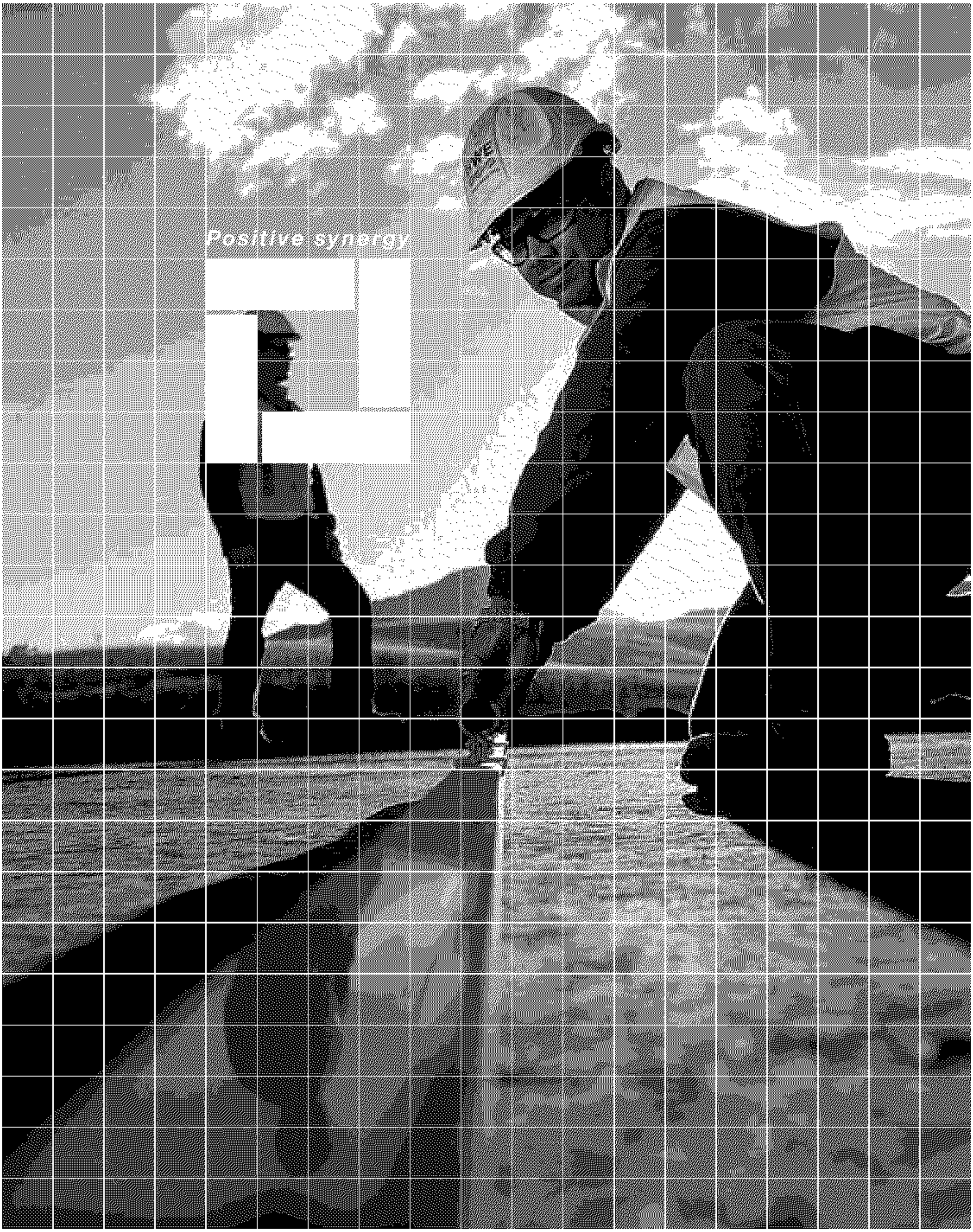

HENRY WALKER ELTIN
FINANCIAL REPORT
2004

HWE
Henry Walker Eltin

HENRY WALKER ELTIN GROUP LIMITED
AND CONTROLLED ENTITIES

ABN 79 007 710 483

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2004. The information contained in pages 1 – 42 of the 2004 Annual Report provides a review of the results of operations during the financial year. It also provides likely developments in operations and expected results relating to changes in the consolidated entity's state of affairs. Further, pages 48, 50 and 52 provide discussion and analysis of the statement of financial performance, statement of financial position and statement of cash flows.

DIRECTORS

(a) Names and interest in shares and options

The directors of Henry Walker Eltin Group Limited in office during the financial year and until the date of this report, together with details of their relevant interest in shares and options, are:

	FULLY PAID SHARES	PARTLY PAID SHARES	OPTIONS
N J Walker	9,164,662	–	–
F E Henry	7,885,491	–	–
B M James	50,000	–	4,000,000
A C Price	70,000	–	600,000
A H Gidley-Baird	125,952	–	–
A J Haraldson	105,952	–	–

(b) Qualifications

Details of the directors' qualifications, experience and special responsibilities are set out on page 32 of the 2004 Annual Report.

(c) Indemnity and insurance of directors and officers

The company, has effected a policy of insurance covering all directors and employees of the company and associated entities from certain liabilities as permitted by the Corporations Act. The policy precludes disclosure of the liability insured against, the limit of the liability and the premium.

In addition, the directors and employees are entitled to be indemnified by the company for certain liabilities under the company's Constitution. A further right of indemnity and rights to continuation insurance cover have been granted to the directors under deeds of indemnity which have been approved by the company's shareholders.

CORPORATE STRUCTURE

Henry Walker Eltin Group Limited is a company limited by shares that is incorporated and domiciled in Australia.

Henry Walker Eltin Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in Note 34 of the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

Mining Services

Mine development, drilling and blasting, loading and hauling of waste and ore in both surface and underground mines, minerals processing and maintenance services. Active in the iron ore, gold, coal, nickel, bauxite, and zinc sectors

Engineering Projects

Design and construction of civil infrastructure projects, and process, electrical and mechanical engineering projects

Operations and Maintenance Services

Operations and maintenance services to a range of clients in the oil and gas, petrochemical, minerals processing, manufacturing, water and waste water, and power generation industries

Motor Vehicle Retailing and Service

Motor vehicle dealership in Northern Territory

Land Development

Development and sale of land and properties.

There have been no significant changes in the nature of these activities during the year.

DIRECTORS' REPORT (continued)

EMPLOYEES

The consolidated entity employed 3,971 employees as at 30 June 2004 (2003: 3,157 employees).

EARNINGS PER SHARE

	2004 CENTS	2003 CENTS
Basic earnings/(loss) per share	**9.29**	(14.26)
Diluted earnings/(loss) per share	**9.29**	(14.26)

DIVIDENDS

No dividends were paid to members during the financial year.

Since the end of the financial year, the directors have recommended the payment of a fully franked final ordinary dividend of $3,725,000 (1.5 cents per fully paid share) to be paid on 20 September 2004 out of retained profits at 30 June 2004.

REVIEW AND RESULTS OF OPERATIONS

Details of the performance of the consolidated entity's operations are set out on pages 4 – 39 of the 2004 Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Contributed equity increased to $200,151,000 from $170,382,000 an increase of $29,769,000 as a result of a share issue during the financial year. The equity raising was conducted via a private share placement and a share purchase plan for existing shareholders. Other than this, there has been no significant change in the state of affairs of the consolidated entity. In addition, we are not aware of any specific developments, not covered generally in this report, that are likely to significantly affect the operation of the consolidated entity, its expected results and its state of affairs.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In its operations in various states and territories of Australia, the consolidated entity is subject to Federal, State and Territory laws and regulations which have general application.

The company is conscious of its commitment to the environment and maintains a sound environmental performance record. The consolidated entity has established and implemented Environmental Management Systems that are independently verified as complying to the requirements of ISO 14001 Environmental Management Systems as part of our management system certification process. Additionally internal audits and training are regularly undertaken across all of the operations.

During the year there were three minor incidents resulting in the issuance of an infringement notice to the company's client in relation to mining activities. Information was provided by the company to demonstrate that no adverse environmental impact had occurred and actions were implemented for system improvement. There was no financial impact arising from these incidents.

Further information on the performance of the consolidated entity's environmental performance is set out on pages 36 – 38 of the 2004 Annual Report and provided separately in the 2004 Sustainable Development Report.

The company is not aware of any environmental issue that would have a material adverse impact on the business of the consolidated entity.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Details relating to directors and executives remuneration are set out in Note 30 of the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year, which significantly affect or may significantly affect the operations of the consolidated entity, the result of these operations, or the state of affairs of the consolidated entity in subsequent financial years other than the completion of the equity raising that commenced in the current year. On 7 July 2004, shareholders approved the second tranche of the private share placement that resulted in the issue of a further 16,849,474 shares at $0.84 raising $14,153,558. The shares were allotted on 9 July 2004. The financial effect of this transaction was to increase both share capital and cash in July by $12,320,713 after allowing for further transaction costs of $1,832,845.

DIRECTORS' MEETINGS

Details of directors' meetings (including meetings of committees of directors) are set out on page 35 of the 2004 Annual Report.

DIRECTORS' REPORT (continued)

TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, Henry Walker Eltin Group Limited and its 100% Australian owned subsidiaries have formed a tax consolidated group. The head entity of the tax consolidated group is Henry Walker Eltin Group Limited. Members of the group have entered into tax sharing arrangements in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off to the nearest $1,000, where rounding is applicable, under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Henry Walker Eltin Group Limited support and have adhered to principles of corporate governance. The company's corporate governance statement is set out on pages 33 – 35 of the 2004 Annual Report.

AUDITOR

During the current financial year, the shareholders appointed PricewaterhouseCoopers as auditors of the consolidated entity.

Signed in accordance with a resolution of the directors.

N J WALKER
Director

B M JAMES
Director

Sydney
10 September 2004

INDEPENDENT AUDIT REPORT

To the members of Henry Walker Eltin Group Limited

AUDIT OPINION

In our opinion, the financial report of Henry Walker Eltin Group Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Henry Walker Eltin Group Limited and the Henry Walker Eltin Group Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Henry Walker Eltin Group Limited (the company) and the Henry Walker Eltin Group Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

R L GAVIN
Partner

Sydney
10 September 2004

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Henry Walker Eltin Group Limited, we state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 34 (e) will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee as described in Note 9.

On behalf of the Board

N J WALKER
Director

B M JAMES
Director

Sydney
10 September 2004

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2004

	NOTES	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
Revenues from ordinary activities	2	**1,115,364**	1,071,573	**41,016**	4,014
Expenses from ordinary activities, excluding borrowing costs expense	3	**(1,096,420)**	(1,099,894)	**(1,350)**	(10,245)
Borrowing cost expense	3	**(18,671)**	(19,947)	**(1,104)**	(1,369)
Share of net profits of associates and joint ventures accounted for using the equity method	2	**10,898**	9,916	**–**	–
Profit/(Loss) from ordinary activities before income tax (benefit)/expense		**11,171**	(38,352)	**38,562**	(7,600)
Income tax (benefit)/expense relating to ordinary activities	4	**(4,726)**	(13,836)	**3,344**	640
Profit/(Loss) from ordinary activities after income tax expense/(benefit)		**15,897**	(24,516)	**35,218**	(8,240)
Net profit/(loss) attributable to outside equity interests	22	**381**	(922)	**–**	–
Net profit/(loss) attributed to members of Henry Walker Eltin Group Limited		**15,516**	(23,594)	**35,218**	(8,240)
Net exchange difference on translation of financial report of foreign controlled entities	21	**1,135**	(5,204)	**–**	–
Total revenues, expenses and valuation adjustments attributable to members of Henry Walker Eltin Group Limited and recognised directly in equity		**1,135**	(5,204)	**–**	–
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Henry Walker Eltin Group Limited		**16,651**	(28,798)	**35,218**	(8,240)
Basic earnings/(loss) per share (cents per share)	29	**9.29**	(14.26)		
Diluted earnings/(loss) per share (cents per share)	29	**9.29**	(14.26)		

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	NOTES	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
Current assets					
Cash assets	24(b)	**125,443**	106,026	**35,878**	17,358
Receivables	6	**185,314**	146,639	**39,222**	7,563
Inventories	7	**69,721**	34,469	**1,183**	291
Other	8	**40,563**	16,359	**–**	120
Total current assets		**421,041**	303,493	**76,283**	25,332
Non-current assets					
Investments accounted for using the equity method	9	**13,545**	10,248	**–**	–
Other financial assets	9	**73**	117	**88,623**	98,481
Inventories	10	**–**	6,017	**–**	1,192
Property, plant and equipment	11	**251,668**	295,102	**–**	907
Deferred tax assets	4	**11,984**	10,712	**11,217**	9,014
Intangible assets	12	**23,832**	22,097	**–**	–
Other	13	**6,531**	23,563	**77,308**	63,869
Total non-current assets		**307,633**	367,856	**177,148**	173,463
Total assets		**728,674**	671,349	**253,431**	198,795
Current liabilities					
Payables	14	**174,094**	134,124	**2,896**	1,768
Interest-bearing liabilities	15	**51,126**	60,487	**2,324**	1,094
Current tax liabilities	4	**–**	–	**–**	–
Provisions	16	**21,110**	18,512	**–**	–
Other	17	**9,308**	10,712	**–**	–
Total current liabilities		**255,638**	223,835	**5,220**	2,862
Non-current liabilities					
Payables	14	**21,051**	23,594	**–**	–
Deferred tax liabilities	4	**19,729**	24,554	**12,704**	17,691
Provisions	19	**1,928**	2,576	**–**	–
Interest-bearing liabilities	18	**179,282**	193,088	**28,954**	36,676
Total non-current liabilities		**221,990**	243,812	**41,658**	54,367
Total liabilities		**477,628**	467,647	**46,878**	57,229
Net assets		**251,046**	203,702	**206,553**	141,566
Equity					
Parent entity interest					
Contributed equity	20	**200,151**	170,382	**200,151**	170,382
Reserves	21	**2,889**	1,754	**185**	185
Retained profits/(accumulated losses)	21	**48,624**	33,108	**6,217**	(29,001)
Total parent entity interest in equity		**251,664**	205,244	**206,553**	141,566
Total outside equity interest	22	**(618)**	(1,542)	**–**	–
Total equity		**251,046**	203,702	**206,553**	141,566

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004

	NOTES	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
Cash flows from operating activities					
Receipts from customers		**1,108,602**	1,117,324	**932**	478
Payments to suppliers and employees		**(1,069,486)**	(1,045,731)	**(130)**	(982)
Interest received		**5,112**	4,874	**1,905**	2,244
Dividends received		**57**	–	**–**	–
Dividends and distributions received from associates and joint venture entities		**10,005**	6,750	**–**	–
Other income received		**12,498**	17,983	**–**	–
Borrowing costs		**(17,748)**	(19,774)	**(1,105)**	(1,369)
Income tax (paid)/refunded		**(4,425)**	(1,010)	**(58)**	115
Net cash flows from operating activities	24	**44,615**	80,416	**1,544**	486
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(53,501)**	(96,326)	**–**	–
Proceeds from sale of property, plant and equipment		**35,325**	23,364	**1,500**	1,313
Cash paid for investments		**–**	(171)	**–**	–
Proceeds from sale of interests in joint ventures		**19,500**	–	**–**	–
Acquisitions of businesses		**(11,926)**	(8,826)	**–**	–
Purchase of short term deposits		**(23,379)**	(10,134)	**120**	(120)
Advances (to)/repaid by other entities		**(144)**	(250)	**180**	120
Advances repaid by associated entities		**–**	6,486	**–**	50
Other		**(135)**	–	**109**	–
Net cash flows from/(used in) investing activities		**(34,260)**	(85,857)	**1,909**	1,363
Cash flows from financing activities					
Proceeds from issue of shares		**29,769**	–	**29,768**	–
Dividends paid		**–**	–	**–**	–
Proceeds from borrowings—other		**28,143**	22,874	**11,398**	10,935
Borrowing repayments—other		**(49,185)**	(38,246)	**(10,167)**	(10,685)
Advances (to)/repaid by controlled entities—wholly owned		**–**	–	**(15,932)**	8,032
Net cash flows from/(used in) financing activities		**8,727**	(15,372)	**15,067**	8,282
Net increase/(decrease) in cash held		**19,082**	(20,813)	**18,520**	10,131
Add opening cash brought forward		**106,026**	128,232	**17,358**	7,227
Effects of exchange rate changes on opening cash		**335**	(1,393)	**–**	–
Closing cash carried forward	24	**125,443**	106,026	**35,878**	17,358

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* which includes applicable accounting standards. There has also been compliance with other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year, except for the accounting policy with respect to revenue and profit recognition for mining contracts.

Revenue and profit recognition for mining contracts

The consolidated entity has changed the manner for recognising revenue and profit in relation to mining contracts in order to more accurately reflect the nature of the underlying contracts. Previously, the consolidated entity adopted the percentage of completion basis in respect of these contracts. With effect from 1 July 2003, contract mining revenue is recognised on the basis of work performed and when revenue is claimable under the contract. Profits are determined by comparing costs incurred to date with the amount of revenue claimable for work performed. This change in accounting policy had no material effect in the current reporting period.

(c) Principles of consolidation

The consolidated financial statements are those of the economic entity, comprising Henry Walker Eltin Group Limited (the parent entity) and all entities which Henry Walker Eltin Group Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. Subsidiary financial statements are prepared for the same reporting period as the parent entity (except for those subsidiaries listed in Note 34), using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract. Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the net profit.

Hedges of foreign operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation, together with hedges of such monetary items and related tax effects, are eliminated against the foreign currency translation reserve on incorporation of the foreign operation's financial report into the consolidated financial report of Henry Walker Eltin Group Limited.

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of Henry Walker Eltin Group Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalent

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(g) Investments

Investments in associates and joint venture entities are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report and the lower of cost and recoverable amount in Henry Walker Eltin Group Limited's financial report. All other non-current investments are carried at the lower of cost and recoverable amount.

Under the equity accounting method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statement of financial performance and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

(h) Valuation of inventories, construction work-in-progress and subdivisional land held for development and resale

Stock items are valued at the lower of cost and net realisable value. Cost is based upon the first-in, first-out principle, and comprises the cost of purchase including cost of bringing each item to its present location and condition.

Construction work-in-progress

Construction work-in-progress generally arises in the Engineering Projects segment where profits and losses are brought to account on the percentage of completion basis, after management assessment of each individual contract. Stage of completion is measured by reference to costs incurred to date as a percentage of total contract costs. All foreseeable losses are recognised as soon as they become apparent. Construction work-in-progress is shown at valuation which comprises cost plus profit recognised to date.

Cost includes direct material, labour and overheads that relate to specific contracts, and an appropriate portion of those costs which can be attributed to contract activity in general and which can be allocated on a reasonable basis. Amounts provided for anticipated future losses on contracts, and progress payments received or receivable, are deducted from the amount of construction work-in-progress at valuation (refer Note 7). Amounts recoverable in respect of claims have been recognised as revenue where the following conditions are satisfied:

- there is reasonable assurance that additional revenue will result; and
- the amount recoverable has been reliably estimated.

Work in progress also arises in the Mining Services segment in limited circumstances such as where significant up-front mobilisation costs are incurred and recovered over the term of the contract or where the company maintains a stockpile of materials and is paid when the materials are sold from the stockpile.

Subdivisional land for development and resale

Land held for development and resale is valued at the lower of cost and net realisable value. Land expected to be sold within 12 months has been classified as a current asset. All other land held for development and resale is shown as a non-current asset. Interest and holding charges are capitalised until the land is brought to a marketable condition. Profits are recognised on settlement of unconditional contracts.

(i) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. Recoverable amount has been determined having regard to the undiscounted future cash flows expected to be received from the continued use of the asset and/or the amount estimated to be recoverable from the sale of the asset. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment

Cost

Property, plant and equipment is carried at cost.

Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to allocate the cost or valuation less estimated residual value at the end of the useful lives of the assets against revenue over those estimated useful lives as follows:

Freehold buildings and offices	straight line method
Leasehold improvements	over the term of the lease
Major plant and equipment	the total number of hours worked
Other plant and equipment	straight line method

Major depreciation periods are:

Freehold buildings and offices	25 to 40 years
Leasehold improvements	the lease term
Plant and equipment	3 to 15 years

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(l) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of the acquisition of a business or shares in a controlled entity.

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received.

(m) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for any goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(n) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Finance lease liabilities are determined in accordance with the requirements of AASB 1008 "Leases".

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice or economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(p) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Contracting Revenue

(i) Mining and Operations and Maintenance Services
Revenue is recognised on the basis of work performed when claimable under the contract.

(ii) Engineering Projects—construction contracts
Revenue arising from contracts is recognised in accordance with the percentage of completion method (refer Note 1 (h)).

Land revenue

Proceeds and subsequent profits are recognised on settlement.

Vehicle revenue

Control of goods has passed to the buyer.

Interest

Control of a right to receive the interest payment.

Dividends

When the dividend is receivable.

Sale of non-current assets

Control of assets has passed to the buyer.

(r) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Tax consolidation legislation

Henry Walker Eltin Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. As a consequence, Henry Walker Eltin Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. The benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at the rate at which the liability is expected to be settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements, expenses and revenue arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements are charged against profits on a net basis in their respective categories.

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

The value of the Employee Share Acquisition Plan described in Note 26 is not being recognised as an employee entitlement expense.

(t) Joint ventures

Interests in joint venture operations are brought to account by including in the respective classifications the share of individual assets employed and liabilities and expenses incurred. Details of the joint venture operation are set out in Note 23.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred except where such costs relate to the entire period of borrowing. In this case, the costs are amortised over the lesser of the borrowing period or 5 years on a straight line basis.

Borrowing costs are capitalised when they relate to qualifying assets.

(v) Derivative financial instruments

Forward foreign exchange contracts

The consolidated entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, or repayments of debt due in foreign currencies or receipt of amounts loaned to associates in foreign currencies to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward foreign exchange contracts have varying maturities from 6 months to 9 years.

Exchange gains or losses on forward foreign exchange contracts are charged to the Statement of Financial Performance except those relating to hedges of specific commitments which are deferred and included in the measurement of the sale or purchase.

Interest rate swaps

The consolidated entity enters into interest rate swap agreements that are used in relation to its debt portfolio, including agreements to convert its medium-term fixed interest rate US dollar unsecured notes to short term US dollar floating rates which are entered into with the objective of converting floating rate USD to floating rate AUD.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(w) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) International Financial Reporting Standards

HWE will be required to prepare financial statements using Australian Standards that comply with International Financial Reporting Standards and their related pronouncements (IFRS) when the Company reports subsequent to 1 July 2005.

The Company will report for the first time in compliance with IFRS when the results for the half year ended 31 December 2005 and year ending 30 June 2006. IFRS require that entities complying with IFRS for the first time also restate their comparative financial statements using all IFRS except for IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. This means that HWE's opening IFRS balance sheet will be a restated comparative balance sheet, dated 1 July 2004. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings on 1 July 2004. Comparatives restated under IFRS will not be reported in financial statements until December 2005, being the first half year reported in compliance with IFRS.

During 2004, HWE established a Steering Committee to monitor and plan for the adoption of IFRS. This Committee has been following developments in IFRS and the likely impact that these standards will have on our financial reports and accounting policies. The Committee has set up a Project Team responsible for evaluating the impact of specific accounting changes and implementing an approach to quantify and integrate changes into the financial reporting process. An impact assessment has been completed and the Company is moving to the next stage of the IFRS implementation project.

The following areas have been identified as significant for the Company:

Goodwill
Initial impact on retained earnings at 1 July 2004
Lower expenses
Volatility in results in event of impairment
Goodwill acquired in a business combination, such as the merger with Eltin and acquisition of LSM, will not require amortisation, but instead be subject to impairment testing at least annually. If there is any impairment, it will be recognised immediately in the statement of financial performance.

Taxation
Initial impact on retained earnings at 1 July 2004
New assets/liabilities recognised
A "balance sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used by Australian companies. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the Company to carry higher levels of deferred tax assets and liabilities.

Hedging
Initial impact on retained earnings at 1 July 2004
Volatility in future earnings
New assets/liabilities recognised
All derivatives contracts, whether used as hedging instruments or otherwise, will be carried at fair value on the Company's statement of financial position. IFRS recognise fair value hedge accounting, cash flow hedge accounting, and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered where effectiveness tests are met.

Ineffectiveness outside the prescribed range precludes the use of hedge accounting and can result in significant volatility in the statements of financial performance. HWE expects to predominantly use fair value hedging in respect of its interest rate and cross currency swaps relating to the USD notes, which may create volatility in the reported earnings.

Share-Based Payments
Initial impact on retained earnings at 1 July 2004
Higher expenses
The Company does not currently recognise an expense for options issued to executives. On adoption of IFRS based standards, the Company will recognise an expense for all share-based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Business Combinations
Initial impact on retained earnings at 1 July 2004
New assets/liabilities recognised
While the presentation of historical business combinations is unlikely to be significantly impacted, HWE is reviewing recent acquisitions to determine the impact the new rules may have on these transactions. Future business combinations may be significantly impacted as a result of the application of the rigorous rules requiring that all separately identifiable intangibles are recorded apart from goodwill and the enhanced business combination disclosures.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Initial impact on retained earnings at 1 July 2004

Volatility in results in event of impairment

Impairment rules will apply to the Company's property, plant and equipment, goodwill and investments in subsidiaries and associates. Impairment tests at a 'cash generating unit' level will be performed on transition and at least annually thereafter or when indicators of impairment are present. Recoverable values will be determined based on the higher of fair value less costs to sell or value in use (discounted pre-tax cash flows).

Leases

Initial impact on retained earnings at 1 July 2004

New assets/liabilities recognised

HWE has a significant number of leasing arrangements. IFRS uses a more qualitative rather than AGAAP's quantitative approach to determining whether a lease is a capital or operating lease. A detailed review of existing leases is being performed to determine the appropriate classification.

Rehabilitation Obligations

Initial impact on retained earnings at 1 July 2004

Volatility in future earnings

New assets/liabilities recognised

HWE currently only has an interest in one mine and builds its rehabilitation provision over the life of the project, reducing the provision as expenditures are incurred. IFRS requires that the present value of the future obligation is recorded when the obligation is incurred with a corresponding amount recorded as an asset to be depreciated over the life of the project. The provision is then accreted to actual value over the life of the project and charged to the income statement.

(y) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 2 REVENUES FROM ORDINARY ACTIVITIES				
Revenues from operating activities				
Contracting revenue	**953,903**	904,979	**–**	–
Land revenue	**20,698**	24,274	**975**	132
Vehicle revenue	**86,266**	88,162	**–**	–
	1,060,867	1,017,415	**975**	132
Revenues from non-operating activities				
Proceeds on sale of non-current assets (Note 3(b))	**35,326**	23,364	**1,500**	1,313
Interest received (Note (a))	**5,047**	5,094	**1,905**	2,244
Dividends (Note (b))	**57**	–	**32,556**	–
Trust Distributions (Note (c))	**–**	–	**3,985**	143
Rent	**145**	189	**–**	144
Other income	**13,922**	25,511	**95**	38
	54,497	54,158	**40,041**	3,882
Total revenues from ordinary activities	**1,115,364**	1,071,573	**41,016**	4,014
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method				
Share of associates' profits/(losses) (Note 9(b)(ii))	**4,252**	3,717	**–**	–
Share of joint venture profits/(losses) (Note 9(b)(ii))	**6,646**	6,199	**–**	–
	10,898	9,916	**–**	–
(a) Interest received from:				
Controlled entities – partly owned	**–**	–	**618**	914
Other persons/bodies corporate	**4,638**	3,720	**1,226**	1,282
Associated companies	**409**	1,374	**61**	48
	5,047	5,094	**1,905**	2,244
(b) Dividends received from:				
Controlled entities – wholly owned	**–**	–	**32,556**	–
Other persons/bodies corporate	**57**	–	**–**	–
(c) Trust Distributions:				
Controlled entities – wholly owned	**–**	–	**3,985**	143

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
NOTE 3 EXPENSES AND LOSSES/(GAINS)				
Other operating expenses	**65,352**	48,066	**140**	319
Cost of land and motor vehicles sold	**96,919**	114,217	**322**	114
Subcontracting expenses	**99,970**	122,258	**–**	–
Materials	**394,811**	388,374	**–**	–
Labour	**311,099**	283,400	**–**	–
Debt forgiven-controlled entities	**–**	–	**(10,324)**	–
Investment write-down-controlled entities	**–**	–	**10,993**	8,398
Bad and doubtful debts—other persons/bodies corporate	**806**	1,081	**(544)**	646
Amortisation and depreciation (Note (a))	**70,871**	81,517	**62**	112
Amortisation and impairment charges of goodwill	**3,509**	18,475	**–**	–
Net foreign currency (gains)/losses—other	**1,232**	463	**16**	(6)
Operating lease rentals—minimum lease payments	**21,623**	19,998	**–**	–
Book value of assets sold (Note (b))	**30,228**	22,045	**685**	662
Total expenses from ordinary activities excluding borrowing costs	**1,096,420**	1,099,894	**1,350**	10,245
Borrowing costs expensed				
Finance charges—lease liability	**1**	4	**–**	–
Interest—other—other persons/bodies corporate	**17,370**	18,694	**1,104**	1,369
Other borrowing costs	**1,300**	1,249	**–**	–
Total borrowing costs	**18,671**	19,947	**1,104**	1,369
(a) Depreciation:				
Plant and equipment	**70,054**	80,907	**19**	38
Freehold property and buildings	**656**	360	**43**	74
Leasehold improvements	**160**	205	**–**	–
Total depreciation	**70,870**	81,472	**62**	112
Amortisation:				
Leased plant and equipment	**1**	45	**–**	–
Total depreciation and amortisation	**70,871**	81,517	**62**	112
(b) Losses/(gains)				
Net gain on disposal of property, plant and equipment	**5,098**	1,319	**815**	651
(c) Significant items				
Profit from ordinary activities before income tax expense includes the following revenues and (expenses) whose disclosure is relevant in explaining the financial performance during the year:				
Provision against receivable due from entity now in administration	**(2,000)**	–	**–**	–
Writedown in value of investments in wholly owned controlled entities	**–**	–	**(10,993)**	(8,398)
Dividends from wholly owned controlled entities	**–**	–	**32,556**	–
Receivables and loans to wholly owned controlled entities forgiven	**–**	–	**10,324**	–
Impairment of goodwill relating to Eltin merger	**–**	(15,850)	**–**	–
Recoverable amount write-downs for mobile plant	**–**	(9,700)	**–**	–
Restructure and redundancy costs	**–**	(8,300)	**–**	–
Work-in-progress balances written off	**–**	(26,969)	**–**	–
Profit on sale of interests in joint venture	**–**	7,065	**–**	–

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
NOTE 4 INCOME TAX				
The prima facie tax on profit/(loss) from ordinary activities differs from the income tax provided in the financial statements as follows:				
Prima facie tax on profit/(loss) from ordinary activities	**3,351**	(11,506)	**11,569**	(2,280)
Tax effect of permanent differences:				
Non assessable dividends	**–**	–	**(8,100)**	–
Recovery of prepaid foreign taxes	**(2,282)**	–	**–**	–
Amortisation and impairment charges of goodwill	**1,053**	5,539	**–**	–
Tax benefit arising from tax consolidation	**(7,159)**	(11,652)	**(7,159)**	(11,652)
Income tax expense allocated to wholly owned subsidiaries under tax funding agreement	**–**	–	**7,159**	11,652
Share of associates profit	**(1,021)**	(1,130)	**–**	–
Net capital (gains)/losses	**–**	(1,987)	**–**	132
Other (non assessable)/non-deductible items, net	**(286)**	864	**(100)**	2,788
Overseas (non assessable)/non-deductible regional expenses	**1,028**	5,026	**–**	–
	(5,316)	(14,846)	**3,369**	640
Effect of higher overseas tax rates	**993**	1,576	**–**	–
Over provision of previous years	**(403)**	(566)	**(25)**	–
Total income tax expense/(benefit) relating to profit/(loss) from ordinary activities	**(4,726)**	(13,836)	**3,344**	640
Deferred tax assets and liabilities				
Current tax payable	**–**	–	**–**	–
Provision for deferred income tax—non-current	**19,729**	24,554	**12,704**	17,691
Future income tax benefit—non-current	**11,984**	10,712	**11,217**	9,014

Included in future income tax benefit are amounts totalling $3,499,164 (2003: $1,820,743) of income tax losses carried forward.

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be released;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax losses amounting to $6,840,000 (2003: $9,754,176) have not been booked to future income tax benefit as realisation is not regarded as virtually certain.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Henry Walker Eltin Group Limited and its 100% Australian owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax funding arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, a tax sharing agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Henry Walker Eltin Group Limited.

As a result of revisions in the tax legislation during the period and the finalisation and resetting of the tax values of assets, the provision for deferred income tax has decreased by $7,159,000 and income tax expense has decreased by the same amount. There has been no material effect on the balance of the future income tax benefit.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 5 DIVIDENDS PAID OR PROVIDED FOR				
No final dividends were provided for or paid during the year to Henry Walker Eltin Group Limited shareholders. (2003: No final or interim dividends paid).				
Since year end the directors have approved the payment of a fully franked final dividend of 1.5 cents per share, payable on 20 September 2004.				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year (at 30%)	**7,678**	5,857	**7,678**	5,065
Franking credits/(debits) that will arise from the payment/(refund) of income tax payable as at the end of the financial year	**(2,770)**	(402)	**(2,770)**	(402)
Franking credits that the entity may be prevented from distributing in the subsequent financial year	**–**	(792)	**–**	–
Total franking credits available	**4,908**	4,663	**4,908**	4,663
Dividends proposed will be franked at the rate of 30%.				
NOTE 6 RECEIVABLES (CURRENT)				
Trade debtors	**156,238**	102,941	**32**	32
Provision for doubtful debts	**(3,292)**	(2,033)	**(32)**	(32)
	152,946	100,908	**–**	–
Controlled entities—wholly owned	**–**	–	**34,858**	6,024
Other debtors	**32,368**	45,731	**4,364**	1,539
Total receivables (current)	**185,314**	146,639	**39,222**	7,563
Movement in provision for doubtful debts:				
Balance at beginning of the year	**(2,033)**	(2,109)	**(32)**	(34)
Bad debts previously provided for written-off during the year	**774**	890	**–**	2
Bad and doubtful debts (provided for) during the year	**(2,033)**	(814)	**–**	–
Balance at end of the year	**(3,292)**	(2,033)	**(32)**	(32)
Australian dollar equivalent of amounts receivable in foreign currency not effectively hedged:				
Indonesian rupiah	**3**	158	**–**	–
Chilean pesos	**2,102**	721	**–**	–
	2,105	879	**–**	–

Terms and conditions

(i) Credit sales are on 30 day terms.

(ii) Details of the terms and conditions of related party receivables are set out in Note 32.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 7 INVENTORIES (CURRENT)				
Other inventories—cost	**27,253**	29,894	**–**	–
Land held for development and resale—cost	**4,556**	2,669	**1,183**	291
Work in progress	**37,912**	1,906	**–**	–
Total inventories at lower of cost and net realisable value	**69,721**	34,469	**1,183**	291
Work in progress in made up of:				
Construction work in progress	**24,412**	1,872	**–**	–
Other work in progress	**13,500**	34	**–**	–
	37,912	1,906	**–**	–
Construction work in progress comprises:				
Costs to date plus profit recognised	**563,211**	652,325	**–**	–
Progress billings	**(548,107)**	(661,165)	**–**	–
	15,104	(8,840)	**–**	–
This is represented by:				
Construction work in progress	**24,412**	1,872	**–**	–
Progress claims in advance (Note 17)	**(9,308)**	(10,712)	**–**	–
	15,104	(8,840)	**–**	–
There are no advances on construction work not yet commenced.				
There are no significant retentions due in respect of construction work in progress.				
Land held for development and resale comprises:				
Cost of acquisition	**1,577**	2,570	**30**	32
Development expenses capitalised at cost	**2,979**	6,116	**1,152**	1,451
	4,556	8,686	**1,182**	1,483
The total cost has been disclosed as follows in accordance with Note 1(h):				
Inventories—current	**4,556**	2,669	**1,182**	291
Inventories—non-current (Note 10)	**–**	6,017	**–**	1,192
	4,556	8,686	**1,182**	1,483

No interest was capitalised (2003: no interest was capitalised).

Bailment agreements existed at the end of the financial year between controlled entities of the parent entity and floor plan financiers in respect of new vehicles held for resale with a total value of $7,429,595 (2003: $8,793,259).

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 8 OTHER CURRENT ASSETS				
Prepayments	**6,997**	6,172	–	–
Short term deposits	**33,566**	10,187	–	120
Total other current assets	**40,563**	16,359	–	120

Included in short term deposits are deposits for equipment with suppliers (that are not with financial institutions) and these are non-interest bearing. The amount of these deposits totals $20,136,910 (2003: $187,000).

Short term deposits also include an amount of $13,429,291 (2003: $10,000,000) held with a financial institution as a margin deposit under an interest rate and currency swap agreement. This deposit earns interest at a rate of 5.0% per annum (2003: 4.5% per annum).

NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT)

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
Interest in controlled entities (not quoted on stock exchange):				
At cost	–	–	**145,212**	144,077
Provision for diminution	–	–	**(56,592)**	(45,599)
	–	–	**88,620**	98,478
Shares in other bodies corporate (not quoted on stock exchange):				
At cost	**70**	114	–	–
Shares in other bodies corporate (quoted on stock exchange):				
At cost (Market value—consolidated entity $5,302 (2003: $10,028))	**3**	3	**3**	3
Total other financial assets (non-current)	**73**	117	**88,623**	98,481
Investment at equity accounted amount:				
Associated trusts and companies (not quoted on stock exchange)—At cost	**15,210**	11,677	–	–
Provision for diminution	**(3,000)**	(4,850)	–	–
	12,210	6,827	–	–
Joint venture entities—At cost	**1,335**	4,105	–	–
Provision for diminution	–	(684)	–	–
	1,335	3,421	–	–
Total investments accounted for using the equity method (non-current)	**13,545**	10,248	–	–

Pursuant to Class Order 98/1418, relief has been granted to various wholly owned subsidiaries of Henry Walker Eltin Group Limited (members of the "Closed Group" listed in Note 34(e)) from the *Corporations Act 2001* requirements for preparation, audit and lodgment of financial reports.

NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

(a) Investment in controlled entities

The consolidated profit and loss statement and balance sheet of the entities which are members of the "Closed Group" (as per Note 34(e)) are as follows:

	CLOSED GROUP 2004 $'000	CLOSED GROUP 2003 $'000
Consolidated statement of financial performance		
Loss from ordinary activities before income tax	**(17,953)**	(31,077)
Income tax benefit	**7,902**	13,321
Loss from ordinary activities after income tax (benefit)	**(10,051)**	(17,756)
Retained profits/(losses) at the beginning of the financial year	**(12,834)**	4,922
Dividends provided for or paid	–	–
Retained profits/(losses) at the end of the financial year	**(22,885)**	(12,834)
Consolidated statement of financial position		
Current assets		
Cash	**31,403**	45,206
Receivables	**124,928**	100,504
Inventories	**28,520**	19,435
Other	**4,803**	2,437
Total current assets	**189,654**	167,582
Non-current assets		
Investments	**238**	54
Property, plant and equipment	**150,475**	143,806
Intangibles	**8,769**	10,155
Other	**14,519**	47,510
Total non-current assets	**174,001**	201,525
Total assets	**363,655**	369,107
Current liabilities		
Payables	**121,553**	105,036
Interest bearing liabilities	**4,598**	6,139
Provisions	**11,243**	10,215
Total current liabilities	**137,394**	121,390
Non-current liabilities		
Interest bearing liabilities	**231,855**	242,307
Provisions	**1,479**	2,432
Total non-current liabilities	**233,334**	244,739
Total liabilities	**370,728**	366,129
Net (liabilities)/assets	**(7,073)**	2,978
Equity		
Contributed equity	**14,805**	14,805
Reserves	**1,007**	1,007
Accumulated losses	**(22,885)**	(12,834)
Total equity	**(7,073)**	2,978

NOTES

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NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

The directors of the consolidated entity have provided a letter of support to the closed group. There are no reasons to believe that the closed group will be unable to pay its debts as and when they fall due.

	OWNERSHIP INTEREST HELD BY CONTROLLED ENTITY 2004 %	2003 %	BALANCE DATE	PRINCIPAL ACTIVITY
(b) Investments at equity accounted amount				
(i) Investments in associates and joint ventures				
Associates:				
African Mining Services (Ghana) Pty Ltd	**50**	50	30 June	mining services
African Mining Services (Tanzania) Pty Ltd (Note(a))	**60**	60	30 June	mining services
African Mining Services Pty Ltd (Note(a))	**60**	60	30 June	service company
Ascot Fields Property Trust	**33⅓**	33⅓	30 June	land development
REJV Services Pty Ltd	**50**	50	30 June	service company
Mines d'Or de Salsigne SA	**50**	50	30 June	gold mining
Western Diesel NT Pty Ltd	**30**	30	30 June	agriculture machinery sales
Ngarda Civil and Mining Pty Ltd	**50**	50	30 June	civil engineering/mining services
P T Ansindo Resources	**35**	35	31 Dec	vehicle sales and service
T.T.H.K Company Limited	**24½**	24½	31 Dec	vehicle sales and service
Triwater Australia Pty Ltd	**30**	–	30 June	design & construction of wastewater treatment plants
Joint ventures:				
Bayview Haven Joint Venture	**50**	50	30 June	land development
Roche Eltin Joint Venture	**50**	50	30 June	mining services
HWE–Clough Joint Venture	**50**	50	30 June	civil engineering
Roe Highway Joint Venture	**50**	–	30 June	civil engineering

Note (a)
These entities have been classified as associates due to joint decision making and management of all operational aspects of the Joint Venture and equal representation on the Board of Directors.

NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

	CONSOLIDATED 2004 $'000	2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	2003 $'000
(ii) Share of associates' and joint ventures' profits				
Share of associates net profits before income tax	**6,075**	6,305		–
Less: income tax attributed to operating profit	**(1,823)**	(2,588)	**–**	–
Share of associates' net profits	**4,252**	3,717	**–**	–
Share of joint ventures' net profits	**6,646**	6,199	**–**	–
Total	**10,898**	9,916	**–**	–
(iii) Carrying amount of investments in associated entities and joint ventures				
Associates				
Balance at the beginning of financial year	**6,827**	9,871	**–**	–
– investment in associates	**174**	178	**–**	–
– share of associates' net profits for the financial year	**4,252**	3,717	**–**	–
– accounting distribution received from associates	**(589)**	(900)	**–**	–
– reserve movement	**(304)**	(4,035)	**–**	–
– (increase)/decrease in provision for diminution	**1,850**	(2,004)	**–**	–
Carrying amount of investments in associates at the end of the financial year	**12,210**	6,827	**–**	–
Represented by:				
Investments at equity accounted amount				
– African Mining Services (Ghana) Pty Ltd	**10,068**	5,157	**–**	–
– Ascot Fields Property Trust	**794**	781	**–**	–
– Ngarda Civil and Mining Pty Ltd	**229**	–	**–**	–
– P T Ansindo Resources	**354**	214	**–**	–
– Western Diesel NT Pty Ltd	**114**	115	**–**	–
– T.T.H.K Company Limited	**621**	560	**–**	–
– Triwater Australia Pty Ltd	**30**	–	**–**	–
	12,210	6,827	**–**	–
Joint ventures:				
Balance at the beginning of financial year	**3,421**	11,898	**–**	–
– contributions to joint ventures	**–**	1,418	**–**	–
– share of joint ventures' net profits for the financial year	**6,646**	6,199	**–**	–
– distribution received from joint ventures	**(9,416)**	(7,020)	**–**	–
– (increase)/decrease in provision for diminution	**684**	(684)	**–**	–
– disposal of interest in joint venture	**–**	(8,390)	**–**	–
Carrying amount of investments in joint ventures at the end of the financial year	**1,335**	3,421	**–**	–

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NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Represented by:				
Investments at equity accounted amount				
– Bayview Haven Joint Venture	1,079	–	–	–
– Roe Highway Joint Venture	184	–	–	–
– Roche Eltin Joint Venture	24	3,373	–	–
– HWE Clough Joint Venture	48	48	–	–
	1,335	3,421	–	–
Total carrying amount of investments in associated entities and joint ventures	13,545	10,248	–	–
(iv) The consolidated entity's share of the assets, liabilities, revenues and expenses are:				
Associates				
Current assets	16,872	10,779	–	–
Non-current assets	16,746	9,423	–	–
Current liabilities	(10,181)	(9,444)	–	–
Non-current liabilities	(11,227)	(3,931)	–	–
Net assets	12,210	6,827	–	–
Joint ventures				
Current assets	9,486	9,039	–	–
Non-current assets	1,148	5,225	–	–
Current liabilities	(8,781)	(8,720)	–	–
Non-current liabilities	(518)	(2,123)	–	–
Net assets	1,335	3,421	–	–
	13,545	10,248	–	–
Revenue	157,046	172,984	–	–
Expenses	(144,325)	(160,480)	–	–
(v) Amount of retained profits of the consolidated entity attributed to:				
Balance at the beginning of the financial year				
– associates	19,100	15,383	–	–
– joint ventures	17,275	11,076	–	–
Share of associates/joint venture profits (net of tax)				
– associates	4,252	3,717	–	–
– joint ventures	6,646	6,199	–	–
Balance at the end of the financial year				
– associates	23,352	19,100	–	–
– joint ventures	23,921	17,275	–	–

NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT) (continued)

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(vi) Amount of reserves of the consolidated entity attributed to associates	(7,841)	(7,537)	–	–

(vii) Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of associates and joint ventures, the results of those operations, or the state of affairs of associates in subsequent financial years.

(viii) Contingent liabilities and capital expenditure commitments

There are no known contingent liabilities of a material nature.
Capital expenditure commitments for associates total $1,536,211 (2003: $NIL).
Capital expenditure commitments for joint ventures total $NIL (2003: $NIL).

NOTE 10 INVENTORIES (NON-CURRENT)

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Land held for development and resale (Note 7)	–	6,017	–	1,192
Total inventories (non-current)	–	6,017	–	1,192

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	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 11 PROPERTY, PLANT AND EQUIPMENT				
Freehold property:				
At cost	**895**	1,949	**–**	303
Accumulated depreciation	**(79)**	(67)	**–**	–
	816	1,882	**–**	303
Buildings and offices:				
At cost	**2,308**	12,438	**–**	1,316
Accumulated depreciation	**(890)**	(3,685)	**–**	(797)
	1,418	8,753	**–**	519
Total freehold property, buildings and offices	**2,234**	10,635	**–**	822
Leasehold property and improvements:				
At cost	**3,335**	3,366	**–**	–
Accumulated amortisation	**(1,048)**	(909)	**–**	–
Total leasehold property and improvements	**2,287**	2,457	**–**	–
Plant, equipment and motor vehicles:				
At cost	**624,725**	644,819	**–**	1,055
Accumulated depreciation	**(377,578)**	(362,823)	**–**	(970)
	247,147	281,996	**–**	85
Leased equipment:				
At cost	**–**	83	**–**	–
Accumulated amortisation	**–**	(69)	**–**	–
	–	14	**–**	–
Total plant, equipment and motor vehicles	**247,147**	282,010	**–**	–
Total property, plant and equipment	**251,668**	295,102	**–**	907

Valuations
As at 30 June 2004, the directors have valued interests in freehold property, buildings and offices as follows:

Freehold property, buildings and offices	**2,234**	14,525	**–**	1,100

In arriving at this valuation the directors have relied on independent valuations where such valuations have been carried out.

The directors' valuations are estimates of the amount for which the assets could be exchanged between a willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date.

These interests are recorded in the accounts at cost.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000
Reconciliations		
Freehold property		
Carrying amount at beginning	**1,882**	**(303)**
Additions	**421**	**–**
Disposals	**(1,474)**	**–**
Depreciation	**(13)**	**–**
Transfers	**–**	**(303)**
	816	**–**
Buildings and offices		
Carrying amount at beginning	**8,753**	**519**
Additions	**317**	**–**
Depreciation	**(643)**	**(43)**
Disposals	**(6,509)**	**(661)**
Transfers	**(471)**	**185**
Net foreign currency movements arising from self sustaining foreign operations	**(29)**	**–**
	1,418	**–**
Leasehold property and improvements		
Carrying amount at beginning	**2,457**	**–**
Transfers	**(10)**	**–**
Depreciation	**(160)**	**–**
	2,287	**–**
Plant, equipment and motor vehicles		
Carrying amount at beginning	**281,996**	**85**
Transfers	**494**	**(42)**
Additions	**57,232**	**–**
Disposals	**(22,245)**	**(24)**
Depreciation	**(70,054)**	**(19)**
Net foreign currency movements arising from self sustaining foreign operations	**(276)**	**–**
	247,147	**–**
Leased equipment		
Carrying amount at beginning	**14**	**–**
Transfers	**(13)**	**–**
Amortisation	**(1)**	**–**
	–	**–**

Assets pledged as security
Included in the balance of plant, equipment and motor vehicles are assets pledged as specific security for certain lease, hire purchase and loan agreements. The terms of these agreements preclude the assets from being sold or being used as security for other borrowings without the consent of the lender and these agreements also require the assets to be fully insured at all times. The value of assets pledged as security are $31,944,286 (2003: $27,901,070).

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
NOTE 12 INTANGIBLE ASSETS				
Goodwill	**51,382**	46,138	**–**	–
Provision for amortisation/impairment	**(27,550)**	(24,041)	**–**	–
Total intangibles	**23,832**	22,097	**–**	–
NOTE 13 OTHER NON-CURRENT ASSETS				
Loans – other persons	**1,260**	17,776	**1,260**	1,080
Amounts owing by controlled entities	**–**	–	**76,048**	62,789
Amounts owing by associated entities	**4,808**	4,620	**–**	–
Expenditure carried forward	**463**	1,167	**–**	–
Total other non-current assets	**6,531**	23,563	**77,308**	63,869

Expenditure carried forward is primarily capitalised borrowing costs.

Terms and conditions:

Loans – other persons

Loans – other persons include loans to employees pursuant to the Henry Walker Eltin Group Employee Share Acquisition Plan. These loans are interest free and repayable from future dividends. Details outlined in Note 26.

Amounts owing by controlled entities:				
Wholly owned	**–**	–	**76,048**	59,601
Partly owned	**–**	–	**–**	3,188
	–	–	**76,048**	62,789

Included in Loans – other persons are amounts totalling $359,573 (2003: $1,096,266) being amounts due from employees under the Henry Walker Eltin Group Employee Share Acquisition Plan. The Plan was approved by shareholders at a meeting on 16 May 1989 and amended on 18 November 1999. The company holds security over the shares until the loans are repaid. Amounts outstanding are repaid out of dividends and bonus issues. The market value of the shares held as security at 30 June 2004 was $383,990 (2003: $781,494).

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
NOTE 14 PAYABLES				
Current				
Trade creditors	**130,984**	94,989	**–**	–
Other creditors and accruals	**43,110**	39,135	**93**	46
Owing to controlled entities	**–**	–	**2,803**	1,722
Total payables (current)	**174,094**	134,124	**2,896**	1,768
Australian dollar equivalent of amounts payable in foreign currencies not effectively hedged:				
Indonesian rupiah	**2,503**	186	**–**	–
Chilean pesos	**4,421**	223	**–**	–
	6,924	409	**–**	–

Terms and conditions:

Trade creditors and other creditors and accruals are normally settled on 45 day terms.

Non-current				
Hedge liability	**20,566**	19,791	**–**	–
Other payables	**485**	3,803	**–**	–
	21,051	23,594	**–**	–

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	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 15 INTEREST-BEARING LIABILITIES (CURRENT)				
Bank overdraft	–	–	–	–
Hire purchase creditors – secured (Note 25)	1,408	2,630	–	–
Lease liability – secured (Note 25)	–	3	–	–
Loans – secured	12,288	9,060	2,324	1,094
Loans – unsecured	30,000	40,000	–	–
Floorplan arrangements – unsecured	7,430	8,794	–	–
Total interest-bearing liabilities (current)	51,126	60,487	2,324	1,094

All hire purchase creditors and leases are secured over the particular assets acquired.

The bank facilities include bank overdrafts, floorplan arrangements and commercial bills provided under a negative pledge and group guarantee arrangement. Other loans are secured by registered charges over specific property or assets of the consolidated entity.

Terms and conditions:

(i) Bank overdraft
Interest is charged at the bank's benchmark rate.
The average overdraft rate for the year was 8.75% (2003: No interest was charged).

(ii) Loans – unsecured
Loans – unsecured are on a negative pledge basis and are supported by guarantees by certain entities within the consolidated entity.
The average effective interest rate is 6.9% (2003: 6.7%)

Included in these amounts is the $USD funding facility as disclosed in Note 35(b).

(iii) Loans – secured
Loans – secured relate to and are secured by plant and equipment.
These loans have various repayment intervals and final repayment dates of up to 4 years.
The average interest rate implicit on the loans is 7.2% p.a. (2003: 8.2% p.a.).

(iv) Floorplan arrangements
Floorplan arrangements have repayment maturities of up to 30 days.
The average interest rate implicit in the Floorplan arrangements is 6.3% (2003: 5.7%)

(v) Lease liability – secured
Lease liabilities relate to and are secured by plant and equipment.
As at balance date, the consolidated entity had no finance leases (2003: the consolidated entity had finance leases with an average lease term of less than 1 year. Average discount rate implicit in these leases was 8.6%).

(vi) Hire purchase creditors – secured
Hire purchase liabilities relate to and are secured by plant and equipment.
The average interest rate implicit in the agreement is 6.4% p.a. (2003: 6.4% p.a).

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 16 PROVISIONS (CURRENT)				
Employee entitlements (Note 26)	19,228	16,094	–	–
Warranty	145	89	–	–
Other (Note (i))	1,737	2,329	–	–
Total provisions (current)	21,110	18,512	–	–
Note (i) Movements in other provisions				
Carrying amount at the beginning of the year	2,329	1,509	–	–
Additional provision	823	1,637	–	–
Amount utilised during the year	(1,415)	(817)	–	–
Balance at the end of the year	1,737	2,329	–	–

Terms and conditions

Dividends

No final dividend has been paid or provided for in the financial year ended 30 June 2004 (2003: no final dividend provided for).

The extent to which the dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 5.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 17 OTHER CURRENT LIABILITIES				
Progress claims in advance (Note 7)	9,308	10,712	–	–
Total other current liabilities	9,308	10,712	–	–
NOTE 18 INTEREST-BEARING LIABILITIES (NON-CURRENT)				
Hire purchase creditors – secured (Note 25)	4,659	6,124	–	–
Amount owing to controlled entities – wholly owned	–	–	28,904	36,626
Lease liability – secured (Note 25)	–	1	–	–
Loans – secured	7,267	13,303	50	50
Loans – unsecured	167,356	173,660	–	–
Total interest-bearing liabilities (non-current)	179,282	193,088	28,954	36,676

Security and terms and conditions relating to the liabilities are detailed in Note 15.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 19 PROVISIONS (NON-CURRENT)				
Employee entitlements (Note 26)	1,928	2,576	–	–
Total provisions (non-current)	1,928	2,576	–	–

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	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 20 CONTRIBUTED EQUITY				
Issued and paid up capital: 201,467,682 (2003: 165,447,954) ordinary shares fully paid	**200,151**	170,382	**200,151**	170,382
Total contributed equity	**200,151**	170,382	**200,151**	170,382

Terms and conditions of contributed equity
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Movements in shares on issue

	2004 NUMBER OF SHARES	2004 $'000	2003 NUMBER OF SHARES	2003 $'000
Fully paid shares				
Beginning of financial year	**165,447,954**	**170,382**	165,447,954	170,382
Issued during the year				
equity raising	**36,019,728**	**30,258**	–	–
transaction costs of equity raising	**–**	**(489)**	–	–
End of financial year	**201,467,682**	**200,151**	165,447,954	170,382

Options
Options granted to directors and executives are detailed in Note 30 of the financial statements.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 21 RESERVES AND RETAINED PROFITS				
Capital profits (Note (a))	**1,109**	1,109	**185**	185
Foreign currency translation (Note (b))	**1,780**	645	**–**	–
Retained profits (Note (c))	**48,624**	33,108	**6,217**	(29,001)
Total reserves and retained profits	**51,513**	34,862	**6,402**	(28,816)
Movements in reserves and retained profits				
(a) Capital profits				
Balance at beginning of the year	**1,109**	1,109	**185**	185
Movement for year	**–**	–	**–**	–
Balance at end of the year	**1,109**	1,109	**185**	185

Nature and purpose of reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
(b) Foreign currency translation				
Balance at beginning of the year	**645**	5,849	**–**	–
Net exchange differences on translation of overseas controlled entities	**1,135**	(5,204)	**–**	–
Balance at end of the year	**1,780**	645	**–**	–

Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
(c) Retained profits				
Balance at beginning of year	**33,108**	56,702	**(29,001)**	(20,761)
Net profit/(loss) attributable to members of Henry Walker Eltin Group Limited	**15,516**	(23,594)	**35,218**	(8,240)
Total available for appropriation	**48,624**	33,108	**6,217**	(29,001)
Dividends provided for or paid	**–**	–	**–**	–
Amounts transferred (to)/from reserves	**–**	–	**–**	–
Balance at end of the year	**48,624**	33,108	**6,217**	(29,001)

NOTES

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	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 22 OUTSIDE EQUITY INTEREST				
Reconciliation of outside equity interest in controlled entities:				
Balance at beginning of the year	**(1,542)**	(620)	–	–
Share of operating profit/(loss)	**381**	(922)	–	–
Outside equity interest in share capital and reserves	**543**	–	–	–
Balance at end of the year	**(618)**	(1,542)	–	–

NOTE 23 INTEREST IN ENTITIES THAT ARE NOT SUBSIDIARIES OR ASSOCIATES – JOINT VENTURE OPERATION

Henry Walker Eltin Group Limited through a controlled entity acquired a 50% interest in the assets, liabilities and output of a joint venture arrangement called the Cockatoo Iron Ore Joint Venture engaged in mining in Western Australia.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
The interest in the joint venture is included in the accounts as follows:				
Current assets:				
Cash	**146**	150	–	–
Receivables	**131**	89	–	–
Other current assets	**133**	949	–	–
	410	1,188	–	–

There are no known contingent liabilities or capital expenditure commitments.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 24 STATEMENT OF CASH FLOWS				
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations:				
Profit/(loss) from ordinary activities after tax	**15,897**	(24,516)	**35,218**	(8,240)
Depreciation and amortisation:				
Property, plant and equipment	**70,871**	81,516	**62**	112
Amortisation of goodwill	**3,509**	18,475	–	–
Amortisation of deferred expenditure	–	1,197	–	–
Provisions – other	**2,219**	(1,410)	–	–
Debt forgiven – controlled entities	–	–	**(10,324)**	–
Provision for/(write-back) doubtful debts	**1,259**	(1,888)	–	–
Bad debts written off	**159**	417	–	–
Proceeds on sale of non-current assets	**(35,326)**	(23,364)	**(1,500)**	(1,313)
Book value of non-current assets sold	**30,228**	22,044	**685**	662
Foreign exchange differences	**(2,054)**	(7,977)	–	–
Income not received	**(1,490)**	(11,103)	**(3,750)**	(142)
Dimunition of investments	**(2,490)**	2,574	**10,993**	8,398
Dividend income	–	–	**(32,556)**	–
Changes in assets and liabilities:				
Trade receivables	**(45,851)**	(4,284)	–	–
Trade creditors	**39,663**	(36,164)	**47**	(621)
Prepayments	**(822)**	(1,145)	–	–
Other debtors	**10,012**	8,063	**(682)**	810
Inventories	**(35,018)**	63,329	**300**	65
Floorplan arrangements	**6,218**	4,700	–	–
Other current liabilities	**(1,403)**	6,858	–	–
Expenditure carried forward	**704**	(953)	–	–
Deposits held	–	–	–	–
Income tax provision	**(4,984)**	3,365	**(1,586)**	(1,379)
Deferred tax assets	**(1,272)**	2,515	**(2,203)**	(8,719)
Provision for deferred income tax	**(4,822)**	(22,653)	**(4,987)**	17,691
Other provisions	**(592)**	820	–	–
Provision for income tax transfer per tax consolidation	–	–	**6,468**	1,699
Provision for deferred income tax transfer per tax consolidation	–	–	**4,987**	(17,691)
Future income tax benefit transfer per tax consolidation	–	–	**372**	8,997
Other FITB tax loss transfers	–	–	–	157
Net cash flows from operating activities	**44,615**	80,416	**1,544**	486

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 24 STATEMENT OF CASH FLOWS (continued)

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(b) Reconciliation of cash				
Cash balance comprises:				
Cash at bank	**125,443**	106,026	**35,878**	17,358
Closing cash balance	**125,443**	106,026	**35,878**	17,358
(c) Non-cash financing and investing activities				
During the financial year, the consolidated entity acquired property, plant and equipment by way of hire purchase financing. The aggregate fair values acquired by way of this type of financing is:	**–**	8,174	**–**	–
(d) Undrawn facilities				
The consolidated entity had the following facilities available as at 30 June 2004				
Bank overdraft:				
Facility	**300**	300	**–**	–
Undrawn	**300**	300	**–**	–
Floorplan arrangements:				
Facility	**8,000**	8,000	**–**	–
Undrawn (note (i))	**570**	–	**–**	–
Equipment finance (subject to certain terms and conditions):				
Uncommitted facilities (note (ii))	**193,699**	146,411	**–**	–
Undrawn	**70,423**	71,238	**–**	–
Loans—unsecured:				
Facility (Note (iii))	**217,922**	267,255	**–**	–
Undrawn (Note (iv))	**–**	30,000	**–**	–

Note (i)
The facility was exceeded in the previous year with the approval of the finance provider.

Note (ii)
The increase in the facility limit is mainly due to increased limits made available by two financiers.

Note (iii)
Reduction in facility limit is due to the reduction in the local syndicated debt facility limit from $70 million to $30 million as explained in (iv) below. Furthermore, the appreciation of the Australian dollar during the course of the year has reduced the Australian dollar equivalent of the US Dollar Note Agreement.

Note (iv)
The local syndicated debt facility was due to be replaced on 30 June 2004, however, it was extended for a term of four months to 30 October 2004. At the time of the extension, the facility limit was reduced at the request of the company to the drawn amount until new facilities are put in place.

NOTE 25 EXPENDITURE COMMITMENTS

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for				
Payable not later than one year:				
Plant and equipment	**163,813**	3,237	**–**	–
Payable later than one year but not later than five years:				
Plant and equipment	**–**	1,426	**–**	–
	163,813	4,663	**–**	–
The capital expenditure commitments above are intended to be funded primarily by way of operating lease agreements.				
(b) Lease expenditure commitments				
(i) Finance leases:				
Not later than one year	**–**	3	**–**	–
Later than one year and not later than five years	**–**	2	**–**	–
Minimum lease payments	**–**	5	**–**	–
Deduct future finance charges	**–**	(1)	**–**	–
Total lease liability	**–**	4	**–**	–
Current liability (Note 15)	**–**	3	**–**	–
Non-current liability (Note 18)	**–**	1	**–**	–
	–	4	**–**	–
(ii) Operating lease (non-cancellable) commitments not provided for in the accounts:				
Not later than one year	**23,862**	16,680	**–**	–
Later than one year and not later than five years	**52,883**	27,993	**–**	–
Later than five years	**1,194**	–	**–**	–
Total operating lease (non-cancellable) commitments	**77,939**	44,673	**–**	–
(c) Hire purchase commitments:				
Not later than one year	**1,751**	3,009	**–**	–
Later than one year and not later than five years	**5,109**	7,006	**–**	–
Minimum payments	**6,860**	10,015	**–**	–
Deduct future finance charges	**(793)**	(1,261)	**–**	–
Total hire purchase commitments	**6,067**	8,754	**–**	–
Current liability (Note 15)	**1,408**	2,630	**–**	–
Non-current liability (Note 18)	**4,659**	6,124	**–**	–
	6,067	8,754	**–**	–

(d) Assets subject to finance leases are mobile plant and equipment used in the contracting operations.

Operating leases have an average lease term of 3.3 years (2003: 2.4 years). Hire purchase commitments have an average term of 3.9 years (2003: 4.2 years). Assets subject to operating leases and hire purchase commitments are mobile plant and equipment used in the contracting operations. Operating leases incorporate excess usage charges and in general do not have purchase options. The operating lease arrangements do not provide for any specific funding restrictions. There are no items of equipment subject to sub-let arrangements.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
NOTE 26 EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS				
Employee entitlements				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	**7,241**	10,420	**–**	–
Provisions (current) (Note 16)	**19,228**	16,094	**–**	–
Provisions (non-current) (Note 19)	**1,928**	2,576	**–**	–
	28,397	29,090	**–**	–

Employee Share Acquisition Plan

Under the Henry Walker Eltin Group Employee Share Acquisition Plan employees may be offered ordinary shares in the company from time to time at the discretion of the directors. Shares are issued at a 10% discount to the average market price for the 5 days prior to the issue date. Financial assistance is provided for up to 90% of the issue price via an interest free loan. The recoverability of the employee loan is limited to the market value of the shares held as security.

Under the terms of the plan all Australian-based employees and certain expatriate employees are eligible to participate in the plan provided they have completed at least 12 months continuous service with the company. However, any offer of shares to employees under the plan is made solely at the discretion of the directors. There is no guarantee that any offer will be made or that an offer will be made to all employees.

No shares have been issued to employees since 1998. Amounts receivable are included in other non-current assets – refer Note 13.

At 30 June 2004 a total of 47 (2003: 124) employees held shares pursuant to the plan. The balance of shares held by employees at the beginning of the financial year totalled 1,221,084. During the year 774,584 shares were disposed of under the plan, leaving a balance of 446,500 shares held by employees.

Superannuation commitments

The company contributes to various accumulation superannuation plans for employees including the HWE Superannuation Plan and various industrial schemes. It is not a contributor to a defined benefit plan. Several old company funds were closed during the year.

NOTE 27 CONTINGENT LIABILITIES

The company is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance by controlled entities, associated entities and related parties of their contractual and financial obligations. These guarantees and indemnities are indeterminable in amount.

Various entities in the consolidated entity are defendants in legal actions lodged against them and/or certain of their employees. The entities have disclaimed liability and are defending the actions. Legal advice and the company's insurance program (subject to appropriate excesses) indicates that it is unlikely that any material liability will arise. Where appropriate, provision has been made for legal fees and likely settlement amounts.

The company has retained some risk in relation to it's workers compensation and public liability insurance programs. The quantum will depend on claims performance.

In July 2004, the company responded to a request from the Australia Securities and Investments Commission for provision of documents in relation to the company's contract with PT Kaltim Prima Coal and the capital raising undertaken in June 2004. No material financial impact is anticipated.

NOTE 27 CONTINGENT LIABILITIES (continued)

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	HENRY WALKER ELTIN GROUP LIMITED 2004 $'000	HENRY WALKER ELTIN GROUP LIMITED 2003 $'000
Other persons				
Obligations under performance guarantees provided by financiers and insurance companies to third parties arising in the normal course of business (secured)	**57,018**	54,466	**–**	–
Associated companies and joint ventures				
The parent entity has provided guarantees and indemnities to the financiers of associated entities for the funding of land developments or the acquisition of plant and equipment.	**12,994**	5,886	**–**	–
A controlled entity has provided a guarantee and indemnity to the financiers of an associated entity for the funding of the acquisition of plant and equipment.	**87**	931	**–**	–
Controlled entities have entered into deeds of guarantee and indemnity in respect of equipment leased under operating lease arrangements and various other agreements in relation to that equipment, which are utilised in contract mining activities carried out by a joint venture.				

NOTE 28 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent financial years other than the completion of the equity raising that commenced in the current year. On 7 July 2004 shareholders approved the second tranche of the private share placement that resulted in the issue of a further 16,849,474 shares at $0.84 raising $14,153,558. The shares were allotted on 9 July 2004. The financial effect of this transaction was to increase both share capital and cash in July by $12,320,713 after allowing for further transaction costs of $1,832,845.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000
NOTE 29 EARNINGS/LOSS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted profit/(loss) per share:		
Net earnings/(loss)	**15,897**	(24,516)
Adjustments:		
Net profit/(loss) attributable to outside equity interest	**381**	(922)
Earnings/(Loss) used in calculating basic and diluted earnings/(loss) per share	**15,516**	(23,594)
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	**167,073,160**	165,447,954
Effect of dilutive securities:		
Share options	**–**	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	**167,073,160**	165,447,954

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 30 DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The Directors of Henry Walker Eltin Group Limited are detailed in Note 32 of the financial statements.

Executive (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of Henry Walker Eltin Group Limited ("specified executives") during the financial year:

NAME	POSITION
C Di Berardino	Chief Operating Officer—HWE Civil
G J Dixon	Executive General Manager—Mining West
D J Hitchings	Executive General Manager—Mining East & International
B W Fitzgerald	Executive General Manager—Simon Engineering Australia
D R A Boyling	General Manager—Plant and Procurement

All of the above persons were also specified executives during the year ended 30 June 2003, except for D Boyling who commenced employment with the group on 10 November 2003.

B W Fitzgerald resigned effective 13 August 2004. The company is in process of finding a suitable replacement and the vacancy is expected to be filled by 31 December 2004.

Since year end the company has undergone an internal restructue of its operations that has resulted in the appointment of G J Dixon as Executive General Manager—Mining Australia and D J Hitchings as Executive General Manager—Mining International, both effective 1 July 2004.

Principles used to determine the nature and amount of remuneration

Executives

Remuneration arrangements for executives are covered by staff contracts of employment and are regulated by the Henry Walker Eltin Remuneration and Benefits Procedure, which provides a framework for the determination and approval of all conditions offered to executive staff. The intent of the procedure is to ensure that:

- Stakeholders receive maximum benefit from the retention of high quality executives
- Remuneration bands are reviewed annually to maintain market competitiveness in order to attract and retain high calibre executives
- Salary bands and benefits are applied consistently to like roles in the same industry sector
- Salaries are reviewed annually, in light of market and comparative data, and the individual's performance against targets and goals agreed through the Staff Performance and Development Review Policy
- An appropriate approval process is followed whenever an executive's total remuneration package is to be altered outside of the salary review process and
- An appropriate approval process is followed whenever an offer or employment, promotion or transfer is made.

Remuneration of executive officers is determined annually by the Chief Executive Officer on the advice of the General Manager, Human Resources and external remuneration specialists (as required).

Structure of Remuneration

The executive pay and reward framework has four components:

- Base pay and benefits
- Short term performance incentives
- Long term incentives through participation in the executive share option plan, and
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Executive Short Term Incentive Program (STIP)

A short term incentive program has been developed and implemented with strong financially based Key Performance Indicator (KPI) linkages. The threshold KPI's adopted in the STIP program include both consolidated entity financial performance and individual segment financial performance. Non financial KPI's include safety performance, internal co-operation as measured by teamwork and communication and personal goals.

NOTE 30 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Each executive with a STIP in place has a set target to be achieved that has been determined after considering the accountabilities of the role and impact on the organisation or segment performance. For senior executives the maximum target is in the range of 30 to 50% of total remuneration package. The Chief Executive Officer approves all STIP performance arrangements and any payments made under the program.

Directors

The remuneration of the executive directors is determined annually by the Chairman and the Chairman of the Audit Committee on the advice of external advisers as appropriate.

The remuneration of the non-executive directors is determined annually by the Board on the advice of external advisers as appropriate.

The shareholder-approved cap on total fees that may be paid to non-executive directors is $500,000. Non-executive directors are not entitled to receive retirement benefits or allowances other than superannuation.

Executive Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the specified executives are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses under the established Short Term Incentive Program (STIP) and an Executive Share Option Plan.

Bruce James, Chief Executive Officer and Managing Director

- Term of Agreement—5 years commencing 1 June 2002
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $1,062,520 reviewed annually on the anniversary of the commencement and each anniversary of that date.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, incapacity, and other serious breaches, equal to:
  - If within the first 3 years of the appointment, an amount equal to 2 times the base remuneration; and
  - If at any time after the third anniversary of the commencement date, an amount equal to the base remuneration.

Andrew Price, Chief Financial Officer and Finance Director

- No specified term of agreement
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $498,916 reviewed annually on 1 December.
- Termination Benefits:
  - If employment is terminated within 12 months of a takeover on grounds other than misconduct, a termination payment equivalent to 1.5 times of total remuneration package.
  - An appropriate payment is made available under the agreement for termination in the event of redundancy.

Claudio Di Berardino, Chief Operation Officer—HWE Civil

- Term of Agreement—5 years commencing 2 December 2002.
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $737,141 reviewed annually at 1 December.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, incapacity, and other serious breaches, equal to:
  - If within the first 3 years of the appointment, an amount equal to 2 times the base remuneration; and
  - If at any after the third anniversary of the commencement date, an amount equal to the base remuneration.

Garret Dixon, Executive General Manager, Mining West

- No specified term of agreement
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $358,302 reviewed annually on 1 December.
- An appropriate payment is made available under the agreement for termination in the event of redundancy. No other termination related payments are specified.

Darron Hitchings, Executive General Manager, Mining East & International

- No specified term of agreement
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $391,360 reviewed annually on 1 December.
- An appropriate payment is made available under the agreement for termination in the event of redundancy. No other termination related payments are specified.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 30 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Barry Fitzgerald, Executive General Manager, Simon Engineering

- No specified term of agreement
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $343,347 reviewed annually on 1 December.
- An appropriate payment is made available under the agreement for termination in the event of redundancy. No other termination related payments are specified.

Danny Boyling, General Manager, Plant and Procurement

- Commenced 10 November 2003
- No specified term of agreement
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of $192,909 (for the part year) reviewed annually on 1 December.
- An appropriate payment is made available under the agreement for termination in the event of redundancy. No other termination related payments are specified.

Details of remuneration

Details of the remuneration of each director of Henry Walker Eltin Group Limited and each of the five specified executives of the consolidated entity for the year ended 30 June 2004 are set out in the following tables:

Directors

	PRIMARY			POST EMPLOYMENT		EQUITY		TOTAL
	CASH SALARY AND FEES $	STIP $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS No.	OPTIONS $	$
N J Walker	103,400	–	–	9,306	–	–	–	112,706
F E Henry	65,600	–	–	5,904	–	–	–	71,504
B M James	1,033,943	300,000	28,577	–	–	4,000,000	97,776	1,460,296
A C Price	487,954	85,804	–	10,962	–	600,000	15,328	600,048
A H Gidley-Baird	17,352	–	–	59,602	–	–	–	76,954
A J Haraldson	81,999	–	–	7,380	–	–	–	89,379

M S Fricker, a former director of the consolidated entity, received remuneration totalling $43,600 during the financial year as a consequence of his retirement on 21 November 2002. This remuneration was made up of a cash salary of $40,000 and superannuation of $3,600.

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.
The elements of remuneration have been determined on the basis of the cost to the company and the consolidated entity.

Specified executives of the consolidated entity

	PRIMARY			POST EMPLOYMENT		EQUITY		TOTAL
	CASH SALARY AND FEES $	STIP $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS No.	OPTIONS $	$
C Di Berardino	646,326	–	–	90,815	–	–	–	737,141
G J Dixon	321,297	35,875	–	37,005	–	450,000	11,496	405,673
D J Hitchings	299,877	95,500	–	91,483	–	450,000	11,496	498,356
B W Fitzgerald	321,529	72,200	–	21,818	–	450,000	11,496	426,843
D R A Boyling	166,467	–	19,392	7,050	–	–	–	192,909
T G Ogg	116,985	–	–	12,000	291,666	–	–	420,651

T G Ogg has been included in the above table detailing remuneration for the specific executives of the consolidated entity in order that the remuneration of the five most highly paid executives is disclosed.

NOTE 30 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Share options

The company has adopted the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share Based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight line basis over the vesting period.

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

No options were exercised during the financial year.

Terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

B M James options granted 21 November 2002

B M James has been granted 4,000,000 options approved by the shareholders at the 2002 annual general meeting.
The grant of the options is in three tranches. A summary of their terms is as follows:

THE OPTIONS	
First Tranche	
Options:	1,200,000
Issue Price:	Nil
Exercise Price:	88.5 cents per share
Performance Hurdle:	None
Exercise Period:	Between 14 June 2005 and 14 June 2007
Second Tranche	
Options:	1,300,000
Issue Price:	Nil
Exercise Price:	$1.70
Performance Hurdle:	Share price of the company to exceed $1.70 per share for 4 successive weeks
Exercise Period:	Up to 14 June 2007
Third Tranche	
Options:	1,500,000
Issue Price:	Nil
Exercise Price:	$2.12
Performance Hurdle:	Share price of the company to exceed $2.12 per share for 4 successive weeks
Exercise Period:	Up to 14 June 2007

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NOTE 30 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Each option gives the right to acquire one share. On allotment the shares shall be credited as fully paid and shall rank equally with all other shares.

The options shall lapse to the extent they have not been exercised on the earliest of:

(a) 14 June 2007

(b) the day on which B M James' employment is terminated in circumstances justifying immediate termination by the company.

The assumptions made in determining the market value of the options granted to B M James included:

	FIRST TRANCHE	SECOND TRANCHE	THIRD TRANCHE
Exercise price	$0.885	$1.70	$2.12
Grant date	21 Nov 2002	21 Nov 2002	21 Nov 2002
Expiry date	14 Jun 2007	14 Jun 2007	14 Jun 2007
Share price at grant date	$0.90	$0.90	$0.90
Share price volatility	43%	43%	43%
Dividend yield	7.59%	7.59%	7.59%
Risk-free interest rate	5.13%	5.13%	5.13%

Options granted on 3 December 2003 under the Executive Share Option Plan

A C Price has been granted 600,000 options approved by the shareholders at the 2003 annual general meeting.

G J Dixon, D J Hitchings and B W Fitzgerald have each been granted 450,000 options during the financial year.

In order for these executives to attain the full quota of options a performance hurdle based on total shareholder return (TSR) must be achieved. The TSR requires the consolidated entity to achieve an accumulated return to shareholders (being movement in share price and accumulated dividends) over the performance period in excess of the TSR achieved by a peer group of companies over the same period. The TSR peer group benchmark is based on entities in the S & P / ASX 200 GICS Industrial Index.

The consolidated entity must achieve a TSR ranking of at least 50% of the TSR peer group for the executives to receive any options. When the 50% benchmark is achieved, half of the options will vest, pro rata up to the point where the consolidated entity achieves 75% of the TSR peer group at which stage the executives will receive their maximum entitlement.

The assumptions made in determining the market value of the options granted to A C Price, G J Dixon, D J Hitchings and B W Fitzgerald included:

Exercise price	$0.9064
Grant date	3 Dec 2003
Expiry date	3 Dec 2013
Share price at grant date	$0.89
Share price volatility	55.49%
Dividend yield	6.0%
Risk-free interest rate	5.76%

NOTE 31 AUDITORS' REMUNERATION

	CONSOLIDATED		HENRY WALKER ELTIN GROUP LIMITED	
	2004 $	2003 $	2004 $	2003 $
Amounts received or due and receivable by the auditors of Henry Walker Eltin Group Limited:				
Audit of the financial statements				
Auditor of Henry Walker Eltin Group Limited	**340,000**	470,472	**50,000**	(57,600)
Affiliates of Auditor	**118,220**	67,352	**–**	–
Audit – Company's previous auditor	**207,214**	54,776	**–**	–
	665,434	592,600	**50,000**	(57,600)
Other Assurance Services				
Auditor of Henry Walker Eltin Group Limited	**50,000**	29,982	**–**	–
Affiliates of Auditor	**193,000**	–	**–**	–
	243,000	29,982	**–**	–
Taxation Services				
Auditor of Henry Walker Eltin Group Limited	**54,930**	162,262	**–**	–

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 32 RELATED PARTY DISCLOSURES

The directors of Henry Walker Eltin Group Limited during the financial year were:

Chairman – Non Executive
N J Walker

Executive Directors
B M James
A C Price

Non-executive Directors
F E Henry
A H Gidley-Baird
A J Haraldson

Transactions with director-related entities during the financial year:

No transactions have occurred between director-related entities and the consolidated entity during the current year.

Controlled entities entered into transactions and have current receivables, which are insignificant in amount, with directors or director related entities which are within normal customer, supplier or employee relationships on terms and conditions no more favourable than those available in arms length dealings.

Other benefits

The directors have derived no dividend income during the year as no dividends have been paid. (2003: $NIL).

The names of the directors and director-related entities who held shares in the company as at 30 June 2004 are:

	2004 FULLY PAID	2004 PARTLY PAID	2004 OPTIONS	2003 FULLY PAID	2003 PARTLY PAID	2003 OPTIONS
N J Walker	9,140,854	–	–	9,058,314	–	–
F E Henry	7,867,635	–		7,805,096	–	–
A H Gidley-Baird	120,000	–	–	90,000	–	–
A J Haraldson	100,000	–	–	100,000	–	–
B M James	50,000	–	4,000,000	50,000	–	4,000,000
A C Price	70,000	–	600,000	70,000	–	–

The aggregate total number of shares purchased during the year by directors was 175,080 (2003: 809,750) and the aggregate total number of shares sold during the year by directors was NIL (2003: NIL). At the date of this report share options in respect of 4,000,000 ordinary shares in the company held by B M James and 600,000 ordinary shares held by A C Price remain unexercised. Refer to Note 30 for a summary of terms and conditions attached to these options.

No other benefits have been received or are receivable by directors other than those already disclosed in the notes to the accounts.

Transactions within the consolidated entity

During the year, transactions including the advancing and repaying of loans, sales and purchases of goods and services and the provision of accounting and administrative assistance, occurred between entities within the consolidated entity. Transactions are made under normal terms and conditions.

Transactions with non-wholly owned controlled entities were as follows:

	CONSOLIDATED 2004 $	CONSOLIDATED 2003 $	HENRY WALKER ELTIN GROUP LIMITED 2004 $	HENRY WALKER ELTIN GROUP LIMITED 2003 $
Loans advanced	–	496,341	–	–
Loans repaid	–	16,188,250	–	–
Management fees received	–	–	–	–
Interest received	–	1,933,097	–	913,522
Sales of goods and services	–	4,261,260	–	–
Dividend received	–	–	–	–

Ultimate controlling entity

Henry Walker Eltin Group Limited is the ultimate controlling entity.

NOTE 33 SEGMENT INFORMATION – PRIMARY SEGMENT

BUSINESS SEGMENTS	MINING SERVICES		ENGINEERING PROJECTS		OPERATIONS AND MAINTENANCE SERVICES		MOTOR VEHICLE RETAILING AND SERVICE		OTHER		ELIMINATIONS		CONSOLIDATED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenue														
Sales to customer outside the consolidated entity	661,205	649,748	177,416	179,302	115,282	75,929	86,266	88,162	20,698	24,274	–	–	1,060,867	1,017,415
Other revenues from customers outside the consolidated entity	25,150	31,211	1,694	1,327	1,016	153	5,967	7,222	16,693	9,151	(1,070)	–	49,450	49,064
Intersegment revenues	–	–	31,668	–	–	–	–	–	–	–	(31,668)	–	–	–
Share of net profit of equity accounted investments	9,360	9,064	184	(239)	–	–	17	8	1,338	1,083	–	–	10,899	9,916
Total segment revenue	695,715	690,023	210,962	180,390	116,298	76,082	92,250	95,392	38,729	34,508	(32,739)	–	1,121,216	1,076,395
Unallocated revenue													5,047	5,094
Total consolidated revenue													1,126,263	1,081,489
Results														
Segment result	24,270	(33,232)	(7,685)	(3,525)	1,714	1,011	1,696	3,785	3,500	7,213	–	–	23,495	(24,748)
Unallocated result													(12,324)	(13,604)
Consolidated entity profit from ordinary activities before income tax expense													11,171	(38,352)
Income tax expense/(benefit)													(4,726)	(13,836)
Consolidated entity profit from ordinary activities after income tax expense													15,897	(24,516)
Assets														
Segment Assets	463,672	475,791	56,248	19,558	66,298	45,593	19,748	14,886	122,708	107,940	–	–	728,674	663,768
Liabilities														
Segment Liabilities	171,382	173,125	38,184	14,362	20,878	9,481	11,034	4,737	236,149	258,361	–	–	477,627	460,066
Other segment information:														
Equity accounted investments included in segment assets	10,321	8,530	232	48	30	–	975	774	1,987	896	–	–	13,545	10,248
Acquisition of property, plant and equipment, intangible assets and other non-current assets	50,364	102,984	929	10,258	10,369	975	595	203	842	1083	–	–	63,099	115,503
Depreciation	65,569	77,620	2,480	3,231	1,916	50	232	199	653	371	–	–	70,870	81,471
Amortisation	1,992	17,620	1,467	840	24	60	–	–	27	–	–	–	3,510	18,520
Non-cash expenses other than depreciation and amortisation	3,330	2,999	–	–	23	226	76	31	(68)	322	–	–	3,361	3,578

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 33 SEGMENT INFORMATION – SECONDARY SEGMENT

GEOGRAPHIC SEGMENTS	AUSTRALIA AND NZ		SOUTH EAST ASIA		AMERICAS		AFRICA		ELIMINATIONS		CONSOLIDATED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Segment revenue	**1,029,906**	983,357	**13,294**	24,484	**75,380**	64,789	**3,995**	3,765	**(1,359)**	-	**1,121,216**	1,076,395
Unallocated revenue											**5,047**	5,094
Total consolidated revenue											**1,126,263**	1,081,489
Segment assets	**621,084**	568,079	**28,429**	10,856	**69,093**	79,676	**10,068**	5,157	**-**	-	**728,674**	663,768
Other segment information:												
Acquisition of property, plant and equipment, intangible assets and other non-current assets	**55,156**	107,483	**1,133**	6	**7,178**	8,014	**-**	-	**(368)**	-	**63,099**	115,503

Segment products and locations

Business segments

Mining Services

Mine development, drilling and blasting, loading and hauling of waste and ore in both surface and underground mines, minerals processing and maintenance services. Active in the iron ore, gold, coal, nickel, bauxite and zinc sectors.

Engineering Projects

Includes design and construction of civil infrastructure projects, and process, electrical and mechanical engineering projects for a range of public and private sector clients in Australia and New Zealand.

Operations and Maintenance Services

Operations and maintenance services to a range of clients in the oil and gas, petrochemical, minerals processing, manufacturing, water and waste water, and power generation industries.

Motor Vehicle Retailing and Service

Comprises the Bridge Autos motor vehicle sales and service dealerships in Darwin and Palmerston in the Northern Territory.

Other

Includes land development and administration activities.

Geographic segments

Geographically, Henry Walker Eltin operates in four predominant segments: Australia and New Zealand, South East Asia, the Americas and Africa. Mining services operations are conducted in all four segments. Motor vehicle retailing and service activities are conducted in Australia and South East Asia. Other activities are conducted exclusively in Australia and New Zealand.

NOTE 34 CONTROLLED ENTITIES

Company

Henry Walker Eltin Group Limited

Controlled entities

All entities listed below are wholly owned by Henry Walker Eltin Group Limited in both 2003 and 2004 unless otherwise specified.

A.C.N. 009 144 281 Pty Ltd	Henry Walker Environmental Pty Ltd (Note(e))
A.C.N. 009 366 036 Pty Ltd	Henry Walker Services Pty Ltd
Aeration & Allied Technology Pty Ltd	Henry Walker Underground Pty Ltd
Air AA Pty Ltd	HWE (Americas) LLC
Air R Pty Ltd	HWE Civil Pty Ltd
Air RH Pty Ltd	HWE Cockatoo Pty Ltd
Air RS Pty Ltd	HWE Contracting ApS (Note(b))
Air RW Pty Ltd (note(d))	HWE Finance Pty Ltd
Bridge Autos Pty Ltd	HWE Group Pty Ltd (Note(e))
Bulumba Pty Ltd	HWE Land Pty Ltd
Capnorth Developments Pty Ltd	HWE Mining and Contracting Limited
Castlemaine Wastewater Treatment Pty Ltd	HWE New Zealand Limited
Castleton Pty Ltd	HWE TC Pty Ltd
Dover Investments Pty Ltd	HWGL Services Pty Ltd
Eltin (France) SARL (Note(b))	HWIO Pty Ltd (Note(e))
Eltin International Pty Ltd	Inventive Pty Ltd (Note(a))
Eltin Open Pit Operations Pty Ltd (Note(a))	Mining Earthmoving Unit Trust
Eltin Overseas Limited (Note(b))	Northaust Auto Hire Pty Ltd (Note(a))
Eltin South America Limited	PT Darma Henwa
Eltin Surface Mining Pty Ltd	PT Eltin Indonesia (Note(b), (c))
Eltin Underground Operations Pty Ltd	PT Henwa Tanone—80% holding
Henry Walker Asia Limited	Simon Engineering (Australia) Holdings Pty Ltd
Henry Walker Contracting Pty Ltd y Compania Limitada (Note(c))	Simon Engineering (Australia) Pty Ltd
Henry Walker Eltin Contracting Pty Ltd (Note(e))	Terrace Ford Pty Ltd
Henry Walker Eltin SA (Note(c))	LSM Projects Pty Ltd

(1) During the financial year, Henry Walker Eltin Group Limited purchased the remaining minority shareholdings in the following companies:
- Dover Investments Pty Ltd (2003: 66.6% interest)
- PT Darma Henwa (2003: 90.0% interest)

(2) The following entities were liquidated during the year:
- HWE Underground SA
- Eltin (Argentina) SA
- Mining and Contracting Services Limited

(3) The following entities were incorporated during the year:
- HWE Civil Pty Ltd (incorporated 3 October 2003)
- HWE New Zealand Limited (incorporated 5 April 2004)
- LSM Projects Pty Limited (incorporated 7 October 2003)

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 34 CONTROLLED ENTITIES (continued)

All companies are incorporated in Australia with the exception of the following:

	PLACE OF INCORPORATION
Eltin France SARL	France
Eltin Overseas Limited	British Virgin Islands
Eltin South America Limited	British Virgin Islands
Henry Walker Asia Limited	Hong Kong
Henry Walker Contracting Pty Ltd y Compania Limitada	Chile
Henry Walker Eltin SA	Chile
HWE Mining and Contracting Limited	Jamaica
HWE (Americas) LLC	USA
HWE Contracting ApS (Note (b))	Denmark
PT Darma Henwa	Indonesia
PT Eltin Indonesia (in liquidation)	Indonesia
PT Henwa Tanone	Indonesia

Overseas controlled entities carry on business in the country of incorporation.

Notes

(a) Trustee Companies:

Inventive Pty Ltd is trustee for the Henry Walker Group Property Trust

Northaust Auto Hire Pty Ltd is trustee for the Northaust Auto Hire Discretionary Trust

Eltin Open Pit Operations Pty Ltd is trustee for the Mining Earthmoving Unit Trust

At 30 June 2004 the trustees have a right to be indemnified from the assets of the trust

(b) Controlled entities which are audited by an auditor other than the auditor of Henry Walker Eltin Group Limited.

(c) The following companies have a financial year which differs from the company:

	FINANCIAL YEAR
Henry Walker Contracting Pty Ltd y Compania Limitada	31 December
Henry Walker Eltin SA	31 December
PT Eltin Indonesia (in liquidation)	31 December

These companies are in the process of aligning their financial year ends with the parent company.

(d) During the year the following entities changed their name:

LSM Projects Pty Limited to Air RW Pty Ltd

(e) Controlled entities for which relief has been granted under Class Order 98/1418 from the *Corporations Act 2001* requirements for preparation, audit and lodgment of financial reports. As a condition of the class order, Henry Walker Eltin Group Limited and the controlled entities subject to the class order, each company ("the Closed Group") entered into a Deed of Cross Guarantee on 3 June 2000. The effect of the deed is that Henry Walker Eltin Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Henry Walker Eltin Group Limited is wound up.

NOTE 35 FINANCIAL INSTRUMENTS

(a) Interest rate risk

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

FINANCIAL INSTUMENTS	FLOATING INTEREST RATE		NON-INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER THE STATEMENT OF FINANCIAL POSITION		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(i) Financial assets								
Cash	125,433	106,026	–	–	125,433	106,026	5.0	4.5
Receivables—trade	–	–	152,946	100,908	152,946	100,908	N/A	N/A
Receivables—other	–	–	32,368	45,731	32,368	45,731	N/A	N/A
Short term deposits	13,429	10,000	20,137	187	33,566	10,187	5.0	4.5
Listed shares	–	–	3	3	3	3	N/A	N/A
Unlisted shares	–	–	70	114	70	114	N/A	N/A
Unlisted equity accounted entities	–	–	13,545	10,248	13,545	10,248	N/A	N/A
Loans—other persons	–	–	1,260	17,776	1,260	17,776	N/A	N/A
Loans owing by associated entities	3,474	2,398	1,334	2,222	4,808	4,620	8.5	4.5
Total financial assets	142,336	118,424	221,663	177,189	363,999	295,613		

N/A—not applicable for non-interest bearing financial instruments

FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS		FIXED INTEREST RATE MATURING IN: OVER 1 TO 5 YEARS		NON-INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER THE STATEMENT OF FINANCIAL POSITION		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(ii) Financial liabilities/other												
Trade creditors and accruals	–	–	–	–	–	–	174,094	134,124	174,094	134,124	N/A	N/A
Hire purchase liabilities—secured	–	–	1,408	2,630	4,659	6,124	–	–	6,067	8,754	6.4	6.4
Lease liability—secured	–	–	–	3	–	1	–	–	–	4	–	8.6
Loans—secured	6,356	8,435	10,472	7,186	2,727	6,741	–	–	19,555	22,362	7.2	8.2
Floorplan arrangements	7,430	8,794	–	–	–	–	–	–	7,430	8,794	6.3	5.7
Loans—unsecured	51,774	62,475	–	–	*166,148	*170,977	485	3,803	218,407	237,255	6.9	6.7
Dividends	–	–	–	–	–	–	–	–	–	–	N/A	N/A
Deposits held—unsecured	–	–	–	–	–	–	–	–	–	–	N/A	N/A
Interest rate swaps	165,966	169,646	(4,090)	–	(161,876)	(169,646)	–	–	–	–	N/A	N/A
Other current liabilities	–	–	–	–	–	–	–	–	–	–	N/A	N/A
Total financial liabilities	231,526	249,350	7,790	9,819	11,658	14,197	174,579	137,927	425,553	411,293	–	–

* A total of $19,663,910 is payable over 5 years to 10 years (2003:$30,967,075)

N/A—not applicable for non-interest bearing financial instruments.

NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2004

NOTE 35 FINANCIAL INSTRUMENTS (continued)

(b) Net fair values

The carrying amount of financial instruments in the statement of financial position approximates the net fair value at 30 June.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash, cash equivalents and short-term investments:
The carrying amount approximates net fair value because of their short term to maturity.

Trade receivables and payables:
The carrying amount approximates net fair value.

Dividends and taxation payable:
The carrying amount approximates net fair value.

Short-term borrowings:
The carrying amount approximates net fair value because of the short term to maturity.

Long-term loan receivable:
The net fair value of long-term loans receivable are obtained by using discounted cash flow analysis based on current lending rates for similar types of lending arrangements.

Long-term borrowings:
The net fair value of long-term borrowings is obtained by using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Non-current investments/securities:
For financial instruments traded in organised financial markets, net fair value is the current quoted market price, adjusted for transaction costs necessary to realise an asset or settle a liability. For non-traded investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances prevailing to a particular investment.

(c) Unrecognised financial instruments

Unrecognised foreign exchange contracts: The net fair value of forward foreign exchange contracts is determined as the unrealised gain or loss at balance date calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The net fair value of foreign exchange rate options is determined using a Black-Scholes option pricing model.

At 30 June the fair value of the forward foreign exchange contracts was $62,057 (2003: $877,292) and the fair value of the forward foreign exchange option was $287 (2003: N/A).

At 30 June, the details of outstanding contracts are:

	AUSTRALIAN DOLLAR EQUIVALENTS 2004 $'000	AUSTRALIAN DOLLAR EQUIVALENTS 2003 $'000	AVERAGE EXCHANGE RATE 2004	AVERAGE EXCHANGE RATE 2003
Forward foreign exchange contracts				
Sell US dollars: Maturity 0 – 6 months	**1,396**	5,425	**0.716**	0.553
Buy US dollars: Maturity 0 – 6 months	**12,008**	N/A	**0.687**	N/A
Foreign exchange rate option				
Purchased USD put against AUD: Maturity 0 – 6 months	**597**	N/A	**0.711**	N/A

The buy USD forward foreign exchange contracts are hedging the forward purchase of US dollars as part of the ongoing management of the company's US dollar liabilities. The sell US dollars forward foreign exchange contracts and purchased put option contract are hedging anticipated receipts of United States dollars from export sales.

Interest rate swap agreements:
Refer to comments on United States Dollar Funding Facility below.

United States Dollar Funding Facility – cross currency and interest rate swap agreements:
In April 2001 the consolidated entity issued US$115 million in unsecured Notes with varying maturities up to and including 2011. Interest is payable in US Dollars on a semi annual basis.

At 30 June 2003 the net fair value of these Notes was $178,260,417 (2003: $194,673,827) compared to a total carrying amount as per the statement of financial position of $187,498,892 (2003: $192,101,762).

In relation to the Note issue the consolidated entity has entered into the following hedging arrangements:

- Interest rate swap agreements in relation to US$100 million, to convert the fixed US Dollar interest rate obligation of the Notes to a floating US Dollar interest rate obligation.
- Cross currency swaps in relation to US$85 million where the consolidated entity has received, and undertaken to repay a fixed sum of Australian Dollars at 0.5175.

The combined net fair value determined on a "Marked to Market" basis of all the interest rate and cross currency swaps at 30 June was ($17,777,673) (2003: ($2,504,803)).

NOTE 35 FINANCIAL INSTRUMENTS (continued)

The maturity dates of the Notes and swaps that are part of this Facility are as follows:

MATURITY DATES	NOTES USD'M	INTEREST RATE SWAPS USD'M	CROSS CURRENCY SWAPS USD'M
0 – 1 years	2.9	2.9	2.9
1 – 5 years	98.3	83.3	68.3
5 – 10 years	13.8	13.8	13.8
Total	115.0	100.0	85.0

(d) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets net of any provisions for doubtful debts, as indicated in the statement of financial position. The maximum credit risk exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The consolidated entity's maximum credit risk exposure in relation to the forward foreign exchange contracts, the foreign exchange rate option and the cross currency swaps is the full amount of the foreign currency that will be required to settle these contracts, should the counterparty fail to deliver the contracted amount. At 30 June the following amounts are receivable (Australian Dollar equivalents):

	2004 $'000	2003 $'000
Foreign exchange contracts (including options)		
Australian dollars	**2,068**	4,495
United States dollars	**11,976**	0
Cross currency swaps		
United States dollars	**123,385**	127,360

The credit risk on interest rate swaps is limited to the net fair value of the swap agreements. At 30 June, the balance was $8,812,852 (2003: $19,514,263).

Concentrations of credit risk

The consolidated entity minimises concentrations of credit risk in relation to trade accounts receivable by securing clients/customers and monitoring their ongoing performance. The majority of customers are concentrated in Australia, thus minimising exposure to overseas sectors. Refer also to Note 33 – Segment information.

Concentrations of credit risk on trade accounts receivable arise in the following business segments:

	MAXIMUM CREDIT RISK EXPOSURE* FOR EACH CONCENTRATION CONSOLIDATED			
	PERCENTAGE OF TOTAL TRADE DEBTORS (%) 2004	$'000 2003	$'000 2004	$'000 2003
Business segment				
Mining services	**67**	78	**102,746**	78,384
Engineering projects	**10**	9	**15,343**	9,139
Operations and maintenance services	**15**	9	**22,341**	9,072
Motor vehicle retailing and service	**1**	4	**2,175**	4,165
Other	**7**	–	**10,341**	148
	100	100	**152,946**	100,908

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days;
- a risk assessment process is used for clients/customers; and
- bank guarantees are obtained for high risk clients/customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

SHAREHOLDER STATEMENT

Number of shareholders: 9,438

DISTRIBUTION OF SHAREHOLDING

NUMBER OF FULLY PAID ORDINARY SHARES	HOLDERS	% OF CLASS
1 – 1,000	1,124	11.91
1,001 – 5,000	3,492	37.00
5,001 – 10,000	2,088	22.12
10,001 – 100,000	2,583	27.37
100,001 and over	151	1.60
TOTAL	9,438	100.00

There are no partly paid ordinary shares on issue.

510 shareholders held less than a marketable parcel.

TOP 20 SHAREHOLDERS

The 20 largest shareholders held 44.87% (2003: 44.69%) of the fully-paid (quoted) shares in the capital of the company as follows:

SHAREHOLDERS	SHARES HELD	% OF CLASS
Westpac Custodian Nominees Limited	17,712,390	8.11
National Nominees Limited	17,456,931	8.00
JP Morgan Nominees Australia Limited	10,557,141	4.83
ANZ Nominees Limited	8,280,885	3.79
Toyota Tsusho Investment (Australia) Pty Ltd	7,041,000	3.22
Excess Pty Limited	6,737,849	3.09
Exact Pty Limited	6,149,607	2.82
Cogent Nominees Pty Limited	3,702,086	1.70
HSBC Custody Nominees (Australia) Limited	2,900,000	1.33
Argo Investments Limited	2,691,490	1.23
AMP Life Limited	2,546,115	1.17
Transfield (Part Owned) Pty Limited	2,380,952	1.09
Quintal Pty Ltd (The Harken Family Account)	1,955,684	0.90
Citicorp Nominees Pty Limited	1,744,123	0.80
UBS Nominees Pty Limited (Prime Broking Account)	1,272,967	0.58
The University of Melbourne	1,038,504	0.48
NT 4 Wheel Drive Hire Pty Limited	1,035,604	0.47
Bond Street Custodians Limited	969,228	0.44
Damelian Automobile Ltd	900,000	0.41
Mr Neville John Walker	889,278	0.41
TOTAL	97,961,834	44.87

SUBSTANTIAL SHAREHOLDERS

The following substantial shareholders were shown in the company register:

SHAREHOLDERS	SHARES HELD
National Australia Bank Limited	14,893,461
JP Morgan	16,551,514
Invesco Australia Ltd	9,383,947

VOTING RIGHTS

On a show of hands every member present or voting by proxy, attorney or representative shall have one vote.

On a poll every member present or voting by proxy, attorney or representative shall have one vote for each fully paid share held. Holders of partly paid shares have voting rights in proportion to the amount actually paid on the shares.

COMPANY SECRETARY

Louise Hicks

REGISTERED OFFICE

33 Paul Street North
North Ryde NSW 2113

LOCATION OF SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000

SHAREHOLDER INFORMATION

Shareholders with enquiries about their shareholdings should contact the company's share registry Computershare Investor Services Pty Limited, by telephone 1300 855 080 or visit their website at www.computershare.com

Change of address

Shareholders who have changed their address should advise the registry in writing.

The registry's address is:
Computershare Investor Services Pty Limited
GPO Box 7045 Sydney NSW 1115

Direct payment to bank accounts

Dividends may be paid direct to bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend date and confirmed by post. Shareholders who wish their dividend to be paid in this way must advise the registry in writing prior to the record date of the first dividend they wish to be paid by direct debit.

Removal from Annual Report mailing list

Shareholders can decide their preferred arrangements for receipt of the company's various annual report documents. In the absence of advice to the contrary, each shareholder will be mailed a copy of the Annual Report, which includes a concise financial report. Other reports available include the Annual Financial Report, which comprises a full set of financial statements as well as a directors' report and independent audit report, and the Sustainable Development Report.

Shareholders can elect to receive any, all or none of these reports according to their preference. Shareholders who wish to vary their annual report mailing arrangements should do so by advising the registry in writing at the address shown on this page. Varying annual report mailing arrangements will not affect the flow of other information from the company to shareholders, who will continue to receive all other information mailed to shareholders, regardless of any election made in respect of the annual report.

Shareholders who are receiving more than one copy of the annual report can arrange to receive a single copy only through advising the share registry in writing.

To consolidate shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should advise the share registry in writing.

Investor information

Information about the company is available from a number of sources.

- Publications: the Annual Report is the major printed source of company information. The report comprises two publications: the Annual Report and the Annual Financial Report. Other publications include the Sustainable Development Report. Publications can be obtained on request from the company's offices at the addresses shown on the back cover of this report or via e-mail corporate@hwe.com.au
- Electronic media: Henry Walker Eltin Online, the company's website, contains information about Henry Walker Eltin and announcements, presentations and publications made by the company. The site is located at www.hwe.biz. The company also operates an e-mail news alert service through which shareholders and other interested parties can register to be advised by e-mail of updates to the website or of new announcements made by the company. Registration for the e-mail news alert service is conducted via the company's website.
  Corporate File is an ASX-endorsed briefing service in which Henry Walker Eltin participates. Corporate File can be accessed through its website www.corporatefile.com.au.
- Direct enquiry with the General Manager, Corporate and Investor Relations, by telephone 02 9887 8417. Securities analysts, institutional and other potential investors seeking information about the company should contact the Manager, Corporate and Investor Relations.

Tax file numbers

Australian resident shareholders, including children, should advise their tax file number or exemption details to the share registry. If a tax file number is not quoted and no exemption details are provided by a shareholder, the company is required by law to deduct tax at the top marginal rate of tax plus Medicare levy (currently a total rate of 48.5%) from the unfranked part of dividends paid to that shareholder.

Voting by proxy

Shareholders may express their views on the direction and management of the company without attending a meeting in person. Any shareholders wishing to do so are encouraged to complete and return the Proxy Form which accompanies the Notice of Meeting provided with this report.

HEAD OFFICES

Corporate
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Facsimile 61 (0) 2 9887 6352

LSM Projects
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North Ryde NSW 2113
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