WATPAC LIMITED
ABN: 98 010 562 562

1024 Ann Street
PO Box 2053, Fortitude Valley
Queensland 4006 Australia

Phone: 07 3251 6300
Fax: 07 3251 6393
Web: www.watpac.com.au

23 August 2005

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

Dear Sir,

RE: Notification in Accordance with Listing Rule 4.3a

1. Details of reporting period – year ended 30 June 2005

2. Key Items

2.1	Revenue from ordinary activities	Up 46.9% to $414,059K
2.2	Profit from ordinary activities after tax attributable to members	Up 18.39% to $10,529K
2.3	Profit for the period after tax attributable to members	Up 18.39% to $10,529k
2.4	Final dividend amount per security Franked amount per security	6.0 cents 100%
2.5	Record date for determining dividend entitlements	9/09/05
2.6	Earnings per share	14.04 cents

3. Statement of financial performance and notes – attached

4. Statement of financial position and notes – attached

5. Statement of cash flows and notes – attached

6. Total dividend distribution - $4,580,148
   Dividend distribution date - 30/09/05

7. Dividend reinvestment plan – Watpac Limited Dividend Reinvestment Plan – the last date for receipt of election notices for the dividend reinvestment plan is 16 September 2005.

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

9. Net tangible assets per security – 53.12 cents per share

10. Details of entities over which control has been gained or lost – nil

11. Details of associates and joint ventures – refer Note 32 of the financial statements

12. Any other significant information – nil

13. Foreign entities – not applicable

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

15. The financial statements have been audited and are not the subject of dispute or qualification.

Yours sincerely,
WATPAC LIMITED

Ravin Raj
COMPANY SECRETARY

Enc.

RR:mah:300605AnnResults

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23 August 2005

MEDIA RELEASE

Watpac posts record profit

Watpac Limited (ASX:WTP) today announced an 18.87% increase in the company's pre-tax profit, a record for the company, which rose to $13.809 million (2004: $11.616 million) on the back of increased contributions from property development activities.

After-tax profit for the year ended 30 June 2005, was $10.529 million (2004: $8.893 million).

Overall, revenue increased from $281.81 million in 2004 to $414 million in 2005.

A fully franked final dividend of 6.0 cents per share has been declared (2004:4.0 cents per share fully franked) payable on 30 September 2005. Consequently, the total dividend for the 2005 year is 8.5 cents per share compared to 7.0 cents in the prior year, an increase of 21.4%.

The Dividend Reinvestment Plan continues to remain operational.

Watpac Chairman, Mr Kevin Seymour said the results were outstanding and benefited from the company's diversification into property development over recent years.

"Watpac continues to outperform and the 2005 results cap six years of continuous growth in profitability," Mr Seymour said.

"Notwithstanding the most difficult trading conditions for its construction business, investments in a diverse range of property projects over the year have assisted the company in achieving its record profit result. Contribution to profit included sales of office projects at Brisbane Administration Centre (20% joint venture) and Tank Street and, 10 childcare centres ranging from locations at Townsville to Perth.

The property division will continue to play an important part in the future as Watpac now has an ever expanding investment in pipeline property projects which will deliver growth in forthcoming years" he said.

"Other diversification strategies for the future include the establishment of a property business in the lucrative Sydney market aided by the infrastructure already in existence in the New South Wales based Grant Constructions' business.

We are confident that these and other expansion strategies will improve earnings per share and ensure Watpac's long term profitability", he said.

"The immediate outlook for the 2006 year is for further growth in profitability dependent on the timing of settlement of property projects and, timing and progress of construction projects.

This outlook is positively assisted by current construction work in hand of $563 million (219.2m at 30 June 2004).

The growth in work on hand demonstrates our reputation and our confidence to return to normalised margins in 2005/06.

Major building under way in south east Queensland includes the Woolworths distribution centre at Larapinta, Mater Hospital car park and, residential projects at Coolum, Main Beach, Milton and Scarborough.

Major building projects under way in Sydney include Zone office precinct at Homebush, Aqua apartments at Nelson Bay, Alpha N office building at Baulkham Hills and Figtree Drive office building at Homebush.

Refurbishment projects carried forward into 2006 include the 260 Queen Street base building and Westpac tenancy works, and Wesley Hospital.

Major Queensland based building projects completed, or nearing completion, at year end include the final stage of the Brisbane Cricket Ground redevelopment, Oxygen Apartments at Spring Hill, Queens Plaza Retail Centre (Stage 1) in Brisbane's CBD and the Capral Aluminium Extrusion Facility at Ipswich.

Refurbishment projects completed at year end include Ronald McDonald House at the Mater Hospital, South Brisbane, Treetops Nursing Home at New Farm, Villa Maria Nursing Home at Spring Hill.

New South Wales projects completed or near completion at year end include Norwest Central Stage 2 office building, Hawkesbury Library and Wakefield commercial.

Mr Seymour said Watpac's property prospects were also strong with current investments contributing to future profit.

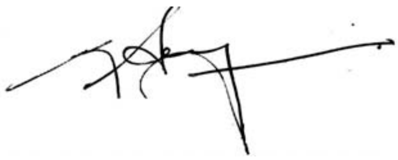
Current property development investments include:

- Tourist Apartments, Airlie Beach (JV)
- Land Subdivision, Mitchelton (JV)
- Land Subdivision, Bulimba (JV)
- Retail Centre, Sippy Downs
- Land Subdivision, Hervey Bay (JV)
- Skyline Apartments, Brisbane (JV)

The balance sheet remains strong with minor debt and adequate cash reserves.

Highlights of the results are:

Year ended 30 June	2005 $'000	2004 $'000	Percentage Change
Total Revenue	414,059	281,810	+ 46.93%
Operating Profit Before Tax	13,809	11,616	+ 18.87%
Less Tax	3,280	2,723	+ 20.46%
Operating Profit After Tax	10,529	8,893	+ 18.40%
Earnings per Share	14.04 c	12.16c	+ 15.46%
Dividends per Share	8.5c	7.0c	+ 21.43%
Return on Shareholders Funds	29.08%	30.19%	- 3.68%
NTA per Share	53.12c	43.68c	21.61%



K W Seymour
CHAIRMAN

For further information contact:
Watpac Limited
Greg Kempton
Managing Director
Ph: (07) 3251 6300

Ravin Raj
Company Secretary
Ph: (07) 3251 6300

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Property sales revenue	2	29,212	29,414	-	-
Revenue from construction services	2	366,122	247,715	-	-
Gross proceeds from sale of assets	2	12,805	1,941	-	-
Other revenues from ordinary activities	2	5,920	2,740	7,073	6,077
Total revenue from ordinary activities		414,059	281,810	7,073	6,077
Cost of properties sold		(16,115)	(20,878)	-	-
Construction expenses		(357,743)	(241,042)	-	-
Administrative expenses		(10,881)	(3,444)	-	-
Borrowing costs	3	(155)	(42)	-	-
Carrying amounts of assets sold		(9,866)	(960)	-	-
Other expenses from ordinary activities		(5,404)	(2,493)	(617)	(507)
Profit from ordinary activities before related income tax expense		13,895	12,951	6,456	5,570
Income tax expense relating to ordinary activities	4	(3,280)	(2,723)	(25)	(96)
Net profit		10,615	10,228	6,431	5,474
Net profit attributable to outside equity interests	20	(86)	(1,335)	-	-
Net profit attributable to members of the parent entity	5	10,529	8,893	6,431	5,474
Basic earnings per share:					
Ordinary shares	6	14.04¢	12.16¢		
Diluted earnings per share:					
Ordinary shares	6	13.84¢	12.13¢		

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Current assets					
Cash assets		42,692	29,724	224	125
Receivables	8	72,845	32,995	-	-
Inventories	9	21,879	15,400	-	-
Current tax assets	4	298	-	298	-
Other	11	540	1,464	96	93
Total current assets		138,254	79,583	618	218
Non-current assets					
Property, plant and equipment	13	3,734	9,240	-	-
Deferred tax assets	4	1,133	658	1,133	658
Receivables	8	1,623	1,860	-	-
Inventories	9	12,289	5,544	-	-
Intangibles	12	3,122	-	3,122	
Other financial assets	14	-	-	29,582	29,857
Total non-current assets		21,901	17,302	33,837	30,515
Total assets		160,155	96,885	34,455	30,733
Current liabilities					
Payables	15	100,211	54,295	31	67
Interest-bearing liabilities	16	10,309	4,953	-	-
Current tax liabilities	4	-	1,251	-	1,251
Provisions	18	2,610	1,373	-	-
Total current liabilities		113,130	61,872	31	1,318
Non-current liabilities					
Payables	15	2,388	1,297	-	-
Interest-bearing liabilities	16	2,392	650	-	-
Deferred tax liabilities	4	2,177	216	2,177	216
Provisions	18	239	283	-	-
Total non-current liabilities		7,196	2,446	2,177	216
Total liabilities		120,326	64,318	2,208	1,534
Net assets		39,829	32,567	32,247	29,199
Equity					
Contributed equity	19	21,820	19,636	21,820	19,636
Retained profits	5	17,433	12,471	10,427	9,563
Total parent entity interests		39,253	32,107	32,247	29,199
Outside equity interests	20	576	460	-	-
Total equity		39,829	32,567	32,247	29,199

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		386,387	289,416	-	676
Cash payments in the course of operations		(378,616)	(277,897)	(479)	(520)
Interest received	2	1,533	1,487	573	827
Borrowing costs paid	3	(1,197)	(379)	-	-
(Income taxes paid)/Refund received		(3,342)	(2,567)	(137)	42
Net cash provided by operating activities	23	4,765	10,060	(43)	1,025
Cash flows from investing activities					
Dividends received	2	-	-	6,500	5,250
Payment for acquisition of a controlled entity	30	(3,250)		(3,250)	
Payments for property, plant and equipment		(5,096)	(7,857)	-	-
Proceeds from the sale of non-current assets	2	12,805	1,941	-	-
Net cash provided by/(used in) investing activities		4,459	(5,916)	3,250	5,250
Cash flows from financing activities					
Proceeds from issue of shares		420	-	420	-
Proceeds from borrowings		13,944	3,442	-	
Repayment of borrowings		(6,846)	-	-	-
Dividends paid		(3,803)	(3,135)	(3,803)	(3,135)
Distributions paid to outside equity interests		-	(1,335)	-	-
Contributions from outside equity interests		29	460	-	-
Net payments to controlled entities		-	-	275	(3,028)
Net cash provided by/(used in) financing activities		3,744	(568)	(3,108)	(6,163)
Net increase/(decrease) in cash held		12,968	3,576	99	112
Cash at the beginning of the financial year		29,724	26,148	125	13
Cash at the end of the financial year	23	42,692	29,724	224	125

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Rounding

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 have been rounded off to the nearest one thousand dollars, unless otherwise stated.

(c) Principles of consolidation

Controlled entities
The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

Joint ventures
A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

Joint venture operations
The consolidated entity’s interests in unincorporated joint ventures are brought to account by including its proportionate share of joint venture operations’ assets, liabilities and expenses and the consolidated entity’s revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation
Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with joint ventures, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity’s interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence recoverable amount impairment.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Construction contracts
Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated.

Profit recognition on Watpac Australia Pty Ltd work does not normally commence until a contract is at least 20% complete – current profit recognition on Grant Constructions Pty Ltd (acquired this financial year) work commences once a project is at least 10% complete. Profit recognition within Grant Constructions Pty Ltd will be in line with standard company policy within the next twelve months.

Sales of development projects
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 residential property developments is recognised when unconditional contracts are exchanged and a non-refundable deposit is received. Revenue from sales of other non residential property developments is recognised when unconditional contracts are exchanged and a significant non-refundable deposit is received.

Interest income
Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The profit or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Dividends
Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

(e) Taxation – Note 4

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxation –Note 4 **(continued)**

Tax consolidation
The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 31. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities and movements in deferred tax balances arising from external transactions during the year.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

(f) 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 statement of financial position.

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.

(g) Receivables – Note 8

Trade debtors
Trade debtors are usually settled within 30 days and are carried at amounts due. The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

(h) Investments

Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Joint ventures
In the Company's financial statements, investments in joint venture operations are accounted for as set out in Note 1(c).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Inventories – Note 9

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.

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.

Classification in Statement of financial position
Trade debtors represent the balance of progress claims certified, less progress payments received. Work in progress represents the cost or realisable value of work completed but not certified or charged to clients at year end. Cost includes direct material and direct labour costs together with associated overheads and other construction costs. Administration and selling costs are not included in the overhead allocation.

Progress claims in advance are determined as the excess of progress claims made over the work performed.

(j) Earnings per share – Note 6

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus shares.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Acquisitions of assets

All property, plant and equipment acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed by the consolidated entity include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Subsequent additional costs
Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years, otherwise, expensed as incurred.

(l) Depreciation and amortisation

Depreciation
All property, plant and equipment have limited useful lives and are depreciated using the straight line method over their estimated useful lives, taking into account estimated residual values, with the exception of freehold land.

Assets are depreciated from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation rates and methods are reviewed annually for appropriateness.

The depreciation rates used for each class of assets for the current and prior years, are as follows:

- Buildings and Improvements 2.5%
- Plant and Equipment 12% - 40%

Amortisation
Goodwill is amortised on a straight-line basis over a period of 20 years.

(m) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases
A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases
Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Recoverable amount of non-current assets valued on a cost basis

The carrying amounts of all non-current assets valued on a cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(o) Payables – Note 15

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 45 days.

(p) Interest-bearing liabilities – Note 16

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in “Other Creditors and Accruals”.

(q) Employee benefits – Note 26

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end 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.

Long service leave
The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees’ services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Employee share and option plan
Shares or options are issued to employees, including directors, and recorded in contributed equity at the consideration received.

Transaction costs associated with issuing shares and options are recognised in equity subject to the extent of the proceeds received, otherwise expensed. Other administrative costs are expensed.

Superannuation plan – Note 27
The Company and its controlled entities make defined contributions to superannuation funds pursuant to employee agreements or as required by union agreements or statutory requirements. Contributions are charged against income.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to property development assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition and construction of a property development, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings.

(s) Provisions – Note 18

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks). The unwinding of the discount is treated as part of the expense related to the particular provision.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

In the statement of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- has a legally recognised right to set-off the recovery receivable and the provision, and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

Dividends
A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(t) Goodwill – Note 12

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable nets assets acquired.

2. REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Sale of goods revenue from property activities	29,212	29,414	-	-
Revenue from construction services	366,122	247,715	-	-
Other revenues:				
From operating activities				
Dividends received				
- Related parties	-	-	6,500	5,250
Interest received				
- Related parties	-	-	566	822
- Other parties	1,533	1,487	7	5
Rent received	680	669		
Sundry revenue				
- Other parties	3,707	584	-	-
From outside operating activities				
Gross proceeds from sale of non-current assets	12,805	1,941	-	-
Total other revenues	18,725	4,681	7,073	6,077
Total revenue from ordinary activities	414,059	281,810	7,073	6,077

	CONSOLIDATED		THE COMPANY	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
Profit from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items:				
Depreciation of:				
- Buildings and improvements	-	28	-	-
- Plant and equipment	737	484	-	-
Total depreciation	737	512	-	-
Amortisation of:				
- Goodwill	128	-	128	-
Borrowing costs	1,197	379	-	-
Less:				
- Included in cost of sales	(481)	(164)	-	-
- Capitalised borrowing costs	(561)	(173)	-	-
	155	42	-	-
Gain on sale of non-current assets	(2,939)	(980)	-	-
Net expenses from movement in provisions				
- Employee benefits	1,193	(503)	-	-
- Diminution in property development	-	(1,106)	-	-
Rental charges - operating leases	1,058	544	-	-

4. TAXATION

(a) Income tax expense

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Prima facie income tax expense calculated 30% (2004:30%) on the profit from ordinary activities	4,168	3,885	1,937	1,671
Increase in income tax expense due to:				
Amortisation of goodwill	38	-	38	-
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax consolidated group	-	-	3,254	2,627
Other non-allowable permanent differences	25	-	-	-
Decrease in income tax expense due to:				
Non-assessable dividend from subsidiary	-	-	(1,950)	(1,575)
Non-assessable profit on disposal of property, plant and equipment	(822)	-	-	-
Other non-assessable permanent differences	-	(363)	-	-
Recovery of income tax expense under a tax funding agreement	-	-	(3,254)	(2,627)
Income tax expense on the profit from ordinary activities before individually significant tax items	3,409	3,522	25	96
Individually significant income tax items:				
Net deferred tax balances recognised by head entity in relation to wholly-owned subsidiaries within the tax consolidated group upon implementation of tax consolidation	-	-	-	(708)
Recovery of income tax expense under a tax funding agreement	-	-	-	708
Effect of implementing tax consolidation	-	(869)	-	-
	3,409	2,653	25	96
Income tax under/(over) provided in prior year	(130)	70	-	-
Income tax expense attributable to profit from ordinary activities	3,279	2,723	25	96
Income tax expense/(revenue) attributable to profit from ordinary activities is made up of:				
Current income tax provision	1,839	2,684	1,839	2,684
Deferred income tax provision	1,961	140	1,961	140
Future income tax benefit	(475)	96	(475)	96
Tax-related payable to wholly-owned subsidiaries	-	-	(3,254)	(2,627)
Over provision in prior year	(46)	(197)	(46)	(197)
	3,279	2,723	25	96

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
4. TAXATION (continued)				
(b) Current tax liabilities / (Current tax assets)				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	1,251	1,324	1,251	(5)
Income tax paid - operating activities	(3,342)	(2,567)	(137)	3
	(2,091)	(1,243)	1,114	(2)
Current year's Income tax expense on profit from ordinary activities	1,839	2,684	25	96
Income tax expense related to wholly-owned subsidiaries transactions in a tax consolidated group	-	-	(1,437)	1,347
Over provision in prior year	(46)	(190)	-	(190)
	(298)	1,251	(298)	1,251
(c) Deferred tax liabilities				
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2004:30%) on the following items:				
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	2,177	216	2,177	216
	2,177	216	2,177	216

4. INCOME TAX (continued)

(d) Deferred tax assets

Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2004:30%) on the following items:

		CONSOLIDATED		THE COMPANY	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
Difference in depreciation of property, plant and equipment for accounting and income tax purposes		117	-	117	-
Provision and accrued employee entitlements not currently deductible		963	595	963	595
Sundry items		53	25	53	25
Provision for diminution		-	38	-	38
		1,133	658	1,133	658

5. RETAINED PROFITS

		CONSOLIDATED		THE COMPANY	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
Retained profits at the beginning of year		12,471	7,221	9,563	7,732
Net profit attributable to members of the parent entity		10,529	8,893	6,431	5,474
Dividends recognised during the year	21	(5,567)	(3,643)	(5,567)	(3,643)
Retained profits at the end of year		17,433	12,471	10,427	9,563

6. EARNINGS PER SHARE

Ordinary shares have been classified as such and included in basic earnings per share. Options outstanding under the Employee Share Option Plan have been classified as potential ordinary shares and included in diluted earnings per share.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
Earnings reconciliation		
Net profit	10,615	10,228
Net profit attributable to outside equity interests	(86)	(1,335)
	10,529	8,893
Basic earnings - ordinary shares	10,529	8,893
Diluted earnings - ordinary shares	10,529	8,893

	CONSOLIDATED 2005 Number	CONSOLIDATED 2004 Number
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	74,982,053	73,123,390
Number for diluted earnings per share		
Ordinary shares	74,982,053	73,123,390
Effect of employee share options on issue	1,110,596	178,925
	76,092,649	73,302,315

The following Employee Share Options have not been included in the calculation of diluted EPS as they are not dilutive:

	CONSOLIDATED 2005 Number	CONSOLIDATED 2004 Number
Employee Share Options		
Issue date 2 April 2004	-	875,000

Full details of these options are set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise 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, based on the consolidated entity's management reporting system:

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

Geographic segment

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

	CONSTRUCTION		PROPERTY DEVELOPMENT		ELIMINATIONS		CONSOLIDATED	
Primary reporting Business segments	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**
Revenue								
External segment revenue	380,687	249,678	33,507	30,645	-	-	414,194	280,323
Inter-segment revenue	2,800	8,785	-	-	(2,800)	(8,785)	-	-
Total segment revenue	383,487	258,463	33,507	30,645	(2,800)	(8,785)	414,194	280,323
Other unallocated revenue							(135)	1,487
Total revenue							414,059	281,810
Result								
Segment result	2,589	4,508	12,215	7,402	-	131	14,804	12,041
Unallocated corporate net income/(expenses)							(909)	910
Profit from ordinary activities before income tax							13,895	12,951
Income tax expense							(3,280)	(2,723)
Net profit							10,615	10,228
Depreciation	737	512	-	-	-	-	737	512
Non-cash expenses other than depreciation	1,193	(503)	-	(1,106)	-	-	1,193	(1,609)
Assets								
Segment assets	110,825	65,285	53,191	37,551	(8,445)	(6,822)	155,571	96,014
Unallocated corporate assets							4,584	871
Consolidated total assets							160,155	96,885
Liabilities								
Segment liabilities	103,440	58,911	49,054	36,616	(32,221)	(32,750)	120,273	62,777
Unallocated corporate liabilities							53	1,541
Consolidated total liabilities							120,326	64,318
Acquisitions of non-current assets	5,096	7,857	-	-	-	-	5,096	7,857

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
8. RECEIVABLES					
Current					
Trade debtors		56,624	27,346	-	-
Other debtors		16,221	5,649	-	-
		72,845	32,995	-	-
Non-current					
Other debtors		1,623	1,860	-	-
		1,623	1,860	-	-
9. INVENTORIES					
Current					
Raw materials and stores - at cost		96	54	-	-
Construction Work in Progress					
- Amounts due from customers	10	5,337	2,545	-	-
Property development projects:					
Land and Buildings held for resale					
- Freehold land at cost		11,558	7,498	-	-
- Development costs		4,274	4,934	-	-
- Interest, rates and taxes capitalised *		614	496	-	-
Provision for diminution		-	(127)	-	-
		16,446	12,801	-	-
		21,879	15,400	-	-
Non-current					
Property development projects:					
Land and Buildings held for resale					
- Freehold land at cost		11,703	4,810	-	-
- Development costs		281	632	-	-
- Interest, rates and taxes capitalised *		305	102	-	-
Provision for diminution		-	-	-	-
		12,289	5,544	-	-

* Interest was capitalised at a rate of 6.91% (2004:6.68%)

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
10. ACCOUNTING FOR CONSTRUCTION CONTRACTS					
Construction work in progress comprises:					
Contract costs incurred to date		233,687	142,813	-	-
Profit/(loss) recognised to date		(5,214)	5,103	-	-
		228,473	147,916	-	-
Less: Progress billings		(223,136)	(146,606)	-	-
Net construction work in progress		5,337	1,310	-	-
Net construction work in progress comprises:					
Amounts due from customers - inventories	9	5,337	2,545	-	-
Amounts due to customers - trade creditors		-	(1,235)	-	-
		5,337	1,310	-	-
Progress billings and advances received and receivable		223,136	146,606	-	-
Advances on construction projects in progress included in trade creditors		-	239	-	-

The recorded value of work in progress includes unapproved variations. Based on the current status of negotiations in respect of these variations, the directors are of the opinion that the recorded value is recoverable.

11. OTHER ASSETS					
Current					
Other assets and prepayments		540	1,464	96	93
		540	1,464	96	93
12. INTANGIBLES ASSETS					
Goodwill					
At cost		3,250	-	3,250	-
Accumulated amortisation		(128)	-	(128)	-
		3,122	-	3,122	-
13. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At Directors' valuation					
- 30 June 2005		322	-	-	-
- 30 June 2004		-	8,640	-	-

The Directors' valuation of the freehold land and buildings was carried out as at 30 June 2005 on the basis of open market values for existing use. As land and buildings are recorded at cost, the valuation has not been brought to account.

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
13. PROPERTY, PLANT & EQUIPMENT (continued)				
Non-current				
Freehold Land				
At cost	322	2,442	-	-
Buildings and Improvements				
At cost	-	5,094	-	-
Freehold land and buildings – summary	322	7,536	-	-
Plant and Equipment				
At cost	8,195	6,464	-	-
Provision for depreciation	(4,783)	(4,760)	-	-
	3,412	1,704	-	-
Total property, plant and equipment net book value	3,734	9,240	-	-
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold Land				
Carrying amount at beginning of year	2,442	714	-	-
Additions	-	2,120	-	-
Disposals	(2,120)	(392)	-	-
Carrying amount at end of year	322	2,442	-	-
Buildings and Improvements				
Carrying amount at beginning of year	5,094	589	-	-
Additions	2,557	5,094	-	-
Disposals	(7,651)	(561)	-	-
Depreciation	-	(28)	-	-
Carrying amount at end of year	-	5,094	-	-
Plant and Equipment				
Carrying amount at beginning of year	1,704	1,553	-	-
Additions	2,539	643	-	-
Disposals	(94)	(8)	-	-
Depreciation	(737)	(484)	-	-
Carrying amount at end of year	3,412	1,704	-	-

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
14. OTHER FINANCIAL ASSETS				
Non-current				
Shares in controlled entities (unquoted)				
- at cost	-	-	7,510	7,510
Loans and Advances to controlled entities				
- at cost	-	-	33,972	31,094
Less Provision for non-collectibility	-	-	(3,574)	(3,574)
	-	-	37,908	35,030
Loans and Advances from controlled entities	-	-	(8,326)	(5,173)
	-	-	29,582	29,857
15. PAYABLES				
Current				
Trade creditors	98,541	51,544	-	-
Other creditors and accruals	1,670	2,751	31	67
	100,211	54,295	31	67
Non-current				
Other creditors and accruals	2,388	1,297	-	-
	2,388	1,297	-	-
16. INTEREST BEARING LIABILITIES				
Current				
Bank loans - secured	10,290	4,953	-	-
Lease liabilities	19	-	-	-
	10,309	4,953	-	-
Non-current				
Bank loans - secured	2,360	650	-	-
Lease liabilities	32	-	-	-
	2,392	650	-	-

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
17. FINANCING ARRANGEMENTS				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Construction security facilities	52,823	27,657	-	-
Bank loans	29,149	5,603	-	-
	81,972	33,260	-	-
Facilities utilised at balance date:				
Construction security facilities	41,481	24,876	-	-
Bank loans	12,650	5,603	-	-
	54,131	30,479	-	-
Facilities not utilised at balance date:				
Construction security facilities	11,342	2,781	-	-
Bank loans	16,499	-	-	-
	27,841	2,781	-	-

The bank loans are secured by a charge over land and buildings and property development projects having a carrying value of $14.96m (2004:$7.52m).

The construction security facilities are secured by cash or property, plant and equipment having a carrying value of $5.50m (2004:$5.44m).

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
18. PROVISIONS				
Current				
Employee benefits	2,610	1,373	-	-
	2,610	1,373	-	-
Non-current				
Employee benefits	239	283	-	-
	239	283	-	-

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
19. CONTRIBUTED EQUITY				
Share capital				
76,276,662 (2004: 73,503,840) ordinary shares fully paid	21,820	19,636	21,820	19,636
(a) Ordinary shares				
Movement during the year				
Balance at beginning of year 73,503,840 (2004: 72,659,924)	19,636	19,128	19,636	19,128
Shares issued				
- 1,647,822 (2004: 843,916) under Dividend Reinvestment Plan	1,764	508	1,764	508
- 1,125,000 (2004: nil) under the exercise of options under the Employee Share Option Plan	420	-	420	-
Balance at end of year	21,820	19,636	21,820	19,636

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Note 26 provides details of shares issued on exercise of options.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
20. OUTSIDE EQUITY INTERESTS		
Outside equity interests in controlled entities comprise:		
Interest in profit from ordinary activities after income tax	(86)	(1,335)
Interest in distributions paid	86	1,335
	-	
Interest in retained profits at the end of the financial year	-	13
Interest in cash assets	10	1,306
Interest in receivables	30	-
Interest in inventories	1,441	-
Interest in interest-bearing liabilities	(744)	(859)
Interest in other creditors	(161)	-
Total outside equity interests	576	460

NOTES TO THE FINANCIAL STATEMENTS

21. DIVIDENDS

Dividends recognisd in the current year by the Company are:

	Cents per share	Total amount $'000	Franked / unfranked	Date of payments
2005				
Interim 2005 ordinary	2.50	1,892	Franked	4 April 2005
Final 2004 ordinary	5.00	3,675	Franked	30 September 2004
Total amount		5,567		
2004				
Interim 2004 ordinary	2.00	1,463	Franked	31 March 2004
Final 2003 ordinary	3.00	2,180	Franked	29 September 2003
Total amount		3,643		

Franked dividends declared or paid during the year were franked at the rate of 30%.

Subsequent events

Since the end of the financial year, the Directors declared the following dividend:

	Cents per share	Total Amount $'000	Franked / unfranked	Date of payments
2005				
Final 2005 ordinary	6.00	4,577	Franked	30 September 2005

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2005 and will be recognised in subsequent financial reports.

	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Dividend franking account		
30% franking credits available to shareholders of Watpac Limited for subsequent financial years	7,928	8,520

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liability; and

(b) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

22. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

The consolidated entity has not entered into any arrangements to manage cash flow risks associated with the interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in re-pricing dates between assets and liabilities.

Interest rate risk exposures
The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest Rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Fixed interest maturing in: 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
2005							
Financial assets							
Cash assets		4.96%	42,692	-	-	-	42,692
Receivables	8	10.00%	-	-	1,623	72,845	74,468
			42,692	-	1,623	72,845	117,160
Financial liabilities							
Payables	15		-	-	-	102,599	102,599
Bank loans	16	7.06%	-	10,290	2,360	-	12,650
Lease liabilities	16	8.90%	-	19	32	-	51
Employee benefits	18		-	-	-	2,849	2,849
			-	10,309	2,392	105,448	118,149
2004							
Financial assets							
Cash assets		4.83%	29,724	-	-	-	29,724
Receivables	8	10.00%	-	-	1,860	32,995	34,855
			29,724	-	1,860	32,995	64,579
Financial liabilities							
Payables	15		-	-	-	55,592	55,592
Bank loans	16	6.95%	-	4,953	650	-	5,603
Lease liabilities	16		-	-	-	-	-
Employee benefits	18		-	-	-	1,656	1,656
			-	4,953	650	57,248	62,851

22. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments
The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by reviewing customers' financial position prior to undertaking transactions.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Unrecognised financial instruments
The Company does not seek to defray credit risk by the use of unrecognised financial instruments.

(c) Net fair values of financial assets and liabilities

Recognised financial instruments
The net fair value of recognised financial assets and liabilities are as stated in these financial statements.

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
23. NOTES TO THE STATEMENTS OF CASHFLOWS				
Cash	5,416	5,115	224	125
Short term deposits	37,276	24,609	-	-
	42,692	29,724	224	125

23. NOTES TO THE STATEMENTS OF CASHFLOWS (continued)

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Profit from ordinary activities after income tax		10,615	10,228	6,431	5,474
Items classified as investing/financing activities:					
Dividends received	2	-	-	(6,500)	(5,250)
(Profit)/Loss on sale of non-current assets	3	(2,939)	(980)	-	-
Amortisation of goodwill	3	128	-	128	-
Depreciation of property, plant and equipment	3	737	512	-	-
Non-cash items:					
Movements in provisions	3	1,193	(1,609)	-	-
Increase/(decrease) in income tax payable	4	(1,549)	(73)	(1,549)	1,256
Increase/(decrease) in deferred tax payable	4	1,961	132	1,961	216
(Increase)/decrease in future income tax benefit	4	(475)	134	(475)	(658)
Change in assets and liabilities:					
(Increase)/decrease in receivables	8	(39,613)	(14,702)	-	-
(Increase)/decrease in inventories	9	(13,224)	(2,337)	-	-
(Increase)/decrease in other assets	12	924	347	(3)	(40)
Increase/(decrease) in payables	15	47,007	18,408	(36)	27
Net cash provided by operating activities		4,765	10,060	(43)	1,025

(c) Financing facilities are disclosed under Note 17.

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
24. COMMITMENTS				
(a) Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided in the financial statements and payables:				
- within one year	1,288	576	-	-
- one year or later and no later than five years	5,068	601	-	-
- later than five years	1,554	-	-	-
	7,910	1,177	-	-
Operating lease commitments relate to motor vehicles, computer hardware and software expiring from one to four years				
(b) Finance lease payment commitments				
Finance lease commitments are payable:				
- within one year	23	-	-	-
- one year or later and no later than five years	33	-	-	-
- later than five years	-	-	-	-
	56	-	-	-
Less: Future lease finance charges	(5)	-	-	-
	51	-	-	-
Lease liability provided for in the financial statements:				
Current	19	-	-	-
Non-current	32	-	-	-
	51	-	-	-
(c) Expenditure commitments Property development projects Contracted but not provided for and payable				
- within one year - land	475	15,815	-	-

NOTES TO THE FINANCIAL STATEMENTS

25. CONTINGENT LIABILITIES

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
(a) Secured contingent liabilities at year end are:				
Bank guarantee indemnities	11,726	10,387	11,726	10,387
(b) Unsecured contingent liabilities at year end are:				
Loans to controlled entities	-	-	12,650	5,603
Finance and operating leases	747	843	747	843
Bonds	29,755	14,489	29,755	14,489
Bonds relating to joint ventures are $nil (2004: $2.41m).				

(c) A claim has been brought against a controlled entity in relation to past construction contracts. The controlled entity is defending the claim and Directors are of the opinion that no provision is required.

(d) Controlled entities have entered into joint venture arrangements under which the controlled entities may be jointly and severally liable for liabilities of the joint venture.

26. EMPLOYEE BENEFITS

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	THE COMPANY 2005 $'000	THE COMPANY 2004 $'000
Aggregrate liaiblity for employee benefits including on-costs					
Current					
Other creditors and accruals	15	361	181	-	-
Employee benefits provision	18	2,610	1,373	-	-
		2,971	1,554	-	-
Non-current					
Employee benefits provision	18	239	283	-	-
		239	283	-	-
		3,210	1,837	-	-

26. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Number of employees				
Number of employees at year end	280	171	-	-

Directors' retirement scheme

The Board's retirement scheme which applies to Non-executive Directors only is based on a pre-requisite of five years of service as a Director as at 30 June 2003. The scheme provides for payments to retiring Non-executive Directors of $60,000 (adjusted annually by CPI), and $90,000 for Chairman (adjusted annually by CPI).

Employee Share Option Plan

The plan provides for 32 (2004: 25) employees to receive options over ordinary shares each year for no consideration.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the Rules of the plan, is based on the weighted average price of the Company's shares traded during the three business days preceding the date of granting the option.

All options expire on the earlier of their expiry date or termination of the employee's employment. The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The performance hurdles comprise two components, relative total shareholder return and growth in earnings per share. Accordingly, the plan does not represent remuneration for past services.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares as at the beginning and end of the reporting date and movements during the year are set out on the following page.

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

The amounts recognised in the financial statements of the Company and consolidated entity in relation to employee share options exercised during the financial year were:

		CONSOLIDATED		THE COMPANY	
	NOTES	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Issued ordinary share capital	19	420	-	420	-

NOTES TO THE FINANCIAL STATEMENTS

26. EMPLOYEE BENEFITS (continued)

Employee Share Option Plan (continued)
Summary of options over unissued ordinary shares (continued)

Grant date	Exercise date on or after	Expiry date	Exercise price $	Target share price $	Number of options at beginning of year	Options granted	Options exercised (A)	Number of options at end of year on issue	Number of options at end of year Vested
Consolidated and the Company									
2005									
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	800,000	-	(525,000)	275,000	275,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	800,000	-	(525,000)	275,000	275,000
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	437,500	-	(37,500)	400,000	400,000
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	437,500	-	(37,500)	400,000	400,000
4 November 2004	4 November 2004	1 April 2009	0.70	0.91	-	250,000	-	250,000	250,000
4 November 2004	4 November 2004	1 April 2009	0.70	1.12	-	250,000	-	250,000	250,000
23 December 2004	23 December 2004	1 April 2009	0.70	0.91	-	200,000	-	200,000	200,000
23 December 2004	23 December 2004	1 April 2009	0.70	1.12	-	200,000	-	200,000	200,000
7 March 2005	7 March 2005	1 April 2009	0.70	0.91	-	87,500	-	87,500	87,500
7 March 2005	7 March 2005	1 April 2009	0.70	1.12	-	87,500	-	87,500	87,500
3 June 2005	3 June 2005	1 April 2009	0.70	0.91	-	12,500	-	12,500	12,500
3 June 2005	3 June 2005	1 April 2009	0.70	1.12	-	12,500	-	12,500	12,500
					2,475,000	1,100,000	(1,125,000)	2,450,000	2,450,000
Consolidated and the Company									
2004									
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	-	800,000	-	800,000	800,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	-	800,000	-	800,000	800,000
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	-	437,500	-	437,500	437,500
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	-	437,500	-	437,500	437,500
					-	2,475,000	-	2,475,000	2,475,000

(A) Refer to details of options exercised during the financial year in the following page.

26. EMPLOYEE BENEFITS (continued)

Employee Share Option Plan (continued)
Summary of options over unissued ordinary shares (continued)

The details of the options exercised during the financial year are as follows:

Grant date	Exercise date on or after	Expiry date	Exercise price $	Target share price $	Options exercised	Proceeds received $	Date issued	Number of shares issued	Fair value per share $	Fair value aggregate $
Consolidated and the Company										
2005										
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	37,500	13,125	20 September 2004	37,500	1.08	40,500
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	25,000	8,750	8 November 2004	25,000	1.21	30,250
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	50,000	17,500	19 January 2005	50,000	1.30	65,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	125,000	43,750	21 January 2005	125,000	1.33	166,250
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	62,500	21,875	2 February 2005	62,500	1.39	86,875
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	100,000	35,000	7 March 2005	100,000	1.22	122,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.65	125,000	43,750	2 May 2005	125,000	0.95	118,750
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	37,500	13,125	20 September 2004	37,500	1.08	40,500
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	25,000	8,750	8 November 2004	25,000	1.21	30,250
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	50,000	17,500	19 January 2005	50,000	1.30	65,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	125,000	43,750	21 January 2005	125,000	1.33	166,250
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	62,500	21,875	2 February 2005	62,500	1.39	86,875
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	100,000	35,000	7 March 2005	100,000	1.22	122,000
2 April 2004	2 April 2004	1 April 2009	0.35	0.80	125,000	43,750	2 May 2005	125,000	0.95	118,750
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	25,000	17,500	28 January 2005	25,000	1.32	33,000
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	2,500	1,750	15 February 2005	2,500	1.53	3,825
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	5,000	3,500	18 February 2005	5,000	1.52	7,600
2 April 2004	2 April 2004	1 April 2009	0.70	0.91	5,000	3,500	22 February 2005	5,000	1.46	7,300
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	25,000	17,500	28 January 2005	25,000	1.32	33,000
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	2,500	1,750	15 February 2005	2,500	1.53	3,825
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	5,000	3,500	18 February 2005	5,000	1.52	7,600
2 April 2004	2 April 2004	1 April 2009	0.70	1.12	5,000	3,500	22 February 2005	5,000	1.46	7,300
					1,125,000	420,000		1,125,000		1,362,700

27. SUPERANNUATION COMMITMENTS

The group has an established superannuation plan. All group employees are eligible to participate in the plan at the invitation of the Directors.

Member employees are not required to contribute to the plan but may do so at their option. The group has a legally enforceable obligation to contribute at least 9% from 1 July 2005 (2004: 9%) of a member employee's salary, depending on the scale in which the employee has been invited to participate. Actuarial assessments are not required as the plan is a defined contribution rather than a defined benefit plan.

In the event of the fund's termination, or voluntary or compulsory termination of employment of each member employee, sufficient assets are available to meet all benefits payable.

28. DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES

Remuneration of specified directors and specified executives

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in local comparative companies and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of increasing the consolidated entity's net profit attributable to members of the parent entity by at least ten percent. The remuneration structures take into account:

- the capability and experience of the directors and senior executives
- the directors and executives' ability to control the relevant segments' performance
- the amount of incentives within each directors and senior executives remuneration

Remuneration packages include a mix of fixed and performance linked equity-based remuneration.

Options are issued under the Executive Share Option Plan (made in accordance with thresholds set in plans approved by shareholders at the 1997 AGM), and it provides for executives to receive options over ordinary shares for no consideration. The ability to exercise the options is conditional on the consolidated entity achieving performance hurdles.

Total remuneration for all Non-executive Directors, last voted upon by shareholders at the 2003 AGM, is not to exceed $500,000 per annum. Directors' base fees are presently up to $45,000 per annum. The Chairperson receives $80,000. Non-executive Directors do not receive options on securities. Directors' fees cover all main board activities and membership.

The Board's retirement scheme which applies to Non-executive Directors only is based on a pre-requisite of five years of service as a Director as at 30 June 2003. The scheme provides for payments to retiring Non-executive Directors of $60,000 (adjusted annually by CPI), and $90,000 for Chairman (adjusted annually by CPI)

There is no formal bonus scheme in place.

The majority of non-cash benefits include motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

28. DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Remuneration of specified directors and specified executives (continued)

Details of the nature and amount of each major element of remuneration of each Director of the Company ("specified directors") and each of five or more executives of the consolidated entity with the greatest authority ("specified executives") are:

		Primary		Post-employment	Equity compensation	Other	
		Salary & fees $	Non-monetary benefits $	Super-annuation benefits $	Value of options (A) $	Insurance premiums/ Termination benefits (B) $	Total $
Specified directors							
Non-executive							
Mr K W Seymour	2005	80,000	-	-	-	78	80,078
(Chairperson)	2004	48,542	-	1,458	-	90,000	140,000
Mr R J Lette	2005	45,000	-	-	-	78	45,078
	2004	35,000	-	-	-	60,000	95,000
Mr D M Little	2005	45,000	-	-	-	482	45,482
	2004	195,410	114,078	54,558	-	350,000	714,046
Mr R B McGruther	2005	45,000	-	-	-	78	45,078
	2004	35,000	-	-	-	60,000	95,000
Executive							
Mr G K Kempton	2005	389,353	101,322	45,896	202,500	78	739,149
(Managing Director - Watpac Limited)	2004	290,380	32,970	39,994	-	-	363,344
Total, all specified directors	2005	604,353	101,322	45,896	202,500	794	954,865
	2004	604,332	147,048	96,010	-	560,000	1,407,390
Specified executives							
Mr E Edwards	2005	214,642	95,701	36,995	-	-	347,338
(Construction Manager - Watpac Australia Pty Ltd)	2004	183,164	42,449	70,000	121,000	-	416,613
Mr M G Monro (C)	2005	162,539	8,505	23,825	109,000	-	303,869
(Managing Director - Grant Constructions Pty Ltd)	2004	-	-	-	-	-	-
Mr R R Raj	2005	182,484	55,577	27,310	-	-	265,371
(Company Secretary - Watpac Limited)	2004	190,296	29,216	24,473	129,500	-	373,485
Mr P T Heron (C)	2005	84,906	17,159	11,999	52,000	-	166,064
(Development Manager - Watpac Australia Pty Ltd)	2004	-	-	-	-	-	-
Mr G J Sneyd (C)	2005	63,113	23,647	10,431	39,000	-	136,191
(Refurbishment Manager - Watpac Australia Pty Ltd)	2004	-	-	-	-	-	-
Total, all specified executives	2005	707,684	200,589	110,560	200,000	-	1,218,833
	2004	373,460	71,665	94,473	250,500	-	790,098

Notes in relation to the table of specified directors and specified executives remuneration

(A) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

(B) The amounts in financial year ended 30 June 2005 relate to insurance premiums only and the amounts in financial year ended 30 June 2004 relate to termination benefits only.

(C) These executives commenced employment with the consolidated entity during the financial year.

28. DIRECTORS AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Equity instruments

All options refer to options over ordinary shares of Watpac Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

Options and rights over equity instruments granted

The movement during the reporting period in the number of options over ordinary shares in Watpac Limited held, directly, or beneficially, by each specified director and specifed executive, including their personally-related entities, is as follows:

	Held at 1 July 2004 Number	Granted during the year Number	Grant date	Expiration date	Fair value of share price at grant date $	Exercised Number	Exercised amount paid $ per share	Held at 30 June 2005 Number	Vested during the year Number	Vested and execisable at 30 June 2005 Number
Specified directors										
Mr G K Kempton	-	500,000	4 November 2004	1 April 2009	1.10	-	-	500,000	500,000	500,000
Specified executives										
Mr E Edwards	350,000	-	-	-	-	(250,000)	0.35	100,000	-	100,000
Mr P T Heron	-	100,000	7 March 2005	1 April 2009	1.22	-	-	100,000	100,000	100,000
Mr M G Monro	-	200,000	23 December 2004	1 April 2009	1.31	-	-	200,000	200,000	200,000
Mr R Raj	380,000	-			-	(250,000)	0.35	130,000	-	130,000
Mr G J Sneyd	-	75,000	7 March 2005	1 April 2009	1.22	-	-	75,000	75,000	75,000

28. DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Equity instruments (continued)

Options and rights over equity instruments granted as remuneration (continued)

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

No options held by specified executives are vested but not exercisable.

All options expire on the earlier of their expiry date or termination of the individual's employment. In addition to a continuing employment service condition, the ability to exercise options is conditional on the consolidated entity achieving certain performance hurdles with regards to its share price.

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Watpac Limited held, directly, indirectly or beneficially, by each specified director and specified executives, including their personally-related entities is as follows:

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified directors					
Mr K W Seymour	14,706,738	934,664	-	-	15,641,402
Mr R J Lette	193,816	172,943	-	-	366,759
Mr D M Little	1,207,502	-	-	-	1,207,502
Mr R B McGruther	52,574	30,000	-	-	82,574
Mr G K Kempton	111,867	-	-	-	111,867
Specified executives					
Mr E Edwards	-	-	250,000	-	250,000
Mr R Raj	-	-	250,000	-	250,000

28. DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Other transactions with the Company or its controlled entities

A number of specified directors or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified directors and their personally-related entities, were total revenue of $31,149,731 and total expenses of $330,077. Details of the transactions are as follows:

	Transaction	Notes	2005 $
Specified directors			
MR K W Seymour	Construction services	(i)	31,149,731
Mr R J Lette	Director fees	(ii)	45,000
	Legal fees	(iii)	25,077
Mr D M Little	Consulting fees	(iv)	215,000
Mr R B McGruther	Director fees	(v)	45,000

Notes

(i) A controlled entity provided construction services to Ariadne Australia Limited, Seymour Group Pty Ltd, KS2 Pty Ltd and KS3 Pty Ltd. Mr K W Seymour is a director of all these companies.

A controlled entity provided construction services to a joint venture (SPB Developments and Revmist Pty Ltd). Mr K W Seymour is a director of Revmist Pty Ltd.

A controlled entity provided construction management services to an entity (KS3 Pty Ltd), of which Mr K W Seymour is a director.

A controlled entity is undertaking a joint venture (Australian Catholic University Joint Venture) with Adnam Pty Ltd, of which Mr K W Seymour is a director. During the year, a controlled entity provided construction services to this joint venture.

A controlled entity is undertaking a joint venture (Airlie Beach Joint Venture) with K & K (NTC) Pty Ltd, of which Mr K W Seymour is a director. During the year, a controlled entity provided construction services to this joint venture.

A controlled entity is undertaking a joint venture (City Plaza Joint Venture) with Adnam Pty Ltd and KS2 Pty Ltd, of which Mr K W Seymour is a director of both companies.

A controlled entity is undertaking a joint venture (Pialba Joint Venture) with Anyang Pty Ltd, of which Mr K W Seymour is a director.

NOTES TO THE FINANCIAL STATEMENTS

28. DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Other transactions with the Company or its controlled entities (continued)

Notes (continued)

	2005 $	2004 $
The construction services provided to the following entities are:		
Adnam Pty Ltd	97,268	138,033
Airlie Beach Joint Venture	3,206,352	-
Ariadne Australia Limited	-	1,366,987
Australian Catholic University Joint Venture	151,307	565,800
KS2 Pty Ltd	6,400,101	-
KS3 Pty Ltd	2,986,650	-
Seymour Group Pty Ltd	3,435,610	39,576,505
SPB Developments & Revmist Pty Ltd	14,872,443	-
	31,149,731	41,647,325
Amounts receivable arising at year end from the above transactions:		
Adnam Pty Ltd	97,268	-
KS2 Pty Ltd	714,379	-
Seymour Group Pty Ltd	964,520	3,285,471
SPB Developments & Revmist Pty Ltd	1,789,687	-
	3,565,854	3,285,471

(ii) Director's fees relating to Mr R J Lette were paid directly to Mullins Lawyers, of which Mr R J Lette has an interest as a partner.

(iii) The Company and its controlled entities used the legal services of Mullins Lawyers.

(iv) Consulting fees were paid for services received by a controlled entity to Davlit Properties Pty Ltd, of which Mr D M Little is a director.

(v) Director's fees relating to Mr R B McGruther were paid directly to Bentleys MRI, of which Mr R B McGruther has an interest as a partner.

	CONSOLIDATED		THE COMPANY	
	2005 $	2004 $	2005 $	2004 $
29. NON-DIRECTOR RELATED PARTY TRANSACTIONS				
Amounts owing (to)/by controlled entities	-	-	22,071,545	22,346,331
Interest charges on loans to/from controlled entities in the year commercial rates	-	-	565,856	821,639
Dividend received from controlled entities	-	-	6,500,000	5,250,000

30. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 26 October 2000, relief was granted to the wholly owned controlled entities listed below from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debts in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event the Company is wound up.

The controlled entities subject to the Deed are:
- Ahden Engineering (Aust) Pty Ltd
- Keybuilt Pty Ltd
- Watpac Australia Pty Ltd
- Watpac Developments Pty Ltd
- Watpac Refurbishments Pty Ltd (Formerly Montivon Pty Ltd)

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2005 is set out the following:

	CONSOLIDATED	
	2005 $'000	2004 $'000
Summarised statement of financial performance and retained profits		
Profit from ordinary activities before related income tax expense	13,720	12,951
Income tax expense relating to ordinary activities	(3,247)	(2,723)
	10,473	10,228
Net profit attributable to outside equity interest	(76)	(1,335)
Net profit	10,397	8,893
Retained profits at beginning of year	12,471	7,221
Dividends recognised during the year	(5,567)	(3,643)
Retained profits at end year	17,301	12,471

30. DEED OF CROSS GUARANTEE (continued)

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
Statement of financial position		
Cash assets	37,288	29,724
Receivables	59,494	32,995
Inventories	18,125	15,400
Current tax assets	158	-
Other	1,177	1,464
Total current assets	116,242	79,583
Property, plant and equipment	3,067	9,240
Deferred tax assets	959	658
Receivables	1,621	1,860
Inventories	12,289	5,544
Intangibles	3,122	-
Total non-current assets	21,058	17,302
Total assets	137,300	96,885
Payables	80,556	54,295
Interest-bearing liabilities	8,430	4,953
Current tax liabilities	-	1,251
Provisions	2,117	1,373
Total current liabilities	91,103	61,872
Payables	2,388	1,297
Interest-bearing liabilities	2,360	650
Deferred tax liabilities	2,177	216
Provisions	151	283
Total non-current liabilities	7,076	2,446
Total liabilities	98,179	64,318
Net assets	39,121	32,567
Contributed equity	21,820	19,636
Retained profits	17,301	12,471
Outside equity interests	-	460
Total equity	39,121	32,567

	NOTES	ORDINARY SHARES CONSOLIDATED ENTITY INTEREST 2005 %	2004 %

31. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

Watpac Limited

Controlled entities

	NOTES	2005 %	2004 %
Ahden Engineering (Aust) Pty Ltd	(i)	100	100
Grant Constructions Pty Ltd	(i)	100	-
Grant Construction (Services) Pty Ltd	(i)	100	-
Keybuilt Pty Ltd	(i)	100	100
S P Grant & Associates Pty Limited	(i)	100	-
Watpac Australia Pty Ltd	(i)	100	100
Watpac Developments Pty Ltd	(i)	100	100
Watpac Refurbishments Pty Ltd (Formerly Montivon Pty Ltd)	(i)	100	100
Pacific Paradise Stage 1 Joint Venture	(ii)	-	60
Pacific Paradise Stage 2 Joint Venture	(iii)	53.3	53.3

Notes

(i) These controlled entities have been relieved from specified accounting and financial reporting requirements under a Class Order (refer Note 30).

(ii) This unincorporated joint venture was dissolved during the year. The development project has been sold and all profits have been distributed to the joint venture partners.

(iii) This controlled entity is an unincorporated joint venture formed during the previous financial year.

31. CONTROLLED ENTITIES (continued)

(b) Acquisition of controlled entity

During the financial year, the consolidated entity purchased 100% of the voting shares of Grant Constructions Pty Ltd (2004:nil). Details of the acquisitions are as follows:

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Consideration	3,250	-	3,250	-
Outflow of cash	3,250	-	3,250	-
Goodwill on acquisition	3,250	-	3,250	-
Consideration (cash)	3,250	-	3,250	-

Pursuant to the purchase agreement, an additional sum may be payable if certain performance hurdles are achieved over the next 3 years. No amount was paid or payable in respect of this arrangement during the year ended 30 June 2005.

	CONSOLIDATED		THE COMPANY	
	2005 $	2004 $	2005 $	2004 $
32. REMUNERATION OF AUDITORS				
Audit services				
Auditors of the Company				
KPMG Australia				
- Audit and review of financial reports	110,585	76,950	25,000	25,000
- Other regulatory services	1,085	1,050	1,085	1,050
	111,670	78,000	26,085	26,050
Other services				
Auditors of the Company				
KPMG Australia				
- Other advisory services	-	21,000	-	21,000

33. INTEREST IN JOINT VENTURE OPERATIONS

The consolidated entity has a 50% interest (2004:50%) in Australian Catholic University Joint Venture, a property development project situated at Mitchelton.

The consolidated entity has a 50% interest (2004:50%) in Airlie Beach Joint Venture, a property development situated at Airlie Beach, North Queensland.

The consolidated entity has a 25% interest (2004:25%) in City Plaza Joint Venture, a property development situated in Brisbane CBD..

The consolidated entity has a 50% interest (2004:nil) in Pialba Venture, a property development situated at Hervey Bay, North Queensland.

The consolidated entity has a 50% interest (2004:nil) in Ballina Joint Venture, a property development situated in Ballina, North New South Wales.

For the year ended 30 June 2005 the total contribution of the joint ventures to the operating profit before tax of the consolidated entity was $5,029,698 (2004:$521,656). The consolidated entity's share of revenue during the year was $11,250,950 (2004:$1,558,388).

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in the joint ventures, recorded in accordance with the accounting policy described in Note 1(c).

	CONSOLIDATED		THE COMPANY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current assets				
Cash	2,686	642	-	-
Other debtors	8,417	126	-	-
Property development projects	14,522	5,416	-	-
Total current assets	25,625	6,184	-	-
Non-current assets				
Property development projects	11	1,252	-	-
Total non-current assets	11	1,252	-	-
Total assets	25,636	7,436	-	-
Current liabilities				
Payables	622	272	-	-
Interest-bearing liabilities	10,290	2,853	-	-
Total current liabilities	10,912	3,125	-	-
Total liabilities	10,912	3,125	-	-

34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition management
The Board has established a formal implementation project, monitored by a steering committee, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1st July 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

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

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;

- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;

- evaluation of the implications for staff, for example training requirements; and

- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed as at 30 June 2005.

Design phase
The design phase formulated the changes required to existing accounting policies, procedures and processes in order to transition to AIFRS. The design phase included various employees working on areas such as application of impairment requirements on intangible assets, tax-effect accounting, revenue recognition on development projects, equity based compensation (share options) and transitional elections.

The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements;

- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;

- development of revised AIFRS disclosures;

- formulation of accounting and business processes to support AIFRS reporting obligations;

- identification of required changes to financial reporting; and

- development of training programs for staff.

The design phase is completed as at 30 June 2005.

34. IMPACT OF ADOPTING AIFRS (continued)

Implementation phase
The implementation phase includes implementation of identified changes to accounting and business procedures, processes and operational training for staff and enables the consolidated entity to generate the required reconciliations and disclosures of AASB1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards ("AASB1").

This phase is substantially complete as at 30 June 2005.

Impact of transition to AIFRS
The impact of transition to AIFRS, including the transitional adjustments disclosed in the reconciliations from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies, are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report

- additional guidance on the application of AIFRS in a particular industry or to a particular transaction

- changes to the Company's and consolidated entity's operations

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the relevant accounting policy note and where practicable, the expected impact of the alternative interpretation is also disclosed.

The rules for the first time adoption of AIFRS are set out in AASB1. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principal to assist in the transition to reporting under AIFRS. The accounting policies note includes details of the AASB1 elections adopted.

34. IMPACT OF ADOPTING AIFRS (continued)

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB1 are set out below:

(a) Leased Assets

Lease expenses
Under current Australian GAAP, payments made under operating leases are expensed as incurred. Under AIFRS, leases expense is recognised on a straight line basis over the term of the lease. At 1 July 2004, no adjustment is required as the lease commenced during this financial year. For the consolidated entity, an amount of $47,000 is expected to be expensed at 30 June 2005. No adjustments are expected for the Company.

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.

Under current Australian 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.

At 1 July 2004 no provision for make good costs was required as the lease commenced during this financial year. The provision is expected to increase by $25,000 during the 30 June 2005 financial year. No adjustments are expected for the Company.

(b) Intangible Assets

Goodwill
Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment (refer Note 34(c)) for further details on impairment testing).

Amortisation
Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Changes in useful life on transition to AIFRS will be accounted for prospectively. The estimated useful lives for 1 July 2004 are expected to be as follows:

	AIFRS	Current A GAAP
Goodwill	indefinite	20 years

The impact on the results for the year ended 30 June 2005 is expected to be an increase of $128,000, from the reversal of the goodwill amortisation for the consolidated entity and for the Company.

34. IMPACT OF ADOPTING AIFRS (continued)

(c) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis, are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under current Australian GAAP the collectibility of receivables is assessed at each reporting date and a provision is raised based on the age of the outstanding overdue balance to allow for doubtful accounts.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding deferred tax assets and goodwill will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS (refer Note 34(b)), is tested for impairment annually.

If there is an indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

An impairment loss will be recognised whenever the carrying amount of an asset, or 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 in the same way as a revaluation decrease.

There is no expected impact of this change in treatment on transition.

Calculation of recoverable amount
Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted cash flows.

Under AFIRS the recoverable amount will be 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 will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset. Cash flows will be estimated for the asset in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

Reversal of impairment
Under current Australian GAAP impairment losses have not been reversed.

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

There is no expected impact of this change in treatment on transition.

34. IMPACT OF ADOPTING AIFRS (continued)

(d) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently 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 will be 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 will 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 will probably not reverse in the foreseeable future. The amount of deferred tax provided will be 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 will be 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 will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

Impact of UIG 1052
The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. UIG 1052 Tax Consolidations Accounting requires wholly owned subsidiaries in the tax consolidated group to recognise their own tax balances directly, with the current tax liability or asset to be assumed by the head entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements.

In transitioning to this interpretation, UIG 1052 requires that the entity adopt these accounting practices, as if they were in place from the time of the entity's entry into tax consolidation. However, consistent with paragraph 65 of UIG 1052 as the Group's existing tax funding arrangement covers both current and deferred taxes, with the intention of reflecting in the subsidiary the tax amounts relating to its transactions and balances, no contribution to, or distribution from the subsidiaries to the head entity is required. The transition effect will be that the Group will reinstate the deferred tax balances in the subsidiary accounts by offsetting these balances against intercompany accounts and derecognise deferred tax balances in the head entity by offsetting these balances against intercompany accounts.
The impact of UIG 1052 on the Company at 1 July 2004 is:

- A decrease in deferred tax assets of $658,000 and a decrease in deferred tax liabilities of $216,000.
- A decrease in intercompany payable of $658,000 and a decrease in intercompany receivable of $216,000.

The impact of UIG 1052 on the Company at 30 June 2005 is:

- A decrease in deferred tax assets of $1,133,000 and a decrease in deferred tax liabilities of $2,177,000.
- A decrease in intercompany payable of $1,133,000 and a decrease in intercompany receivable of $2,177,000.

The Group is reviewing its tax sharing and tax funding arrangements, to take into account the UIG 1052 guidance.

34. IMPACT OF ADOPTING AIFRS (continued)

(e) Employee benefits

Share based payments
Under current Australian 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.

For the financial year ended 30 June 2005, administration expenses and retained earnings are expected to be increased by $104,000 in the Company and the consolidated entity.

(f) Revenue recognition

Sales of development projects
Under Australian 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.

At 30 June 2005, for the consolidated entity, property sales revenues and receivables are expected to decrease by $4,378,000, cost of properties sold will decrease by $3,521,000 and inventories will increase by $3,521,000. No adjustments are expected by the Company.

34. IMPACT OF ADOPTING AIFRS (continued)

Summary of transitional adjustments

The following table sets out the expected adjustments to the statements of financial position of the Company and the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005.

Reconciliation of equity

		CONSOLIDATED 1 July 2004			CONSOLIDATED 30 June 2005			THE COMPANY 1 July 2004			THE COMPANY 30 June 2005		
	NOTES	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000
ASSETS													
Current assets													
Cash assets		29,724	-	29,724	42,692	-	42,692	125	-	125	224	-	224
Receivables	(f)	32,995	-	32,995	72,845	(4,378)	68,467	-	-	-	-	-	-
Inventories	(f)	15,400	-	15,400	21,879	3,521	25,400	-	-	-	-	-	-
Current tax assets		-	-	-	298	-	298	-	-	-	298	-	298
Other		1,464	-	1,464	540	-	540	93	-	93	96	-	96
Total current assets		79,583	-	79,583	138,254	(857)	137,397	218	-	218	618	-	618
Non-current assets													
Property, plant and equipment		9,240	-	9,240	3,734	-	3,734	-	-	-	-	-	-
Deferred tax assets	(d)	658	-	658	1,133	22	1,155	658	(658)	-	1,133	(1,133)	-
Receivables		1,860	-	1,860	1,623	-	1,623	-	-	-	-	-	-
Inventories		5,544	-	5,544	12,289	-	12,289	-	-	-	-	-	-
Intangibles	(b)	-	-	-	3,122	128	3,250		-		3,122	128	3,250
Other financial assets	(e)	-	-	-	-	-	-	29,857	442	30,299	29,582	(1,044)	28,538
Total non-current assets		17,302	-	17,302	21,901	150	22,051	30,515	(216)	30,299	33,837	(2,049)	31,788
Total assets		96,885	-	96,885	160,155	(707)	159,448	30,733	(216)	30,517	34,455	(2,049)	32,406

34. IMPACT OF ADOPTING AIFRS (continued)

Reconciliation of equity (continued)

	NOTES	CONSOLIDATED 1 July 2004 AGAAP $'000	CONSOLIDATED 1 July 2004 Transition impact $'000	CONSOLIDATED 1 July 2004 AIFRS $'000	CONSOLIDATED 30 June 2005 AGAAP $'000	CONSOLIDATED 30 June 2005 Transition impact $'000	CONSOLIDATED 30 June 2005 AIFRS $'000	THE COMPANY 1 July 2004 AGAAP $'000	THE COMPANY 1 July 2004 Transition impact $'000	THE COMPANY 1 July 2004 AIFRS $'000	THE COMPANY 30 June 2005 AGAAP $'000	THE COMPANY 30 June 2005 Transition impact $'000	THE COMPANY 30 June 2005 AIFRS $'000
LIABILITIES													
Current liabilities													
Payables	(a)	54,295	-	54,295	100,211	47	100,258	67	-	67	31	-	31
Interest-bearing liabilities		4,953	-	4,953	10,309	-	10,309	-	-	-	-	-	-
Current tax liabilities		1,251	-	1,251	-	-	-	1,251	-	1,251	-	-	-
Provisions	(a)	1,373	-	1,373	2,610	25	2,635	-	-	-	-	-	-
Total current liabilities		61,872	-	61,872	113,130	72	113,202	1,318	-	1,318	31	-	31
Non-current liabilities													
Payables		1,297	-	1,297	2,388	-	2,388	-	-	-	-	-	-
Interest-bearing liabilities		650	-	650	2,392	-	2,392	-	-	-	-	-	-
Deferred tax liabilities	(d)	216	-	216	2,177	(257)	1,920	216	(216)	-	2,177	(2,177)	-
Provisions		283	-	283	239	-	239	-	-	-	-	-	-
Total non-current liabilities		2,446	-	2,446	7,196	(257)	6,939	216	(216)	-	2,177	(2,177)	-
Total liabilities		64,318	-	64,318	120,326	(185)	120,141	1,534	(216)	1,318	2,208	(2,177)	31
Net assets		32,567	-	32,567	39,829	(522)	39,307	29,199	-	29,199	32,247	128	32,375
Equity													
Contributed equity		19,636	-	19,636	21,820	104	21,924	19,636	-	19,636	21,820	104	21,924
Retained profits		12,471	-	12,471	17,433	(626)	16,807	9,563	-	9,563	10,427	24	10,451
Total parent entity interests		32,107	-	32,107	39,253	(522)	38,731	29,199	-	29,199	32,247	128	32,375
Outside equity interests		460	-	460	576	-	576	-	-	-	-	-	-
Total equity		32,567	-	32,567	39,829	(522)	39,307	29,199	-	29,199	32,247	128	32,375

34. IMPACT OF ADOPTING AIFRS (continued)

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statements of financial performance of the Company and the consolidated entity for the year ended 30 June 2005.

		CONSOLIDATED 30 June 2005			THE COMPANY 30 June 2005		
	NOTES	AGAAP $'000	Transition impact $'000	AIFRS $'000	AGAAP $'000	Transition impact $'000	AIFRS $'000
Property sales revenue	(f)	29,212	(4,378)	24,834	-	-	-
revenue from construction services		366,122	-	366,122	-	-	-
Other revenues from ordinary activites		18,725	-	18,725	7,073	-	7,073
Total revenue from ordinary activities		414,059	(4,378)	409,681	7,073	-	7,073
Cost of properties sold	(f)	(16,115)	3,521	(12,594)	-	-	-
Construction expenses		(357,743)	-	(357,743)	-	-	-
Administrative expenses	(a), (e)	(10,881)	(176)	(11,057)	-	(104)	(104)
Amortisation expenses	(b)	(128)	128	-	(128)	128	-
Borrowing costs		(155)	-	(155)	-	-	-
Carrying amounts of assets sold		(9,866)	-	(9,866)	-	-	-
Other expenses from ordinary activities		(5,276)	-	(5,276)	(489)	-	(489)
Profit from ordianry activities before related income tax expense		13,895	(905)	12,990	6,456	24	6,480
Income tax expense relating to ordinary activities	(d)	(3,280)	279	(3,001)	(25)	-	(25)
Net profit		10,615	(626)	9,989	6,431	24	6,455
Net profit attributable to outside equity interests		(86)	-	(86)	-	-	-
Net profit attributable to members of the parent entity		10,529	(626)	9,903	6,431	24	6,455

35. EVENTS SUBSEQUENT TO REPORTING DATE

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 34 to the financial statements.

Dividends

For dividends declared after 30 June 2005, see Note 21.