media release

WATPAC LIMITED

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23 February 2010

WATPAC LIMITED REPORTS SOLID HALF-YEAR RESULT

Watpac Limited (ASX: WTP) has announced a solid after-tax profit for the half year to 31 December 2009 of $10.45 million up 20.65% on the previous corresponding period. The company has realised continued strong growth to its revenue base and the contracting business has performed in line with management's expectations.

The Company continues to apply a conservative approach to asset values and has elected to expense all holding costs, including interest ($5.3M) on its property development assets during the 6-month period, except for those in the construction phase. Under normal market conditions, the company would capitalise these costs into the carrying value of its property assets, but in light of continued uncertainty in the property sector the Board considers it more prudent to hold asset values at historical levels. The company expects to apply this treatment moving forward until a significant improvement in sector asset values is observed.

Kevin Seymour, Watpac Chairman, said "This as a good result in light of continued challenging trading conditions in the market. The contracting business again was a major contributor to the group's profitability at the half".

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

	Current Half-Year	Previous Half-Year	% Variance
Revenue ($ million)	617,782	482,487	28.04%
Pre-tax profit ($ million)	14,064	9,761	44.08%
After-tax profit ($ million)	10,458	8,668	20.65%
Earnings per share (cents)	6.69	6.76	(0.07)
Interim dividend per share (cents)	4.50	4.50	-
NTA per share (dollars)	1.46	1.58	(0.12)

"The business remains in excellent financial condition and the Company expects to report a solid profit result for the full year." Mr Seymour said. "The current business strategy has positioned the company to take advantage of economic recovery across a range of geographies and business segments and will lead to long-term sustained growth."

To that end, the Board continues its trend of returning value to shareholders through a fully franked dividend of 4.5 cents per share for the six-month period.

The dividend reinvestment plan remains in place.

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Operational Performance - Contracting

Work in hand in the contracting business remained at strong levels in excess of $1 billion.

Mr Greg Kempton, Managing Director, said management remains focussed on ensuring carried-forward work volumes will be maintained.

"In the construction industry, we have a number of landmark projects currently underway, including the $126 million Cararra Stadium redevelopment on the Gold Coast, the $62 million RMIT Design Hub in Melbourne, and the $80 million Cochlear Global Headquarters project in Sydney. These projects are indicative of the size and scope of the work being achieved by our Construction and Specialty Services divisions, which continue to provide the backbone to the Company's success."

"Profitability from delivery of that work is expected to be good, however market conditions remain competitive and there is continued pressure on margins in forward work." he said.

"Our strategy to invest in the company's Civil & Mining business is generating acceptable returns and allowing us to capture revenue from other parts of the value chain. Further government investment in social infrastructure and recovery in the mining sector means business is well positioned to deliver sustained growth in revenue and profitability." Mr Kempton said.

Projects currently underway through Watpac Civil & Mining include the $40 million Douglas and Echo Mines project in Victoria for Iluka Resources, the $15 million Brightstar Gold Mine project in Western Australia for A1 Minerals, and the $11.6 million Australian Gardens Cranbourne Stage 2 project for the Royal Botanic Gardens in Melbourne.

Operational Performance - Property

In response to uncertainty concerning when conditions in the property sector will improve, the Board continues to apply a conservative accounting policy in respect of property values and has not capitalised any further development costs into projects since 30 June 2009, except where assets are under construction. Although these costs are classified as impairment charges in the statutory accounts, they do not constitute deterioration in asset values since 30 June 2009. There is no impairment to asset values recognised in the six months to 31 December 2009 and based on current market conditions, management does not expect further asset write-downs.

Watpac's Property division recently completed their 8 Australia Avenue project in Sydney Olympic Park, with all office space successfully leased two months prior to practical completion.

In addition, the division's Coolum Beach Retail project on the Sunshine Coast was completed in late 2009, and continues to attract prime tenants.

Corporate

The Group's primary financier has refinanced the Group's borrowing facilities for a further three years. The balance sheet is strong, with excellent cash reserves and conservative gearing.

"In accordance with our previous statements, we are applying the capital raising proceeds in accelerating property development activities and driving growth in our Civil & Mining contracting business," Mr Kempton said.

"Subsequent to the capital raising completed in October 2009, the company has enjoyed continued strong support from its expanded investor base, in particular institutional investors."

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Outlook

Mr Kempton said Watpac's management remains conscious of the continued underlying volatility in both the building business and the property business as the economy responds to the Government's fiscal initiatives and to changing conditions in key global markets.

"Forward work at acceptable margins in the contracting business and increased activity in the property sector requires the level of private sector investment in Australia to improve."

"We are cautiously optimistic that we are seeing signs of self-sustaining economic recovery, however we do not expect these to be fully realised until the 2011 financial year."

Mr Seymour said, "On this basis, the Board conservatively estimates the full-year earnings outlook for the Group to be in the range of $25 to $30 million after tax. This will be a significant improvement on the after-tax result in the prior year of $11.2 million, which was impacted by asset write-downs".

For further information, please contact:

Name:	**Greg Kempton**
Title:	**Managing Director**
Contact:	**07 3251 6327**

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23 February 2010

The Manager
Company Announcements Office
10th Floor
20 Bond Street
SYDNEY NSW 2001

Dear Sir

RE: Notification in Accordance with Listing Rule 4.2A.3

1. Reporting period: Half year ended 31 December 2009.

2. Results for announcement to the market:

2.1	Revenue from ordinary activities	Up 28.04% to $617.782m
2.2	Profit from ordinary activities after tax attributable to members	Up 20.65% to $10.458m
2.3	Net profit for the period attributable to members	Up 20.65% to $10.458m
2.4	Interim dividend amount per security Franked amount per security	4.5 cents 100%
2.5	Record date for determining dividend Entitlements	3 March 2010
2.6	Basic earnings per share Diluted earnings per share	6.69 cents 6.69 cents

2.7 A brief explanation of figures in 2.1 to 2.6
Refer to ASX media release on 23 February 2010 accompanying this statement

3. Net tangible assets per security – 2009 145.6 cents
Net tangible assets per security – 2008 157.7 cents

4. There are no entities over which control has been gained or lost for the half year ended 31 December 2009.

5. Total dividend distribution - $8,093,504
Dividend distribution date – 1 April 2010

6. Dividend reinvestment plan
Watpac Limited Dividend Reinvestment Plan – a discount of 5% applies. The last date for the receipt of an election notice for participation in the plan is 17 March 2010.

7. Details of associates and joint ventures
No material changes from 30 June 2009 financial statements.

8. Foreign entities – not applicable.

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

Yours sincerely
Watpac Limited

Douglas McAlpine
Company Secretary

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Watpac Limited
31 December 2009
Interim Financial Report

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Contents

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 2009 and the Review Report thereon.

Directors

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

Name	Period of directorship
Non-executive	
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	Director since 2007
Executive	
Mr Gregory K Kempton (Managing Director)	Director since 2002

Review of operations

The profit after tax for the half-year is $10.458m (2008: $8.668m).

Lead auditor's independence declaration

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 2009.

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 23rd of February 2010.

Signed in accordance with a resolution of the Directors.

K W Seymour – Chairman

G K Kempton – Managing Director

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KPMG

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 2009 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

KPMG

Jason Adams
Partner

Brisbane
23 February 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Consolidated balance sheet
As at 31 December 2009

In thousands of AUD	Notes	31 December 2009	30 June 2009
ASSETS			
Current assets			
Cash and cash equivalents		193,702	132,139
Trade and other receivables		86,239	92,174
Inventories	8	118,962	151,225
Current tax receivable		9,046	10,449
Total current assets		407,949	385,987
Non-current assets			
Property, plant and equipment		28,180	26,060
Inventories	8	261,673	215,707
Intangibles	7	27,698	27,698
Investments in equity accounted investees		5,597	5,797
Other investments		4,555	3,889
Deferred tax assets		4,684	6,428
Total non-current assets		332,387	285,579
Total assets		740,336	671,566
LIABILITIES			
Current liabilities			
Trade and other payables		262,465	256,948
Interest-bearing loans and borrowings		55,388	74,532
Employee benefits		8,488	7,245
Provisions		381	1,500
Total current liabilities		326,722	340,225
Non-current liabilities			
Trade and other payables		2,977	2,050
Interest-bearing loans and borrowings		118,245	114,340
Employee benefits		2,222	1,699
Provisions		572	547
Total non-current liabilities		124,016	118,636
Total liabilities		450,738	458,861
Net assets		289,598	212,705
Equity			
Issued capital	10	238,531	165,582
Reserves		1,299	581
Retained earnings		49,768	46,542
Total equity		289,598	212,705

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Consolidated statement of comprehensive income
For the six months ended 31 December 2009

In thousands of AUD	Notes	2009	2008
Revenue		617,782	482,487
Cost of sales		(576,100)	(440,107)
Gross profit		41,682	42,380
Other income		4,425	2,227
Administrative expenses		(19,910)	(21,362)
Writedown of property development inventory	8	(5,334)	(4,251)
Rent and property costs		(3,535)	(4,293)
Head office and corporate costs		(3,657)	(2,096)
Results from operating activities		13,671	12,605
Finance income	9	2,101	5,352
Finance expenses	9	(1,397)	(7,263)
Net finance income/(expense)		704	(1,911)
Share of profit of equity accounted investees, net of income tax		(311)	(933)
Profit before tax		14,064	9,761
Income tax expense	5	(3,606)	(1,093)
Profit for the period attributable to equity holders of the parent		10,458	8,668
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		608	-
Net change in fair value of available-for-sale financial assets transferred to profit and loss		-	(27)
Share of reserves of equity accounted investees		110	(336)
Adjustment on consolidation of subsidiary		-	262
Other comprehensive income for the period, net of income tax		718	(101)
Total comprehensive income for the period attributable to equity holders of the parent		11,176	8,567
Basic earnings per share attributable to ordinary equity holders		6.69¢	6.76¢
Diluted earnings per share attributable to ordinary equity holders		6.69¢	6.76¢

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WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Consolidated statement of changes in equity
For the six months ended 31 December 2009

In thousands of AUD	31 December 2008					31 December 2009				
	Share capital	Hedging reserve	Fair value reserve	Retained earnings	Total	Share capital	Hedging reserve	Fair value reserve	Retained earnings	Total
Balance at 1 July	161,950	-	27	56,338	218,315	165,582	(110)	691	46,542	212,705
Total comprehensive income for the period										
Profit or loss	-	-	-	8,668	8,668	-	-	-	10,458	10,458
Other comprehensive income										
Share of reserves of equity accounted investees	-	(336)	-	-	(336)	-	110	-	-	110
Net change in value of avaliable-for-sale financial assets	-	-	(27)	-	(27)	-	-	608	-	608
Adjustment on consolidation of subsidiary	-	-	-	262	262	-	-	-	-	-
Total other comprehensive income	-	(336)	(27)	262	(101)	-	110	608	-	718
Total comprehensive income for the period	-	(336)	(27)	8,930	8,567	-	110	608	10,458	11,176
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends to equity holders	-	-	-	(15,973)	(15,973)	-	-	-	(7,232)	(7,232)
Shares issued	-	-	-	-	-	73,189	-	-	-	73,189
Transaction costs on share issue net of tax	-	-	-	-	-	(1,773)	-	-	-	(1,773)
Share-based payments	412	-	-	-	412	254	-	-	-	254
Tax exempt shares issued to employees	48	-	-	-	48	-	-	-	-	-
Shares issued under dividend reinvestment plan	2,513	-	-	-	2,513	1,279	-	-	-	1,279
Total contributions by and distributions to owners	2,973	-	-	(15,973)	(13,000)	72,949	-	-	(7,232)	65,717
Total transactions with owners	2,973	-	-	(15,973)	(13,000)	72,949	-	-	(7,232)	65,717
Balance at 31 December	164,923	(336)	-	49,295	213,882	238,531	-	1,299	49,768	289,598

WATPAC LIMITED AND ITS CONTROLLED ENTITIES
Consolidated statement of cash flows
For the six months ended 31 December 2009

In thousands of AUD	Notes	2009	2008
Cash flows from operating activities			
Cash receipts from customers		700,713	556,135
Cash paid to suppliers and employees		(678,330)	(530,468)
Cash generated from operations		22,383	25,667
Interest received		2,101	3,760
Interest paid		(7,973)	(3,733)
Income taxes refunded/(paid)		18	(11,733)
Net cash provided by operating activities		16,529	13,961
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,268)	(1,546)
Proceeds from sale of property, plant and equipment		992	3,379
Proceeds from sale of investments		173	1,159
Dividend received		138	541
Acquisition of subsidiary	7	-	(18,224)
Net cash used in investing activities		(2,965)	(14,691)
Cash flows from financing activities			
Proceeds from borrowings		-	17,478
Repayment of borrowings		(16,704)	(10,074)
Dividends paid		(5,953)	(13,490)
Proceeds from issue of share capital net of transaction costs		70,656	-
Net cash from/(used in) financing activities		47,999	(6,086)
Net increase/(decrease) in cash and cash equivalents		61,563	(6,816)
Cash and cash equivalents at 1 July		132,139	116,837
Cash and cash equivalents at 31 December		193,702	110,021

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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 2009 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 2009 is available upon request from the Company's registered office at 1st Floor, 1024 Ann Street, Fortitude Valley, QLD 4006 or at www.watpac.com.au .

2. Statement of compliance

These consolidated interim financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2009.

These consolidated interim financial statements were approved by the Board of Directors on 23rd February 2009.

3. Significant accounting policies

Except as described below, 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 2009.

(a) Change in accounting policy

(i) Accounting for business combinations
The Group has adopted AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then a part of the market-based measure of the replacement awards is included in the consideration transferred. If future services are required, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

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3. Significant accounting policies (continued)

(ii) Determination and presentation of operating segments
As of 1 July 2009, the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate cash balances;
- Investments in equity accounted associates;
- Available for sale investments;
- Income tax assets and liabilities; and
- Head office expenses.

(iii) Presentation of financial statements
The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six month period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iv) AASB Interpretation 15 Arrangements for the Construction of Real Estate
This Interpretation provides guidance on determining when an agreement falls within the scope of AASB 111 *Construction Contracts* or AASB 118 *Revenue*, which determines when the revenue from the construction of real estate should be recognised. The Group's previous policy was to recognise all property development sales in accordance with AASB 118. Under this standard, revenues are recognised when they can be reliably measured and when all risks and rewards of ownership or legal title are transferred to the buyer. Under AASB 111, revenue is recognised in the income statement in proportion to the stage of completion of the contract.

As a result of the adoption of this Interpretation, the Group's current policy is to assess the features of each sale contract.

An agreement for the construction of real estate will be accounted for under AASB 111 using the stage of completion method when the buyer is able to specify:

- The major structural elements of the design of the real estate before construction begins; and/or
- Major structural changes once construction is in progress

An agreement for the construction of real estate will be accounted for under AASB 118 when construction takes place independently of the agreement and buyers have only limited ability to influence the design of the real estate.

The change in accounting policy was applied retrospectively and had no material impact on assets, profit or earnings per share in the interim period ended 31 December 2009 or the comparative period.

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4. 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 2009.

5. Income tax expense

The Group's effective tax rate in respect of continuing operations for the six months ended 31 December 2009 is 25.6% (for the six months ended 31 December 2008: 11%). 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 2010 as it reflects 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.

The prior period effective tax rate reflects 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 was recognised as a credit to income tax expense in the six months ended 31 December 2008.

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6. Operating Segments

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units are identified by management based on the manner in which the product is sold and the nature of the services provided.

For each of the strategic business units, the Managing Director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Construction and contracting:* Building, refurbishment, project management and construction management, civil and mining management.
- *Property*: Development of commercial and residential properties.

Information about reportable segments
For the six months ended 31 December

	Construction & Contracting		Property		Total	
In thousands of AUD	2009	2008	2009	2008	2009	2008
External revenues	600,220	470,832	17,562	11,655	617,782	482,487
Inter-segment revenue	43,167	21,897	-	-	43,167	21,897
Reportable segment profit/(loss) before income tax	28,261	26,460	(8,556)	(8,797)	19,705	17,663
Reportable segment assets	276,687	250,265	381,252	346,800	657,939	597,065

Reconciliation of reportable segment profit or loss

In thousands of AUD	31 December 2009	31 December 2008
Total profit or loss for reportable segments	19,705	17,663
Elimination of inter-segment profits	(989)	(1,067)
Unallocated amounts:		
Other corporate expenses	(5,047)	(6,994)
Corporate finance income	706	1,092
Share of profit of equity accounted investees	(311)	(933)
Consolidated profit before income tax	14,064	9,761

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7. Acquisition of subsidiary

There have been no acquisitions in the half-year ended 31 December 2009.

During the half-year ended 31 December 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 had the following effect on the Group's assets and liabilities.

In thousands of AUD	Recognised values on acquisition	Fair value adjustments	Pre-acquisition carrying amount
Property, plant and equipment	22,268	(5,570)	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)	-	(4,102)
Income tax payable	353	3,238	(2,885)
Deferred tax liabilities	(1,907)	2,708	(4,615)
Trade and other payables	(12,704)	-	(12,704)
Net identifiable assets and liabilities	10,194	376	9,818
Goodwill on acquisition	10,022		
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 and contracting business.

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

8. Write-down of inventory

The Group's existing policy is to capitalise interest and holding costs of property development assets. In light of difficult property market conditions the Group has adopted a highly conservative approach of writing off all holding costs and interest as incurred. This has the effect of holding the cost base of these assets to a level consistent with 30 June 2009 values. An exception to this is assets in the construction phase where capitalised costs are carried forward as underlying value is being created.

As a consequence of the Group's accounting policy to initially capitalise costs, the write off of interest and holding costs is shown as an impairment to asset carrying values.

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9. Finance Income and expenses

In thousands of AUD	31 December 2009	31 December 2008
Interest income	1,963	3,760
Dividend income - other parties	138	541
Unrealised gain on revaluation of foreign denominated loan receivable	-	1,051
Finance Income	2,101	5,352
Interest expense on financial liabilities measured at amortised cost	(1,397)	(2,370)
Net loss on disposal of available-for-sale financial assets	-	(1,363)
Impairment of available-for-sale financial assets	-	(3,530)
Finance Expenses	(1,397)	(7,263)

10. Issued Capital

Issuance of ordinary shares

During the half-year, the Company undertook an equity raising, which resulted in the following share issuances:

- 18,085,276 ordinary shares were issued to institutional investors as part of a private placement. Shares were issued at $1.25 per share.
- 40,465,851 ordinary shares were issued to existing shareholders through participation in a share purchase plan. Shares were issued at $1.25 per share.

Additionally, 736,002 ordinary shares were issued as part of the dividend reinvestment plan. Shares were issued at $1.74 per share.

All issued shares are fully paid.

Dividends

The following dividends were declared and paid by the Group:

For the six months ended 31 December

In thousands of AUD	2009	2008
29 September 2009: $0.06 per qualifying ordinary share fully franked (30 September 2008: $0.135 fully franked)	7,232	15,973
	7,232	15,973

11. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2009 annual financial report.

12. Capital Commitments

At 31 December 2009 the Group had commitments of $13,050,000 (2008: nil) relating principally to the acquisition of new machinery.

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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 14 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 2009 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 23rd day of February 2010.

Signed in accordance with a resolution of the Directors.

K W Seymour – Chairman

G K Kempton – Managing Director

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Watpac Limited, which comprises the consolidated balance sheet as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on page 15 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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 half-year 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 half-year 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 2009 and its performance for the half-year 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 a half-year 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 half-year 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 2009 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*.

KPMG

KPMG

Jason Adams
Partner

Brisbane
23 February 2010

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