



Appendix 4E: Preliminary Final Report

ION Limited

Financial Year Ended 30 June 2004

ABN: 29 009 106 272

This preliminary final report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

Current reporting period: Financial year ending 30 June 2004

Previous corresponding period: Financial year ending 30 June 2003

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Melbourne : 24 August 2004

“ION ACHIEVES IMPROVED TRADING PROFIT”

ION Limited [ASX:ION] achieved a net profit after tax before significant items for the year ended 30 June 2004 of \$55.2 million and earnings per share of 24.1 cents (\$28.8 million after significant items – earnings per share of 12.5 cents). The \$55.2 million net profit after tax before significant items is in line with previous market guidance and represents a 4% increase on the previous year's \$53.1 million. Revenue of \$711.2 million was 4.7% above that achieved in the year to 30 June 2003.

A final fully franked dividend of 6.0 cents per share (2003: 6.0 cps) payable on 12 October 2004 will result in a fully franked annual dividend of 12.0 cents (2003: 11.25 cps). The Dividend Reinvestment Plan, currently suspended, will be reinstated.

KEY F'04 EVENTS AND OUTCOMES:

- Trading EBIT of \$85.2 million was \$4.2 million or 5.2% ahead of last year.
- New equity of \$64 million from a placement and share purchase plan.
- New debt facilities of \$440 million provided by a club of 5 banks since balance date.
- Further diversification of revenue base with Energy Services now contributing 24% of revenue (2003: 14%)
- ION'S revenue remains unaffected by the rise in the Australian dollar.
- Energy Services recorded a 77% increase in revenue from \$96 million to \$170 million.
- Rollover of Harley-Davidson contract to 2010.
- New contracts awarded for differentials, large diameter wheels and transmissions.
- Continued development of the 6 speed transmission with prototypes currently in test mode.
- Restructuring initiatives undertaken at Automotive Systems.
- Commissioning difficulties at the new Wingfield facility have led to a delayed start-up and additional capital expenditure to support customer requirements.
- Reappraisal of asset carrying values, including research and development (refer Significant Items)
- Altona and Kentucky projects are well advanced.

FINANCIAL PERFORMANCE SUMMARY

	2004	2003	%
Year Ended 30 June 2004	\$m	\$m	change
PROFIT SUMMARY			
Revenue	711.2	679.0	4.7%
<i>Trading Result:</i>			
EBITDA	115.3	107.5	7.3%
Depreciation and amortisation	(30.1)	(26.5)	
EBIT	85.2	81.0	5.2%
Interest	(10.9)	(7.9)	
Pre-tax profit	74.3	73.1	1.6%
Taxation	(19.1)	(20.0)	
Net profit before significant items	55.2	53.1	4.0%
Earnings per share (cents)	24.1c	24.9c	(3.2%)
<i>Total Result:</i>			
Significant items after tax	(26.4)	-	
Net profit	28.8	53.1	(45.7%)
Earnings per share (cents)	12.5c	24.9c	(49.8%)
<hr/>			
DIVIDEND	2004	2003	
Final dividend per share (cents)	6.0c	6.0c	
Total dividend per share (cents)	12.0c	11.25c	

OPERATING HIGHLIGHTS

ION Automotive Group:

- Light Metals Castings' sales revenue was \$205.2 million, 93% of the previous year and produced an EBIT of \$22.8 million, 80% of the previous year. The decline in revenue and earnings reflects the switching of Harley-Davidson inventory ownership in the USA to ION (6 to 8 weeks sales revenue lost) and reduced wheels demand due to Ford USA model changes which led to the Taurus model winding down earlier than expected. Revenue from the introduction of the new models is now coming through the first quarter of the 2004/5 year.

- The Automotive Systems business recorded sales revenue of \$299.1 million, 88.6% of the previous year. The segment EBIT was \$53.0 million, 102% of the previous year. The decline in revenue results from a reduction in Ssangyong's requirements. However, volume impacts were more than offset by a continued emphasis on productivity improvements provided by the progressive introduction of "lean manufacturing" and other restructuring initiatives.
- The transmissions R&D facility was transferred from Sydney to Melbourne leading to a more efficient and cohesive environment to ensure integrated commercial solutions.

ION Energy Services:

- The Energy Services business has been transformed over the last year with the acquisition of Liquip and the full year impact of Stevenson Transport acquired in 2003, together with the winning of new business and the improvement in drought conditions in eastern Australia.
- Total revenue of \$170.1 million was achieved and coupled with the improvement in drought conditions led to a tripling of EBIT to \$16.6 million.

INTEREST AND TAX

Net interest expense of \$10.9 million was \$3.0 million or 38% higher than the previous year reflecting the increased level of borrowings. Prior period tax return adjustments contributed to a lower income tax expense of \$0.9 million as evidenced by a lower tax rate of 25.7%.

SIGNIFICANT ITEMS

The net loss from significant items after tax was \$26.5 million. Previous guidance had indicated that the net impact of significant items was a breakeven situation including a \$23 million credit from the first time adoption of consolidating Australian entities as one taxable entity. A further review of asset carrying values, particularly Wingfield, as well as research and development, has led to an increase in post tax significant items (excluding the impact of tax consolidation credit) from \$23 million to \$48.5 million, the majority of which is non-cash in nature.

Subsequently, after the completion of the required analysis, the tax consolidation gain was reduced to \$22 million. A review of the Wingfield project led to further significant items of \$19.4 million after tax and comprised initial operating losses and pre-production expenses together with a reassessment of the carrying value of fixed assets. A further review of the carrying value of research and development led to an additional \$6.1m after tax write-off.

FUNDS EMPLOYED

Funds Employed increased by \$82.4 million over the year with most of this change related to fixed assets not commissioned at year end (primarily Wingfield, Altona and Kentucky). When the uncommissioned plant is quarantined, ION has delivered a trading EBIT return on funds employed of at least 20%.

FUNDS EMPLOYED	2004	2003
	\$m	\$m
Working Capital	(11.5)	(14.4)
Fixed Assets	478.7	406.2
Research & Development	14.3	20.9
Goodwill	14.6	1.0
Funds Employed	496.1	413.7

CASH FLOW

During the year, cash flow from operations was \$61.1 million, \$19.5 million lower than the previous year due to the return of normal working capital patterns and higher interest costs with lower tax payments providing a partial offset. Net cash for investing activities consumed \$143.9 million versus the previous year's \$132.6 million reflecting a higher level of capital expenditure and acquisitions. Overall cash flow was favourable to previous market guidance resulting in net debt of \$196.3 million at 30 June 2004 (versus market guidance of \$209 million).

CASH FLOW	2004	2003
	\$m	\$m
Operations	61.1	80.6
Investing Activities	(143.9)	(132.6)
Net cash flow*	(82.8)	(52.0)

* prior to equity raisings, dividends and movements in net debt

CAPITAL STRUCTURE

ION has strengthened its capital structure with additional equity and increased borrowing capacity for the completion of planned Greenfield projects. The additional equity will enable ION to not materially exceed its 50% gearing target during the expansion phase.

Equity: During the second half of the year, an institutional placement and share purchase plan raised approximately \$64 million of new equity.

Debt: ION has recently received credit approved committed offers from a variety of domestic and offshore banks, totalling \$440 million. This facility will allow the funding of the capital program over the next 2 years and provide for tranches of funding over the next 3 to 5 years. The recapitalisation has allowed gearing levels and interest cover to remain at workable levels during the year while also providing a foundation for a controlled increase in debt as the expansion program peaks over the next two years.

CAPITAL STRUCTURE	2004	2 003
	\$m	\$m
Funds Employed	496.1	413.7
Tax Balances	(2.7)	(37.6)
Net Debt	(196.3)	(145.7)
Net Assets	297.1	230.4
	2004	2003
Gearing (nd/(nd+na))	39.8%	38.7%
Interest Cover - EBIT basis	7.8 x	10.2 x
- EBITDA basis	10.6 x	13.6 x

POST BALANCE DATE

Effective 16 August 2004, Roger Flynn replaced Graeme Salthouse as Managing Director of ION Limited.

FUTURE OUTLOOK

The company has a well defined growth path for the immediate future based on the 4 major organic growth initiatives of

- cylinder heads, manifolds and oil pans at Wingfield, South Australia
- engine blocks at Altona, Victoria
- large diameter wheels at Warsaw, Kentucky
- drive line products including 5 and 6 speed transmissions, differentials and transfer cases at Albury, New South Wales

as well as organic growth and modest synergistic acquisition opportunities for the Energy business.

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**FINANCIAL RATIOS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

<i>Financial ratios</i>	2004	2003
Based on trading results (before significant items)		
EBIT / Revenue %	12.0%	11.9%
EBITDA / Revenue %	16.2%	15.8%
Effective tax rate	25.7%	27.4%
Interest cover (EBITDA basis)	10.6 times	13.7 times
Interest cover (EBIT basis)	7.8 times	10.3 times
Return on equity (weighted average)	20.9%	26.1%
Earnings per share (weighted average)	24.1 cents	24.9 cents
Payout ratio	50.6%	46.0%
Additional financial information		
Net cash flow from operations (\$'000)	\$ 61,142	\$ 80,646
Shareholders' funds (\$'000)	\$ 297,050	\$ 230,394
Net debt (\$'000)	\$ 196,309	\$ 145,659
Gearing ratio (net debt/{net debt + equity})	39.8%	38.7%
Shares on issue ('000)	253,609	217,845
Weighted average shares on issue ('000)	229,172	213,338
Dividend per share	12 cents	11.25 cents
Franked percentage	100%	100%
Earnings per share including significant items (weighted average)	12.5 cents	24.9 cents
Payout ratio including significant items	97.1%	46.0%

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Revenue and Net Profit

		Percentage Change %		Amount \$'000
Revenues from ordinary activities	up	4.75%	to	711,216
Profit from ordinary activities after tax attributable to members	down	45.83%	to	28,753
Net profit for the period attributable to members	down	45.83%	to	28,753

Dividends

	Amount per security	Percentage Franked
Final dividend for the year ended 30 June 2004	6.0 cents	100%
Record date for determining entitlements to the final dividend:	24-Sep-04	
Date the final dividend is payable	12-Oct-04	

The Dividend Reinvestment Plan, currently suspended will be reinstated.

Amount of dividend per security

	Amount per security	Percentage Franked
Interim dividend for the year ended 30 June 2004	6.0 cents	100%
Final dividend for the year ended 30 June 2004	6.0 cents	100%

Brief explanation of the figures reported above:

Refer attached commentary. The attached financial statements are currently being audited.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Note	Consolidated	
		2004 \$'000	2003 \$'000
Revenue from ordinary activities	3(a)	711,216	678,971
Raw materials and consumables used		(265,042)	(285,838)
Employee benefits expense		(214,649)	(191,653)
Depreciation and amortisation expense	3(b)	(30,118)	(26,515)
Repairs and maintenance expense		(24,104)	(15,789)
Operating lease costs	3(b)	(10,963)	(11,232)
Subcontractors' costs		(32,267)	(8,768)
Borrowing costs	3(b)	(11,280)	(8,364)
Restructuring costs - redundancies	5	(8,869)	-
Write down asset values to recoverable amount:			
- Property, plant and equipment	5	(22,187)	-
- Deferred research and development costs	5	(15,422)	-
Other expenses from ordinary activities		(71,287)	(57,663)
Profit from ordinary activities before income tax expense		5,028	73,149
Income tax benefit/(expense) relating to ordinary activities	6	23,725	(20,068)
Profit from ordinary activities after related income tax expense		28,753	53,081
Adjustment to retained profits at 1 July 2002 as a result of the adoption of AASB 1028 'Employee Benefits'		-	(288)
Increase in asset revaluation reserve arising on revaluation of non-current assets		-	1,422
Increase in foreign currency translation reserve arising on translation of self-sustaining foreign operations		1,670	1,039
Total changes in equity other than those resulting from transactions with owners as owners		30,423	55,254
Earnings per share:			
Basic (cents per share)	10	12.5 ¢	24.9 ¢
Diluted (cents per share)	10	12.5 ¢	24.6 ¢

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Consolidated	
		2004 \$'000	2003 \$'000
Current assets			
Cash assets	15(a)	433	39,427
Receivables		81,678	63,785
Inventories		48,202	44,589
Current tax assets		7,551	5,538
Other		9,059	10,896
Total current assets		146,923	164,235
Non-current assets			
Receivables		16,622	18,589
Property, plant and equipment	7	478,693	406,168
Intangible assets - goodwill		14,604	1,034
Deferred tax assets		24,427	9,390
Deferred research and development costs		14,256	20,945
Other		843	-
Total non-current assets		549,445	456,126
Total assets		696,368	620,361
Current liabilities			
Payables		107,834	111,677
Interest-bearing liabilities	8	11,390	9,757
Current tax liabilities		8,664	5,311
Provisions		23,169	24,562
Other		3,343	6,975
Total current liabilities		154,400	158,282
Non-current liabilities			
Payables		25,088	4,000
Interest-bearing liabilities	8	185,352	175,329
Deferred tax liabilities		26,004	47,249
Provisions		8,474	5,107
Total non-current liabilities		244,918	231,685
Total liabilities		399,318	389,967
Net assets		297,050	230,394
Equity			
Contributed equity	12	233,747	169,596
Reserves		9,968	8,298
Retained profits	13	53,335	52,500
Total equity		297,050	230,394

Notes to the financial statements are included on pages 13 to 28.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Note	Consolidated	
		2004 \$'000	2003 \$'000
Cash flows from operating activities			
Receipts from customers		733,534	757,929
Payments to suppliers and employees		(650,297)	(646,306)
Interest received		343	515
Borrowing costs paid		(11,280)	(8,861)
Income tax paid		(11,158)	(22,631)
Net cash provided by operating activities	15(b)	<u>61,142</u>	<u>80,646</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,968	842
Payment for property, plant and equipment		(121,638)	(116,877)
Payment for businesses	9	(17,931)	(5,761)
Research and development costs paid		(7,260)	(10,761)
Net cash used in investing activities		<u>(143,861)</u>	<u>(132,557)</u>
Cash flows from financing activities			
Dividends paid		(27,918)	(19,783)
Proceeds from issues of equity securities		65,363	5,126
Payment for share issue costs		(1,212)	-
Proceeds from borrowings		33,140	121,286
Repayment of borrowings		(28,929)	(45,670)
Repayment of employee share plan loans		1,544	899
Net cash provided by financing activities		<u>41,988</u>	<u>61,858</u>
Net increase/(decrease) in cash held		(40,731)	9,947
Cash at the beginning of the financial year		39,427	29,480
Cash at the end of the financial year	15(b)	<u>(1,304)</u>	<u>39,427</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the 2003 annual financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated	
	2004 \$'000	2003 \$'000
Note 3: Profit from ordinary activities		
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue from ordinary activities		
Operating revenue		
Revenue from the:		
Sale of goods	528,162	558,262
Rendering of services	143,007	95,917
	<u>671,169</u>	<u>654,179</u>
Interest revenue:		
Other entities	343	515
Other revenue	36,736	23,435
<i>Total operating revenue</i>	<u>708,248</u>	<u>678,129</u>
Non-operating revenue		
Proceeds from the sale of property, plant and equipment	2,968	842
Revenue from ordinary activities	<u><u>711,216</u></u>	<u><u>678,971</u></u>
(b) Expenses		
Cost of sales	413,800	428,500
Borrowing costs:		
Interest and other borrowing costs - other entities	9,897	6,919
Lease and hire purchase finance charges	1,383	1,445
<i>Total borrowing costs</i>	<u>11,280</u>	<u>8,364</u>
Depreciation of non-current assets:		
Buildings	957	911
Leasehold improvements	95	50
Plant and equipment	27,589	25,022
Leased plant and equipment	818	49
	<u>29,459</u>	<u>26,032</u>
Amortisation of non-current assets:		
Research and development costs	66	420
Intangibles - goodwill	593	63
	<u>659</u>	<u>483</u>
<i>Total depreciation and amortisation</i>	<u>30,118</u>	<u>26,515</u>
Net foreign exchange loss/(gain)	(1,486)	172
Operating lease rental expenses	<u>10,963</u>	<u>11,254</u>

(c) Significant items - refer to note 5.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Note 4: Segment information

Products and services within each business segment

For management purposes, the consolidated entity is organised into two major operating divisions – manufacture of automotive components (ION Automotive Group) and distribution of oil, gas and petroleum products as well as the manufacture and distribution of specialist fuel transport products (ION Energy Services). These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

ION Automotive Group

- Light Metal Castings:
Design and manufacture of lightweight engine components and alloy wheels for the automotive original equipment industry.
- Automotive Systems:
Design and manufacture of automotive drivetrain products for the original equipment market.

ION Energy Services

- Distribution of oil, gas and petroleum products throughout Australia as well as terminal management and airport refuelling operations.
- The manufacturer and distributor of specialist fuel transport products.

	Light Metal Castings		Automotive Systems		Energy Services		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	205,193	220,759	299,149	337,503	166,827	95,917	-	-	671,169	654,179
Other revenue	21,113	10,360	15,311	14,376	3,280	15	343	41	40,047	24,792
Total revenue	226,306	231,119	314,460	351,879	170,107	95,932	343	41	711,216	678,971
EBIT	22,798	28,674	52,977	51,861	16,613	4,891	(7,151)	(4,428)	85,237	80,998
pre significant items										
Net interest expense									(10,937)	(7,849)
Profit before tax									74,300	73,149
pre significant items										
Income tax expense									(19,080)	(20,068)
pre significant items										
Net profit after tax pre significant items									55,220	53,081
Significant items after tax (note 5)									(26,467)	-
Net profit after tax									28,753	53,081
Segment assets	337,300	261,080	195,164	183,576	120,356	101,832	43,548	73,873	696,368	620,361
Segment liabilities	85,020	59,102	49,326	95,857	20,689	28,533	244,283	206,475	399,318	389,967
Segment net assets	252,280	201,978	145,838	87,719	99,667	73,299	(200,735)	(132,602)	297,050	230,394
Acquisition of non-current assets	97,337	68,091	13,034	36,921	25,649	26,211	1,344	861	137,364	132,084
Depreciation and amortisation	9,712	7,975	14,395	14,885	5,708	3,442	303	213	30,118	26,515
Other non-cash expenses	34,459	-	500	-	7,861	-	362	-	43,182	-

Unallocated includes corporate activities, loans (external and internal), cash and tax related balances.

Geographical Segments

The consolidated entity carries on its operations predominantly in the Australasian geographic region.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated	
	2004 \$'000	2003 \$'000
Note 5: Significant items		
Profit from ordinary activities includes the following individual items of revenue/(expenses) whose disclosure is relevant in explaining the financial performance of the entity:		
Restructuring costs - redundancies	(8,869)	-
Write down asset values to recoverable amount:		
- Property, plant and equipment	(22,187)	-
- Deferred research and development costs	(15,422)	-
- Inventory	(5,573)	-
Pre-production and commissioning costs from greenfield site	(16,086)	-
Costs associated with the implementation of the Tax Consolidation System	(1,135)	-
Significant items before income tax	<u>(69,272)</u>	<u>-</u>
Applicable income tax benefit	20,782	-
	<u>(48,490)</u>	<u>-</u>
Recognition of tax benefit upon entry to tax consolidation and resetting tax values	22,023	-
Significant items after income tax	<u><u>(26,467)</u></u>	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

	Consolidated	
	2004	2003
	\$'000	\$'000
Note 6: Income tax		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit from ordinary activities	5,028	73,149
Income tax expense calculated at 30%	1,509	21,945
Permanent differences		
<i>Increase in income tax expense due to:</i>		
Non deductible depreciation and amortisation	427	188
Other non-allowable items	130	91
Difference in foreign tax rates	478	598
	<u>1,035</u>	<u>877</u>
<i>Decrease in income tax expense due to:</i>		
Non assessable income	(703)	(478)
Research and development concessions	(747)	(1,396)
Sundry items	-	(168)
Section S139DC deduction relating to ION Limited Exempt Employee Share Plan	(705)	(497)
	<u>(2,155)</u>	<u>(2,539)</u>
<i>Impact of the tax consolidation system:</i>		
Recognition of tax benefit upon entry to tax consolidation and resetting tax values	(22,023)	-
	<u>(21,634)</u>	<u>20,283</u>
Income tax over provided in prior years	(2,091)	(215)
Income tax expense/(benefit) relating to ordinary activities	<u>(23,725)</u>	<u>20,068</u>

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

The directors have elected for those entities within the consolidated entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. The head entity within the tax consolidated group for the purposes of the tax consolidation system is ION Limited.

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, ION Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Note 7: Property, plant and equipment

Consolidated					
	Freehold land and buildings (at fair value)	Leasehold improvements (at cost)	Plant and equipment (at cost)	Leased plant and equipment (at cost)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount					
Balance at 30 June 2003	71,582	1,071	321,594	11,921	406,168
Additions	25,422	573	92,217	-	118,212
Disposals	(375)	-	(2,231)	-	(2,606)
Acquisition of businesses	-	-	896	-	896
Depreciation expense	(957)	(95)	(27,589)	(818)	(29,459)
Write down to recoverable amount	-	-	(21,825)	-	(21,825)
Capitalised borrowing costs	215	-	3,211	-	3,426
Net foreign currency exchange differences arising on translation of financial statements of self sustaining foreign operations	462	-	3,419	-	3,881
Balance at 30 June 2004	96,349	1,549	369,692	11,103	478,693
Net book value:					
As at 30 June 2003	71,582	1,071	321,594	11,921	406,168
As at 30 June 2004	96,349	1,549	369,692	11,103	478,693

Property, plant and equipment under
construction included above:

Consolidated	
2004	2003
\$'000	\$'000
126,617	43,200

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated	
	2004 \$'000	2003 \$'000
Note 8: Interest-bearing liabilities		
Current		
<i>Unsecured:</i>		
Bank overdraft(i)	1,737	-
Commercial bills(i)	240	-
	<u>1,977</u>	<u>-</u>
<i>Secured:</i>		
Finance lease liabilities (ii)	5,936	6,875
Other (iii)	3,477	2,882
	<u>9,413</u>	<u>9,757</u>
	<u>11,390</u>	<u>9,757</u>
Non-current		
<i>Unsecured:</i>		
Commercial bills (i)	175,013	159,853
	<u>175,013</u>	<u>159,853</u>
<i>Secured:</i>		
Finance lease liabilities (ii)	10,339	15,476
	<u>10,339</u>	<u>15,476</u>
	<u>185,352</u>	<u>175,329</u>

- (i) Available bank bill facilities (refer note 15(c)) for all of the consolidated entity's operations are subject to a negative pledge agreement.
- (ii) Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.
- (iii) Funding of the group's insurance liability is secured by the company's right, title and interest in the insurance policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Note 9: Acquisition of businesses

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$'000
The Liquip Group of entities	Manufacture and distribution of specialist fuel transport products.	1-Oct-03	100%	15,726

The Liquip Group of entities consist of Liquip Sales Pty Ltd, Liquip Service Pty Ltd, Liquip Corp. Pty Ltd, Liquip Sales (Vict) Pty Ltd and Liquip Overseas Pty Ltd.

During the 2003 financial year the ION Limited acquired Stevenson Transport Pty Ltd with the effective date of control of 4 June 2003.

Details of the acquisitions are as follows:

	2004	2003
	\$'000	\$'000
Consideration		
Cash consideration	15,726	6,250
Issue of share capital	-	4,716
	15,726	10,966
Fair value of net assets of entities acquired:		
Current assets:		
Cash assets	33	489
Receivables	5,727	3,825
Inventories	4,881	20
Non-current assets:		
Property, plant and equipment	896	15,207
Net tax assets	692	858
Current liabilities:		
Interest bearing liabilities	(2,618)	(4,447)
Net tax liabilities	(914)	-
Provisions	(1,023)	(1,456)
Payables	(2,958)	(3,072)
Non-current liabilities:		
Interest bearing liabilities	(714)	-
Provisions	(1,275)	(458)
Payables	(1,164)	-
Net assets acquired	1,563	10,966
Goodwill on acquisition	14,163	-
	15,726	10,966
Net cash outflow on acquisition:		
Cash consideration	15,726	6,250
Bank overdraft/(cash) balances acquired	2,205	(489)
	17,931	5,761
Contribution of the controlled entities to profit from ordinary activities after tax during the period from the date of control	4,149	136

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Note 10: Earnings per share

	Consolidated	
	2004 Cents Per Share	2003 Cents Per Share
Basic earnings per share (i)	<u>12.5 ¢</u>	<u>24.9 ¢</u>
Diluted earnings per share (ii)	<u>12.5 ¢</u>	<u>24.6 ¢</u>

(i) Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2004	2003
	\$'000	\$'000
Earnings	<u>28,753</u>	<u>53,081</u>
	2004	2003
	No '000	No '000
Weighted average number of ordinary shares	<u>229,172</u>	<u>213,338</u>

(ii) Diluted earnings per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2004	2003
	\$'000	\$'000
Earnings (a)	<u>28,753</u>	<u>53,081</u>
	2004	2003
	No '000	No '000
Weighted average number of ordinary shares (b)	<u>229,891</u>	<u>215,961</u>

(a) Earnings used in the calculation of diluted earnings per share are the same as that used in the calculation of basic earnings per share above.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Note 10: Earnings per share cont.

	2004 No '000	2003 No '000
(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	229,172	213,338
Weighted average number of options outstanding	719	2,623
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	229,891	215,961

Ordinary shares issued after reporting date

130,000 shares were issued after 30 June 2004.

Note 11: Net tangible assets per security

	2004 \$	2003 \$
Net tangible assets per security	1.11	1.05

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

	<u>Consolidated</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Note 12: Contributed equity				
253,608,808 fully paid ordinary shares (2003: 217,844,909)			233,747	169,596
	<u>Consolidated</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>No. '000</u>	<u>No. '000</u>	<u>\$'000</u>	<u>\$'000</u>
Fully paid ordinary shares				
Balance at beginning of financial year	217,845	211,173	169,596	159,752
<i>Issue of shares</i>				
Share placement	27,500	-	55,000	
Share purchase plan	5,612	-	8,579	
ION Limited Employee Share and Option Plans	2,652	4,318	1,784	5,128
For the acquisition of Stevenson Transport Pty Ltd	-	2,358	-	4,716
Adjustments	-	(4)	-	-
Issue of shares/(adjustments)	<u>35,764</u>	<u>6,672</u>	<u>65,363</u>	<u>9,844</u>
Transaction costs relating to share issue	-	-	(1,212)	-
Balance at end of financial year	<u><u>253,609</u></u>	<u><u>217,845</u></u>	<u><u>233,747</u></u>	<u><u>169,596</u></u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

In accordance with the provisions of the ION Limited Employee Share Option Plan, as at 30 June 2004, executives have options over 2,118,798 (2003: 3,412,131) ordinary shares, in aggregate, which expire on 30 September 2004.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated	
	2004 \$'000	2003 \$'000
Note 13: Retained profits		
Balance at the beginning of financial year	52,500	11,043
Adjustments to opening retained profits on initial adoption of AASB 1028 'Employee Benefits'	-	(288)
Adjustments to opening retained profits on initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for write-back of prior year dividend provision	-	8,447
Net profit attributable to members of the parent entity	28,753	53,081
Dividends paid	(27,918)	(19,783)
Balance at end of financial year	53,335	52,500

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

	2004		2003	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
Note 14: Dividends				
Recognised amounts				
Fully paid ordinary shares				
<i>Interim dividend</i>				
100% Franked at 30% tax rate	6.00 ¢	14,799	5.25 ¢	11,260
<i>Final dividend for the year ended 30 June 2003</i>				
100% Franked at 30% tax rate	6.00 ¢	13,119	-	-
	12.00 ¢	27,918	5.25 ¢	11,260
Unrecognised amounts				
Fully paid ordinary shares				
<i>Final dividend</i>				
for the year ended 30 June 2004				
100% Franked at 30% tax rate	6.00 ¢	15,217		
for the year ended 30 June 2003				
100% Franked at 30% tax rate			6.00 ¢	13,119

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared, determined, or publicly recommended subsequent to 30 June 2004.

	Consolidated	
	2004 \$'000	2003 \$'000
Adjusted franking account balance (tax paid basis)	21,448	25,332

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Consolidated

2004	2003
\$'000	\$'000

Note 15: Notes to the statement of cash flows

(a) Reconciliation of cash:

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	433	39,427
- Bank overdraft	(1,737)	-
	<u>(1,304)</u>	<u>39,427</u>

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

Profit from ordinary activities after related income tax	28,753	53,081
Depreciation and amortisation of non-current assets	30,118	26,515
Net (profit)/loss on disposal of property, plant and equipment	(362)	604
Write-down of fixed assets and research and development	37,247	-
	<u>95,756</u>	<u>80,200</u>

Changes in assets and liabilities (net of acquisition):

(Increase)/decrease in assets:

- receivables	(11,742)	(17,977)
- inventory	1,268	(5,469)
- tax assets	(16,358)	(6,191)
- other	992	(9,262)

Increase/(decrease) in liabilities:

- payables	13,123	38,201
- provisions	(324)	(6,729)
- tax liabilities	(18,806)	898
- other	(2,767)	6,975
Net cash from operating activities	<u>61,142</u>	<u>80,646</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

Note 15: Notes to the statement of cash flows cont.

(c) Financing facilities

	Consolidated	
	2004	2003
	\$'000	\$'000
Facilities available to the consolidated entity at the end of the financial year		
(i) Amount used		
Bank overdraft facility	1,737	-
Bill acceptance facility	164,721	131,853
Multi option facility	10,532	28,000
	176,990	159,853
(ii) Amount unused		
Bank overdraft facility	5,663	17,500
Bill acceptance facility	5,779	38,147
Multi option facility	45,000	57,000
	56,442	112,647

The major facilities are summarised as follows:

Banking overdraft

The bank overdraft facility is reviewed annually and payable at call. Interest rates are variable and subject to adjustment.

Bill acceptance facilities

Core funding facilities with the ability to be drawn in multi currencies. Interest rates are set at the date of drawdown/rollover.

Multi-option facilities

Available by way of bills accepted/discount facility; and/or bills fixed; and/or foreign currency loan; and/or foreign currency overdraft; and/or trade line finance; and/or performance guarantee. Interest rates are set at the date of drawdown/rollover.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Note 16: Investments accounted for using the equity method

Name	Place of incorporation	Balance date	Principal activity	Ownership interest consolidated		Carrying amount of investment consolidated	
				2004 %	2003 %	2004 \$'000	2003 \$'000
Associate Iron Carbide Holdings Ltd	Colorado, USA	31-Dec	Iron carbide commerce	49	49	-	-

Dividends received from associates for the year ended 30 June 2004 by the consolidated entity amounted to \$nil (2003 \$nil).