders will receive an interim fully franked dividend of 4.5 cents per share for the half year to 31 December 2008.

The key indicators of the company's financial performance for the half year are:

	<b>2008</b> <b>(\$ million)</b>	<b>2007</b> <b>(\$ million)</b>	<b>%</b> <b>Variance</b>
Pre-tax Profit	9.761	22.644	-56.89
After-tax Profit	8.668	15.856	-45.33
Revenue	482.487	474.796	1.62

Kevin Seymour, Watpac Chairman, said this was a satisfactory performance within a difficult economic environment with the primary driver of the group's reduced profitability being the Property division resulting from the above NRV adjustments to the property portfolio, and the deferral of the sales program for a number of key sites in direct response to challenging market conditions.

Notwithstanding the above, the company's diversification strategy continues to work well for the group as the contracting division has produced strong underlying cash flows and contributed to the overall result, with the pre-tax segmental contribution increasing over the prior corresponding period.

Looking forward, the company has built substantial inventory across the group with a record construction workbook of approximately \$1.112 billion and property development assets of \$343.54 million.

"During the period, the company also completed its acquisition of the civil and mining business known as JMS Civil and Mining" Mr Seymour said.

This has been a sound investment in a business that is performing satisfactorily in the current financial climate and, the integration of the business is going to plan.

"This acquisition results in the company becoming truly national given that the JMS business has offices in Brisbane, Townsville, Adelaide and Perth.

"Apart from diversification from our core business, the acquisition of this business also creates the opportunity to explore selective construction and property opportunities outside our traditional eastern seaboard markets."

The balance sheet of the Group continues to remain resilient, reflected in the strong cash position.

In addition, the Group's financial and liquidity ratios are significantly improved as a consequence of the successful recent refinancing of the company's debt.

Balance sheet gearing is at a conservative gearing of 53% against the Group's property portfolio, which is recorded at the lower of cost or net realisable value in the balance sheet.

The Dividend Reinvestment Plan continues to remain operational.

Highlights of the results are:

Half year ended 31 December 2008	Current Half Year	Previous Half Year	Percentage Change %
Total Revenue (\$m)	482.487	474.796	1.62
Operating Profit Before Tax (\$m)	9.761	22.644	-56.89
Less Tax (\$m)	1.093	6.788	-83.89
Operating Profit After Tax (\$m)	8.668	15.856	-45.33
Profit after tax attributable to members (\$m)	8.668	15.856	-45.33
Earnings per Share (cents)	7.29	13.78	-47.09
Diluted Earnings per Share (cents)	7.29	13.33	-45.31
Interim Dividends per Share (cents)	4.50	8.5	-47.05
NTA per Share (cents)	158.0	145.89	8.30



K W Seymour  
CHAIRMAN

**For further information please contact  
Watpac Limited**

**Greg Kempton, Managing Director, Ph: (07) 3251 6300  
Ravin Raj, Company Secretary, Ph: (07) 3251 6300**

Watpac Limited  
31 December 2008  
Interim Financial Report

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# **WATPAC LIMITED AND ITS CONTROLLED ENTITIES**

## **Directors' Report**

The Directors present their report, together with the consolidated financial report for the half-year ended 31 December 2008 and the Review Report thereon.

### **Directors**

The Directors of the Company at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of directorship</b>
<b>Non-executive</b>	
Mr Kevin W Seymour (Chairman)	Director since 1996
Mr Richard B McGruther (Deputy Chairman)	Director since 1993
Mr Robert J Lette	Director since 1996
Mr David M Little	Director since 1985
Mr Anthony G Bellas	Appointed 5 December 2007

### **Executive**

Mr Gregory K Kempton (Managing Director)	Director since 2002
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### **Review of operations**

The profit after tax for the half-year is \$8.668m (2007: \$15.856m).

### **Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001**

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2008.

### **Rounding off**

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

Dated at Brisbane this 19<sup>th</sup> of February 2009.

Signed in accordance with a resolution of the Directors.

**R B McGruther** – Deputy Chairman

**G K Kempton** – Managing Director



## **LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Watpac Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Warren Austin  
*Partner*

Brisbane  
19 February 2009

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Consolidated interim income statement**  
**For the six months ended 31 December 2008**

*In thousands of AUD*

	Notes	31 December 2008	31 December 2007 (restated*)
Revenue		482,487	474,796
Cost of sales		(440,107)	(439,285)
<b>Gross profit</b>		42,380	35,511
Other income		2,227	2,659
Administrative expenses		(21,256)	(10,754)
Writedown of property development inventory	9	(4,251)	-
Other expenses		(6,495)	(5,385)
<b>Results from operating activities</b>		12,605	22,031
Finance income	11	5,352	4,290
Finance expenses	11	(7,263)	(3,220)
<b>Net finance income</b>		(1,911)	1,070
Share of profit of equity accounted investees, net of income tax		(933)	(457)
<b>Profit before tax</b>		9,761	22,644
Income tax expense	6	(1,093)	(6,788)
<b>Profit for the period attributable to equity holders of the parent</b>		8,668	15,856
Basic earnings per share attributable to ordinary equity holders		7.29¢	13.78¢
Diluted earnings per share attributable to ordinary equity holders		7.29¢	13.33¢

\* see change in accounting policy Note 3

The condensed notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Consolidated interim statement of recognised income and expense**  
**For the six months ended 31 December 2008**

*In thousands of AUD*

	31 December 2008	31 December 2007 (restated*)
Net change in fair value of available-for-sale financial assets	-	(1,741)
Net change in fair value of available-for-sale financial assets transferred to profit and loss	(27)	-
Effective portion of changes in fair value of cash flow hedges	(336)	-
Adjustment on consolidation of subsidiary	262	-
<b>Income and expense recognised directly in equity</b>	<b>(101)</b>	<b>(1,741)</b>
<b>Profit for the period</b>	<b>8,668</b>	<b>15,856</b>
<b>Total recognised income and expense for the period attributable to equityholders of the parent</b>	<b>8,567</b>	<b>14,115</b>

Other movements in equity arising from transactions with owners as owners are set out in Note 12. The amounts recognised directly in equity are disclosed net of tax.

\* see change in accounting policy Note 3

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Consolidated interim balance sheet**  
**As at 31 December 2008**

*In thousands of AUD*

	Notes	31 December 2008	30 June 2008 (restated*)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		110,021	116,837
Trade and other receivables		83,424	85,229
Inventories		150,830	167,522
<b>Total current assets</b>		<b>344,275</b>	<b>369,588</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	34,065	11,722
Inventories		200,992	165,224
Intangibles	8	25,522	17,791
Investments in equity accounted investees		9,139	9,222
Other Investments		3,130	10,531
Deferred tax assets		-	1,504
<b>Total non-current assets</b>		<b>272,848</b>	<b>215,994</b>
<b>Total assets</b>		<b>617,123</b>	<b>585,582</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		205,531	171,438
Interest-bearing loans and borrowings		73,132	141,151
Employee benefits		7,505	5,788
Income tax payable		725	8,369
<b>Total current liabilities</b>		<b>286,893</b>	<b>326,746</b>
<b>Non-current liabilities</b>			
Trade and other payables		2,169	2,493
Interest-bearing loans and borrowings		112,182	36,760
Employee benefits		1,173	780
Provisions		513	488
Deferred tax liabilities		311	-
<b>Total non-current liabilities</b>		<b>116,348</b>	<b>40,521</b>
<b>Total liabilities</b>		<b>403,241</b>	<b>367,267</b>
<b>Net assets</b>		<b>213,882</b>	<b>218,315</b>
<b>Equity</b>			
Issued capital		164,923	161,950
Reserves		(336)	27
Retained earnings		49,295	56,338
<b>Total equity</b>	12	<b>213,882</b>	<b>218,315</b>

\* see change in accounting policy Note 3

The condensed notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Consolidated interim statement of cash flows**  
**For the six months ended 31 December 2008**

*In thousands of AUD*

	Notes	31 December 2008	31 December 2007 (restated*)
<b>Cash flows from operating activities</b>			
Cash receipts from customers		505,270	546,130
Cash paid to suppliers and employees		(479,603)	(543,546)
Cash generated from operations		25,667	2,584
Interest received		3,760	4,070
Interest paid		(3,733)	(8,380)
Income taxes paid		(11,733)	(11,231)
<b>Net cash used in operating activities</b>		<b>13,961</b>	<b>(12,957)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(1,546)	(4,358)
Proceeds from the sale of property, plant and equipment		3,379	240
Proceeds from sale of investments		1,159	-
Dividend received		541	236
Acquisition of subsidiary	8	(18,224)	(11,340)
Acquisition of other investments		-	(865)
Loan to associate		-	(2,940)
<b>Net cash used in investing activities</b>		<b>(14,691)</b>	<b>(19,027)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		17,478	38,577
Repayment of borrowings		(10,074)	(25,243)
Dividends paid		(13,490)	(9,774)
Proceeds from issue of share capital		-	58,105
Proceeds from exercise of share options		-	61
<b>Net cash from financing activities</b>		<b>(6,086)</b>	<b>61,726</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,816)</b>	<b>29,742</b>
<b>Cash and cash equivalents at 1 July</b>		<b>116,837</b>	<b>69,581</b>
<b>Cash and cash equivalents at 31 December</b>		<b>110,021</b>	<b>99,323</b>

\* see change in accounting policy Note 3

The condensed notes on pages 8 to 13 are an integral part of these consolidated interim financial statements.

# **WATPAC LIMITED AND ITS CONTROLLED ENTITIES**

## **Condensed notes to the consolidated interim financial statements**

### **1. Reporting entity**

Watpac Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at 1<sup>st</sup> Floor, 1024 Ann Street, Fortitude Valley, QLD 4006 or at [www.watpac.com.au](http://www.watpac.com.au).

### **2. Statement of compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on the 19<sup>th</sup> of February 2009.

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.

### **3. Change in accounting policy – Joint Venture entities**

The Group has elected to change the policy it applies when accounting for interests in joint venture entities. Historically, the Group has proportionately consolidated its share of the assets, liabilities, revenues and expenses of joint venture entities as permitted by AASB 131 *"Interest in Joint Ventures"* ("AASB 131"). The Group has now elected to equity account those investments as permitted by AASB 131. The Company believes this provides more reliable and relevant information to users of the Group's financial statements as the Group's assets, liabilities, revenues and expenses will only reflect the transactions applicable to its core businesses of construction and property development.

The effect of this change in accounting policy is a deconsolidation of gross assets and liabilities that relate to joint venture entities and the recognition of the Group's investment in those vehicles as a single line in the balance sheet and its share of the joint venture entity profit or loss as a single line in the income statement. The group's share of assets, liabilities, revenues and expenses applicable to joint venture entities will continue to be disclosed as a note in the full year financial report.

The change in accounting policy has been applied retrospectively from 1 July 2007. No adjustment was required against retained earnings as at 1 July 2007. This change will not impact the recognition of the company's share of net profit or loss realised by joint venture entities moving forward. Previously reported basic and diluted earnings per share have not been affected. The impact of this change in accounting policy is not material to the financial statement overall.

### **4. Significant accounting policies**

Other than as outlined in Note 3 above, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

### **5. Estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Condensed notes to the consolidated interim financial statements**

**6. Income tax expense**

The Group's effective tax rate in respect of continuing operations for the six months ended 31 December 2008 is 11% (for the six months ended 31 December 2007: 30%). This tax rate is consistent with management's estimate of the effective tax rate that will be applicable for the full year to 30 June 2009 as it reflects:

- (i) A revision to management's estimate of the tax implications to the Watpac consolidated group arising from the acquisition of the JA Dodd group of companies ("JA Dodd") on 1 July 2007.

In November 2008, the Group completed the tax consolidation calculations required to include JA Dodd as part of the Watpac tax consolidated group. These calculations resulted in the resetting of the tax cost bases of certain assets and the reversal of deferred tax liabilities which will no longer crystallize to the group.

These adjustments could not have been identified prior to completion of these detailed calculations and the resulting tax benefits to the Watpac tax consolidated group were not recognised in prior periods. This benefit has been recognised as a credit to income tax expense in the six months ended 31 December 2008.

- (ii) Taxation benefits arising to the Group in the current year as a consequence of participating in the Research and Development ("R&D") tax concession regime. The Group generates additional tax deductions in respect of costs it incurs on projects where significant levels of design and building innovation are delivered. These taxation benefits are brought to account when they are capable of reliable estimation.

**7. Segment reporting**

**For six months ended 31 December 2008**

<i>In thousands of AUD</i>	<b>Construction and Contracting</b>		<b>Property</b>		<b>Elimination</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>(restated*)</b>		<b>(restated*)</b>		<b>(restated*)</b>		<b>(restated*)</b>
Segment revenue	492,729	436,605	11,655	43,227	(21,897)	(5,036)	482,487	474,796
Unallocated income							-	5,769
							482,487	480,565
Segment result	24,080	21,642	(8,312)	2,143	(1,066)	609	14,702	24,394
Unallocated expenses							(2,097)	(2,363)
Results from operating activities							12,605	22,031
Share of loss of equity accounted investees							(933)	(457)
Net financing income							(1,911)	1,070
Income tax expense							(1,093)	(6,788)
Profit for the period							8,668	15,856

\* see change in accounting policy Note 3

The Group comprises the following main business segments:

- Construction and Contracting: Building, refurbishment, project management and construction management, civil and mining management.
- Property: Development of commercial, retail, industrial and residential properties.

The Group's business segments operate wholly in Australia.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Condensed notes to the consolidated interim financial statements**

**8. Acquisition of subsidiary**

Effective 1 July 2008, the Group acquired 100% of the issued capital of JMS Civil and Mining Pty Ltd, an Australia-wide civil construction and mining contracting company for \$20 million cash consideration with certain earnout arrangements.

The acquisition has the following effect on the Group's assets and liabilities.

<i>In thousands of AUD</i>	<b>Recognised values on acquisition</b>	<b>Fair value adjustments</b>	<b>Pre- acquisition carrying amount</b>
Property, plant and equipment	27,838	-	27,838
Inventories	520	-	520
Trade and other receivables	18,677	-	18,677
Cash and cash equivalents	1,992	-	1,992
Deferred tax assets	1,392	-	1,392
Loans and borrowings	(15,085)	-	(15,085)
Employee benefits	(1,210)	-	(1,210)
Provisions	(4,102)	(4,000)	(102)
Income tax payable	(2,885)	-	(2,885)
Deferred tax liabilities	(1,946)	2,669	(4,615)
Trade and other payables	(12,704)	-	(12,704)
Net identifiable assets and liabilities	12,487	(1,331)	13,818
Goodwill on acquisition	7,729		
Consideration paid, satisfied in cash	20,216		
Cash acquired	(1,992)		
Net cash outflow	18,224		

Additional consideration up to the value of \$4 million is payable to the vendors subject to the business realising profits in excess of pre-agreed earnings levels over the next three years. The Group has not accounted for this contingent consideration from the date of acquisition as it is uncertain that these earnings hurdles will be achieved.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business' workforce, and the synergies expected to be achieved from integrating the company into the Group's existing construction business.

At 31 December 2008 the acquisition accounting balances are provisional due to ongoing work in finalising values and tax related matters which may impact on acquisition accounting entries.

For the six-month period to 31 December 2008, JMS Civil and Mining Pty Ltd contributed approximately \$1.5M of pre-tax accounting profits.

**9. Write-down of inventory**

In light of market conditions, the directors have reviewed the carrying value of the Group's property development assets and where necessary have written-down book values to net realisable amounts, assessed with reference to the best available information and in consideration of the Group's strategy as to whether it intends to develop these assets or sell them on an "as-is" basis.

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Condensed notes to the consolidated interim financial statements**

**10. Property, plant and equipment**

**Acquisition and disposals**

During the six months ended 31 December 2008 the Group acquired assets with a cost of \$1,546,000 (six months ended 31 December 2007: \$5,821,000). \$27,838,000 in assets was separately acquired through the acquisition of the JMS Civil & Mining group effective 1 July 2008.

Assets with a carrying amount of \$3,335,000 were disposed of during the six months ended 31 December 2008 (six months ended 31 December 2007: \$158,000), resulting in a gain on disposal of \$44,000 (six months ended 31 December 2007: gain of \$82,000), which is included in "other income".

**11. Finance Income and expenses**

*In thousands of AUD*

	<b>31 December 2008</b>	<b>31 December 2007 (restated*)</b>
Interest income	3,760	4,054
Dividend income - other parties	541	236
Unrealised gain on revaluation of foreign denominated loan receivable	1,051	-
<b>Finance Income</b>	<b>5,352</b>	<b>4,290</b>
Interest expense on financial liabilities measured at amortised cost	(2,370)	(3,220)
Net loss on disposal of available-for-sale financial assets	(1,363)	-
Impairment of available-for-sale financial assets	(3,530)	-
<b>Finance Expenses</b>	<b>(7,263)</b>	<b>(3,220)</b>

\* see change in accounting policy Note 3

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Condensed notes to the consolidated interim financial statements**

**12. Capital and reserves**

**Reconciliation of movement in capital and reserves**

<i>In thousands of AUD</i>	Attributable to equity holders of the parent				Total
	Share capital	Hedging reserve	Fair value reserve	Retained earnings	
Balance at 1 July 2007	95,653	-	5,216	39,407	140,276
Total recognised income and expenses	-	-	(1,741)	15,856	14,115
Shares issued under dividend reinvestment plan	2,396	-	-	-	2,396
Tax exempt shares issued to employees	60	-	-	-	60
Share options exercised by employees	61	-	-	-	61
Share issued under rights issue	59,605	-	-	-	59,605
Share based payments	1,319	-	-	-	1,319
Dividends to shareholders	-	-	-	(12,169)	(12,169)
<b>Balance at 31 December 2007</b>	<b>159,094</b>	<b>-</b>	<b>3,475</b>	<b>43,094</b>	<b>205,663</b>
Balance at 1 July 2008	161,950	-	27	56,338	218,315
Adjustment on consolidation of subsidiary	-	-	-	262	262
<b>Adjusted balance at 1 July 2008</b>	<b>161,950</b>	<b>-</b>	<b>27</b>	<b>56,600</b>	<b>218,577</b>
Total recognised income and expenses	-	-	(27)	8,668	8,641
Share of reserves of equity accounted investees	-	(336)	-	-	(336)
Shares issued under dividend reinvestment plan	2,513	-	-	-	2,513
Tax exempt shares issued to employees	48	-	-	-	48
Share based payments	412	-	-	-	412
Dividends to shareholders	-	-	-	(15,973)	(15,973)
<b>Balance at 31 December 2008</b>	<b>164,923</b>	<b>(336)</b>	<b>-</b>	<b>49,295</b>	<b>213,882</b>

**WATPAC LIMITED AND ITS CONTROLLED ENTITIES**  
**Condensed notes to the consolidated interim financial statements**

**12. Capital and reserves (continued)**

**Dividends**

The following dividends were declared and paid by the Group:

**For the six months ended 31 December 2008**

*In thousands of AUD*

30 September 2008: \$0.135 per qualifying ordinary share  
fully franked (28 September 2007:\$0.11 fully franked)

	2008	2007
	15,973	12,169
	15,973	12,169

**13. Related parties**

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2008 annual financial report.

**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 4 to 13 are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2008 and of its performance for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *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 19th day of February 2009.

Signed in accordance with a resolution of the Directors.

**R B McGruther** – Deputy Chairman

**G K Kempton** – Managing Director

# **WATPAC LIMITED AND ITS CONTROLLED ENTITIES**

## **Independent auditor's review report to the members of Watpac Limited**

### **Independent auditor's review report to the members of Watpac Limited**

We have reviewed the accompanying interim financial report of Watpac Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and statement of cash flows for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Watpac Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Watpac Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Warren Austin  
*Partner*

Brisbane  
19 February 2009