24 September 2004

Company Announcements Office
Australian Stock Exchange

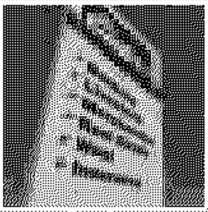
Annual Financial Report 2004

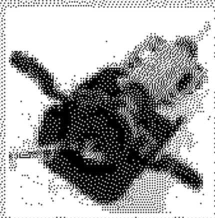
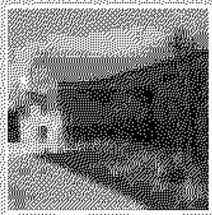
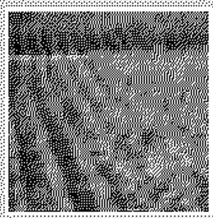
In accordance with Listing Rule 4.5.1, please find attached Futuris Annual Financial Report for the year ended 30 June 2004

M Sadlon
Company Secretary

FUTURIS CORPORATION LIMITED

Annual Financial Report
30 June 2004



Building businesses and creating value.

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Contents

Futuris Corporation Limited
ABN 34 004 336 636

Annual Financial Report

This publication is one of two documents published by Futuris to report on the Company's performance in the year to 30 June 2004:

- the Annual Review provides an overview of the Company, discussion of its results and a Concise Report. It also includes a Directors' Report and Auditor's Report.
- The Annual Financial Report provides a complete set of financial statements for the year.

The Concise Report does not, and cannot be expected to, provide as full an understanding of the financial performance and position and financing and investing activities of the consolidated entity as the complete set of financial statements contained in the Annual Financial Report.

Shareholders may elect to receive either or both of the reports free of charge upon request.

Shareholders wishing to arrange, or alter, the mailing of these reports can do so by notifying the Company's share registry (at the address provided in the Company Directory on the back cover of this report) or by contacting the Company on 08 8425 4999.

Copies of either the Annual Review or the Annual Financial Report can be downloaded from our website at www.futuris.com.au.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

		CONSOLIDATED		PARENT	
		2004	2003	**2004**	2003
	Note	**$000**	$000	**$000**	$000
Sales revenue	2	**2,707,302**	2,464,304	**-**	-
Cost of sales		**(2,053,012)**	(1,891,145)	**-**	-
Other revenues from ordinary activities	2	**36,705**	35,885	**16,388**	34,040
Expenses from ordinary activities	2	**(613,173)**	(552,410)	**(18,798)**	(78,489)
Share of net profits of associates and joint ventures accounted for using the equity method	33, 34	**17,293**	26,684	**-**	-
Proceeds from sale of non current assets	2	**12,717**	303,445	**785**	-
Book cost of non current assets sold	2	**(11,718)**	(188,097)	**(822)**	-
Other expenses - write down of assets & provisions	2	**(44,190)**	(24,956)	**-**	-
Other expenses - write off of prior period deferred costs	2	**-**	(7,340)	**-**	-
Profit from ordinary activities before borrowing costs and income tax expense		**51,924**	166,370	**(2,447)**	(44,449)
Interest revenue	2	**17,015**	14,455	**27,363**	34,795
Borrowing costs	2	**(27,007)**	(33,400)	**(26,902)**	(27,808)
Profit from ordinary activities before income tax expense		**41,932**	147,425	**(1,986)**	(37,462)
Income tax expense relating to ordinary activities	3	**(12,178)**	(38,556)	**(1,340)**	47
Profit from ordinary activities after income tax expense		**29,754**	108,869	**(3,326)**	(37,415)
Net profit attributable to outside equity interest		**(5,905)**	(6,909)	**-**	-
Net profit attributable to members of the parent entity	21	**23,849**	101,960	**(3,326)**	(37,415)
Net exchange differences on translation of financial statements of foreign controlled entities	20	**690**	(10,860)	**-**	-
Adjustment to retained earnings on adoption of revised accounting standard AASB1028	21	**-**	(810)	**-**	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		**690**	(11,670)	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the parent entity		**24,539**	90,290	**(3,326)**	(37,415)
Basic earnings per share (cents per share)	37	**3.6¢**	16.2¢		
Diluted earnings per share (cents per share)	37	**3.6¢**	16.0¢		

The accompanying notes form an integral part of this statement of financial performance.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
CURRENT ASSETS					
Cash assets		**389,298**	428,225	**65,522**	56,669
Receivables	4	**646,408**	495,565	**616,684**	689,274
Livestock	5	**36,391**	43,638	**-**	-
Inventories	7	**266,314**	207,153	**-**	-
Other	13	**119,936**	121,030	**360**	274
TOTAL CURRENT ASSETS		**1,458,347**	1,295,611	**682,566**	746,217
NON CURRENT ASSETS					
Receivables	4	**75,002**	112,888	**-**	-
Forestry	6	**12,643**	10,480	**-**	-
Inventories	7	**70,349**	71,705	**-**	-
Investments accounted for using the equity method	8	**290,908**	219,491	**68,800**	55,250
Other financial assets	9	**23,371**	12,968	**208,293**	206,743
Property, plant and equipment	10	**228,582**	168,480	**287**	1,136
Intangibles	11	**133,805**	138,176	**-**	-
Deferred tax assets	12	**43,332**	45,315	**35,563**	-
Other	13	**94,940**	87,513	**2,111**	2,702
TOTAL NON CURRENT ASSETS		**972,932**	867,016	**315,054**	265,831
TOTAL ASSETS		**2,431,279**	2,162,627	**997,620**	1,012,048
CURRENT LIABILITIES					
Payables	14	**825,023**	628,292	**120,901**	113,753
Interest bearing liabilities	15	**58,416**	79,506	**-**	20,000
Current tax liabilities	16	**24,859**	38,939	**17,396**	-
Provisions	17	**158,062**	114,972	**-**	-
TOTAL CURRENT LIABILITIES		**1,066,360**	861,709	**138,297**	133,753
ONON CURRENT LIABILITIES					
Payables	14	**21,635**	12,577	**21,635**	12,577
Interest bearing liabilities	15	**336,999**	344,345	**330,872**	339,930
Deferred tax liabilities	18	**30,938**	27,083	**26,420**	-
Provisions	17	**14,189**	15,486	**-**	-
TOTAL NON CURRENT LIABILITIES		**403,761**	399,491	**378,927**	352,507
TOTAL LIABILITIES		**1,470,121**	1,261,200	**517,224**	486,260
NET ASSETS		**961,158**	901,427	**480,396**	525,788
EQUITY					
Parent entity interest					
Contributed equity	19	**446,920**	437,207	**446,920**	437,207
Reserves	20	**54,265**	(10,513)	**-**	-
Retained profits	21	**388,969**	416,899	**33,476**	88,581
TOTAL PARENT ENTITY INTEREST IN EQUITY		**890,154**	843,593	**480,396**	525,788
Outside equity interest	23	**71,004**	57,834	**-**	-
TOTAL EQUITY		**961,158**	901,427	**480,396**	525,788

The accompanying notes form an integral part of this statement of financial position.

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

	Note	CONSOLIDATED		PARENT	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
		Inflows	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**7,420,780**	6,650,835	**-**	-
Payments to suppliers and employees		**(7,258,316)**	(6,675,686)	**(20,198)**	(13,250)
Dividends received		**11,208**	22,337	**10,302**	8,516
Interest received		**16,640**	12,433	**1,450**	2,402
Interest and other costs of finance paid		**(33,150)**	(33,400)	**(26,210)**	(27,808)
GST paid (net)		**(34,816)**	(33,800)	**654**	(845)
Income taxes (paid)		**(20,282)**	(11,255)	**(6,430)**	(2,094)
Other operating inflows		**19,080**	12,946	**(757)**	1,063
Net operating cash flows	24(a)	**121,144**	(55,590)	**(41,189)**	(32,016)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		**(35,260)**	(41,879)	**(9)**	(35)
Payment for investments		**(53,073)**	(30,771)	**(15,100)**	(12,100)
Payment for design and development capitalised		**(20,750)**	(34,933)	**-**	-
Proceeds from sale of property, plant and equipment		**3,626**	12,432	**785**	-
Proceeds from sale of investments		**9,091**	291,013	**-**	-
Proceeds from sale of other assets		**679**	-	**-**	-
Loans from/(to) controlled entities		**-**	-	**126,708**	(24,744)
Loans to associated entities		**(9,124)**	(2,409)	**-**	(512)
Repayment of loans by associated entities		**3,632**	-	**-**	-
Repayment of loans by related parties		**2,350**	-	**-**	-
Loans to third parties		**(320)**	(6,847)	**-**	-
Loans repaid by third parties		**-**	4,162	**-**	-
Loans to growers		**(14,483)**	(5,243)	**-**	-
Loans repaid by growers		**4,729**	756	**-**	-
Loans to employees		**(8,490)**	(8,857)	**(268)**	(177)
Payment for controlled entities, net of cash acquired	41	**-**	9,426	**-**	-
Net investing cash flows		**(117,393)**	186,850	**112,116**	(37,568)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**3,257**	46,669	**3,257**	46,669
Proceeds from borrowings		**24,882**	28,740	**-**	-
Repayment of borrowings		**(39,744)**	(24,650)	**(20,000)**	(15,000)
Principal repayments of lease liabilities		**(995)**	(743)	**-**	-
Dividends paid		**(47,472)**	(45,100)	**(45,331)**	(42,459)
Proceeds from rights issue by controlled entity (net)		**17,394**	-	**-**	-
Net financing cash flows		**(42,678)**	4,916	**(62,074)**	(10,790)
Net increase/(decrease) in cash held		**(38,927)**	136,176	**8,853**	(80,374)
Cash at the beginning of the financial year		**428,225**	292,049	**56,669**	137,043
Cash at the end of the financial year		**389,298**	428,225	**65,522**	56,669

The accompanying notes form an integral part of this statement of cash flows.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for livestock and forestry plantations, which are self-generating and regenerating assets and are measured at net market value.

The accounting policies used are consistent with those applied in the 30 June 2003 annual report.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity, Futuris Corporation Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated Entity".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

(c) Foreign currency translation

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of transactions. Foreign currency balances outstanding at balance date are converted at the rates of exchange ruling on that date and realised gains and losses arising from conversions of foreign currency amounts payable and receivable are reflected in the profit from ordinary activities.

Exchange differences are deferred in the statement of financial position where they relate to a transaction designated to hedge the purchase or sale of goods and services to occur subsequent to balance date. The financial statements of foreign controlled entities that are considered self-sustaining are translated using the current rate method. Exchange differences arising upon translation are taken to the foreign currency translation reserve.

(d) Taxes

Income Tax

Tax effect accounting is applied using the liability method whereby the income tax charged in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. Income tax on timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a deferred tax asset or deferred tax liability.

Future income tax benefits relating to entities which incur losses, are brought to account where realisation of the benefit is considered to be virtually certain.

No provision has been made for withholding tax on unremitted earnings of foreign incorporated controlled entities as such profits are considered to be permanently invested.

Tax Consolidations

Futuris Corporation Limited (Futuris) is the head entity in the tax consolidated group comprising all the Australian resident wholly owned controlled entities set out in note 32. The implementation date for the tax consolidated group is 1 July 2003. The company intends to advise the Commissioner of Taxation of its intention to form a consolidated group by the due date.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Taxes (continued)

Tax Consolidations (continued)

The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group.

The tax consolidated group has entered into a tax funding agreement that requires wholly owned subsidiaries to make contributions to the head entity for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidations and provides for the transition of subsidiaries into the tax consolidated group. The contributions are calculated as a percentage of taxable income as if each subsidiary is a stand alone entity. Contributions are payable following payment of the liabilities by Futuris. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit.

The tax consolidated group has also entered into a tax sharing agreement pursuant to which the wholly owned subsidiaries may be required to contribute to the tax liabilities of Futuris Corporation Limited in the event of default by Futuris, or upon leaving the group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) 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.

Assets acquired under finance leases are capitalised by recording an initial asset and liability equal to the present value of the minimum lease payments including any guaranteed residual values. Leased assets are amortised over their expected useful lives using the straight-line method. Lease payments are allocated between interest expense and lease liability. Operating leases are not capitalised and rental payments are expensed in the period in which they are incurred.

Gains or losses on the sale and leaseback of assets are deferred and amortised over the lease term when the leaseback is a finance lease. When the leaseback is an operating lease, gains or losses representing the difference between the fair value and the carrying amount of the asset at the time of the sale are included in operating profit. Gains or losses representing the difference between the selling price and fair value of the asset are deferred and amortised over the term of the lease.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment is carried at historical cost.

The directors have a policy of valuing land and buildings at least every three years. The assessed value of land and buildings is disclosed as a note to the financial statements.

Property, plant and equipment, excluding freehold land, are depreciated over their useful economic lives as follows:

	Life	*Method*
Buildings	50 years	Straight line
Leasehold improvements	Lease term	Straight line
Plant and equipment - owned	3 to 10 years	Straight line
Plant and equipment - leased	Lease term	Straight line

The useful lives are consistent with those of the prior year.

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the result of the consolidated entity in the period of disposal.

(g) Inventories

Inventories, other than livestock and plantations, are valued at the lower of cost and net realisable value. Cost is determined on the first in, first out basis, and comprises the cost of purchase including costs of bringing the inventories to location. In the case of manufactured goods, direct materials, direct labour costs, variable overhead and a portion of fixed overhead costs allocated on the basis of normal operating capacity are included.

Freehold property held by the consolidated entity for development and resale is valued at the lower of cost and net realisable value.

Livestock and plantations, which are considered to be self-generating and regenerating assets, are measured at net market value with market value increments or decrements included in the net profit.

Borrowing costs that are directly attributable to property held for development and resale are capitalised as part of the cost of those assets (note 2).

(h) Livestock

The consolidated entity holds self generating and re-generating assets (SGARA) in the form of livestock, namely beef cattle. SGARA livestock are measured at net market value, which has been determined based upon cattle prices at balance date, less selling and transport costs.

(i) Forestry plantations

The consolidated entity has interests in forestry plantations through plantation areas established and maintained by a controlled entity. Forestry plantations owned by the consolidated entity are valued at net market value and increments and decrements in net market value are recognised in the statement of financial performance in the financial period in which they occur.

Net market value is determined as follows:

Up until the time at which an initial formal inventory is conducted in respect of the forestry plantation (expected to be after four years) by applying historical costs; and thereafter and in the period up until the harvest of timber – increments and decrements in value based on the growth of timber volume at anticipated net market values.

There is no active and liquid market for immature forestry plantations by which an open market value can be readily determined. In these circumstances, net market value is based on forecast plantation growth and yield to maturity. Insurable values accepted by an independent underwriter in respect of forestry plantations on which an initial formal inventory has been completed are considered at present to fairly represent the net market value of such forestry plantations.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Deferred expenses

Design and development costs and in process design and development acquired, are deferred when they relate to the securing of a supply contract. Deferred design and development costs are amortised from the commencement of commercial production on a straight-line basis over the period of the expected benefit. These design and development costs are automotive related and predominantly represent engineering costs incurred in developing products under awarded contracts.

Other items of expenditure having a future benefit are amortised over the periods to which they relate.

(k) Intangibles - Brand names

Brand names, which are considered to have an indefinite life, are not amortised. The carrying values of all brand names are reassessed at each balance date and written down to their recoverable amount if required. Expenditure incurred in developing, maintaining or enhancing brand names is expensed in the year in which it is incurred.

(l) Intangibles - Goodwill on acquisition

Goodwill representing the excess of the purchase consideration over the fair value of identifiable net assets acquired is amortised on a straight-line basis over periods from 3 to 20 years dependent upon the period over which benefits are expected to arise. The carrying value of goodwill is reassessed at each balance date.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition when there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties as costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

(m) Recoverable amount of non-current assets

Non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows discounted to present values, using a market determined risk adjusted discount rate of 9%.

(n) Associated entities

Interests in associated entities are brought to account using the equity method. Under this method, the investment in associates is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associate, adjusted for any differences in the accounting policies of the consolidated entity. The investments in associated entities are decreased by the amount of dividends received or receivable. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount.

(o) Joint venture entities

Interests in joint venture entities are accounted for by applying the equity method of accounting in accordance with accounting standard AASB1016 "Accounting for Investments in Associates". The consolidated entity identifies joint venture entities where the consolidated entity is in a position of joint control over the entity. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Other investments

Interests in non-subsidiary, non-associated corporations are included in other financial assets at the lower of cost and recoverable amount. Dividend income is brought to account when declared.

(q) Employee entitlements

Provision is made for benefits accruing to employees in relation to long service leave and annual leave together with associated employment on-costs in respect of services provided by employees up to the reporting date.

Provision for annual leave and the current portion of long service leave together with the associated employment on-costs are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled. The non-current portions of long service leave and its associated employment on-costs are measured at the present value of estimated future cash flows. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

Current Australian accounting standards do not require equity based compensation payments, including share options, to be recorded as an expense in the statement of financial performance. Consequently the value of options issued to employees during the year is not charged as an expense.

(r) Provisions

Provisions are recognised when the consolidated 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 of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

Certain subsidiaries are affected by warranty claims. Claims are either covered by a provision for warranty, which has been calculated based on past experience of the level of repairs and returns, or in some instances expensed as incurred.

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

(s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds.

(t) Revenue

Revenue is recognised to the extent that it is probable that economic benefits 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:

Sale of goods

Control of the goods has passed to the buyer.

Rendering of services

Where the contract can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest and dividend income

Control of the right to receive the interest or dividend payment.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) General insurance activities

Accounting policies in relation to general insurance activities are as follows:

Franchise fees

Franchise fees are brought to account as revenue in accordance with the terms of the franchise agreement when substantially all obligations arising from the franchise arrangements have been fulfilled. Franchise fees are non-refundable to the franchisee.

Premium revenue

Premium revenue is recognised as earned from the date of attachment of risk, and brought to account over the term of the policy or indemnity period where this closely approximates the pattern of risk. It comprises amounts charged to policy holders or insurers and reinsurers, and includes fire service levies but excludes stamp duties collected. The pattern of recognition over the policy or indemnity periods is based on time, which is considered to closely approximate the pattern of risk underwritten.

Outwards reinsurance premiums

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the reporting date as a prepayment. Reinsurance recoveries are recognised as revenue for claims incurred. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Commission revenue associated with outward reinsurance is deferred over the term of the underlying insurance policy or indemnity period consistent with the on-going treaty arrangements.

Acquisition costs

Insurance policy acquisition costs are deferred and amortised systematically over the financial years during which future benefits are expected. Deferred acquisition costs are carried at the lower of cost and recoverable amount. A write down to recoverable amount is recognised when the present value of expected future claims (including settlement costs) in relation to the business written exceeds related unearned premiums.

Claims payable

Provision is made for the present value of expected future payments attributable to outstanding claims. The discount factor used is an appropriate market-determined risk adjustment rate. Claims outstanding are estimated by independent actuarial review with consideration to individual claim files and estimating unnotified claims and settlement costs using statistics based on past experience and trends.

(v) Construction contracts

Profit is recognised on construction contracts in proportion to the stage of completion when it is probable that the economic benefits arising from the contracts will flow to the consolidated entity, the costs attributable to the contract to date can be clearly identified, and when the costs to complete the contract can be reliably estimated.

Stage of completion is determined based on engineering determinations. Any material losses on construction contracts are brought to account as soon as they are considered probable.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Earnings per share

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

Diluted earnings per share adjusts the basic earnings per share calculation for the after income tax effect of dividends and interest associated with the dilutive potential ordinary shares and other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

(x) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market investments, net of outstanding bank overdrafts.

Cash at year end includes $130,162,000 (2003: $101,455,000) of insurance cash, the use of which is subject to restrictions in accordance with the Insurance Act and Chapter 7 of the Corporations Act 2001 (Cwth).

Cash also includes $13,818,000 (2003: $7,191,000) of cash held in trust on behalf of certain controlled entities.

(y) Securitisation

For working capital management purposes the consolidated entity sells certain eligible receivables to a third party. The sale is made on an offer and acceptance basis and includes the transfer of credit risk to the third party. Costs of this arrangement are charged as an expense.

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 2 REVENUE AND EXPENSES	**$000**	$000	**$000**	$000
Sales revenue:				
Sale of goods	**2,314,848**	2,119,301	**-**	-
Commission and other selling charges	**232,417**	209,579	**-**	-
Construction contract revenue	**33,601**	33,378	**-**	-
Insurance premium revenue (note 25)	**100,852**	74,648	**-**	-
Other sales related income	**25,584**	27,398	**-**	-
	2,707,302	2,464,304	**-**	-
Other revenue:				
Dividends				
- Other persons	**869**	66	**-**	42
- Controlled entities	**-**	-	**-**	20,351
- Associated entities	**-**	-	**10,302**	8,474
Rent	**16,225**	4,453	**120**	-
Other	**19,611**	31,366	**5,966**	5,173
	36,705	35,885	**16,388**	34,040
Interest revenue:				
- Other persons	**14,313**	12,433	**1,450**	2,402
- Controlled entities	**-**	-	**25,913**	32,393
- Associated entities	**2,702**	2,022	**-**	-
	17,015	14,455	**27,363**	34,795
Share of net profits of associates and joint ventures accounted for using the equity method	**17,293**	26,684	**-**	-
Proceeds from sale of non current assets	**12,717**	303,445	**785**	-
Total revenues from ordinary activities	**2,791,032**	2,844,773	**44,536**	68,835
Depreciation and amortisation of:				
Property, plant and equipment	**21,632**	17,499	**35**	42
Goodwill	**8,239**	9,446	**-**	-
Leased assets	**1,951**	1,044	**1**	1
Design and development	**14,186**	21,774	**-**	-
Patents, trademarks and other	**197**	22	**-**	-
	46,205	49,785	**36**	43
Other expenses:				
Distribution expenses	**352,047**	325,384	**-**	-
Marketing expenses	**22,159**	7,513	**-**	-
Occupancy expenses	**12,959**	11,701	**952**	923
Administrative expenses	**86,528**	84,149	**17,846**	11,324
Other expenses	**139,480**	123,663	**-**	66,242
	613,173	552,410	**18,798**	78,489

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 2 REVENUE AND EXPENSES (continued)	**$000**	$000	**$000**	$000
Borrowing costs:				
Interest expense - other persons	**29,371**	30,387	**24,737**	25,999
Interest expense - controlled entities	**-**	-	**-**	93
Finance lease charges	**189**	373	**-**	-
Amortisation of borrowing costs	**631**	593	**631**	593
Other borrowing costs	**2,959**	2,047	**1,534**	1,123
	33,150	33,400	**26,902**	27,808
Less borrowing costs capitalised (note 1(g))	**(6,143)**	-	**-**	-
	27,007	33,400	**26,902**	27,808
Specific net gains and (expenses):				
Proceeds on sale of property, plant and equipment	**3,626**	12,432	**785**	-
Book cost of property, plant and equipment sold	**(3,489)**	(11,759)	**(822)**	-
Profit (loss) on sale of property, plant and equipment	**137**	673	**(37)**	-
Proceeds on sale of investments	**9,091**	291,013	**-**	-
Book cost of investments sold	**(8,229)**	(176,338)	**-**	-
Profit on sale of investments	**862**	114,675	**-**	-
Write down of BWK equity investments	**(26,000)**	-	**-**	-
Provision for doubtful debts	**(15,000)**	-	**-**	-
Redundancy costs	**(2,000)**	-	**-**	-
Share of costs incurred in bidding for Stanbroke	**(1,190)**	-	**-**	-
Loss on disposal of investment	**-**	(1,900)	**-**	-
Divestment and restructuring costs	**-**	(5,413)	**-**	-
Business interruption costs	**-**	(2,052)	**-**	-
Write down of carrying value of non current assets	**-**	(10,415)	**-**	-
Provision for claims (current)	**-**	(5,176)	**-**	-
	(44,190)	(24,956)	**-**	-
Write off of prior period deferred insurance retainers	**-**	(5,713)	**-**	-
Write off of other prior period deferred costs	**-**	(1,627)	**-**	-
	-	(7,340)	**-**	-
Operating leases - minimum lease payments	**(52,327)**	(59,159)	**(202)**	(117)
Provision for doubtful debts and bad debts written off	**(4,157)**	(4,910)	**-**	-
Foreign exchange losses (net)	**(1,044)**	(40)	**-**	-
Controlled entity debt release	**-**	-	**-**	66,242

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 3 INCOME TAX	**$000**	$000	**$000**	$000
The difference between the income tax expense in the statement of financial performance and the prima facie income tax expense is reconciled as follows:				
Profit (loss) from ordinary activities	**41,932**	147,425	**(1,986)**	(37,462)
Prima facie income tax expense (benefit) at 30% (2003: 30%)	**12,580**	44,228	**(596)**	(11,239)
Tax effect of permanent differences:				
Share of associate profits	**(5,188)**	(8,005)	**-**	-
Non assessable (profits)/losses	**(1,431)**	(1,390)	**-**	19,873
Non deductible investment write down	**6,821**	-	**-**	-
Non deductible depreciation and amortisation	**2,283**	2,888	**-**	-
Non deductible other expenses	**910**	1,888	**3**	4
Concessional deductions	**(202)**	(216)		-
Rebateable dividends	**(164)**	(3)	**(3,091)**	(8,648)
Over provision for tax in prior years	**(3,431)**	(834)	**5,024**	(37)
Income tax expense (benefit) attributable to profit (loss) from ordinary activities	**12,178**	38,556	**1,340**	(47)
Estimated future income tax benefits attributable to tax losses not recognised in the financial statements as realisation of the benefits is not virtually certain at 30%	**10,860**	31,082	**-**	-

These tax losses are generally quarantined within certain entities within the consolidated entity and are not readily available to all entities in the consolidated entity.

Future income tax benefits arising from tax losses will realise a future benefit only if:

(a) certain companies in the consolidated entity derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction of the losses to be realised;

(b) certain companies in the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and

(c) no change in tax legislation adversely affects the ability of certain companies in the consolidated entity to realise the benefit from the deductions for the losses.

As a consequence of the substantive enactment of the tax consolidation legislation and the consolidated entity's implementation date being 1 July 2003, the consolidated entity has applied UIG 52 "Income Tax Accounting under the Tax Consolidation System".

In Futuris Corporation Limited, the effect of the initial adjustments at 1 July 2003 is:

- an increase in deferred tax liabilities transferred from wholly owned subsidiaries in the tax consolidated group of $24m;
- an increase in current tax liabilities of $37m
- a tax related intercompany receivable of $18m;
- an increase in deferred tax assets of $43m; and
- nil effect on tax expense.

In Futuris Corporation Limited, the total effect for the year ended 30 June 2004 is:

- an increase in deferred tax liabilities of $26m;
- an increase in current tax liabilities of $22m;
- an increase in tax related intercompany receivables of $14m;
- an increase in deferred tax assets of $36m; and
- nil effect on tax expense.

The head entity, Futuris Corporation Limited, recognises all current and deferred tax assets and liabilities of the tax consolidated group.

NOTE 4 RECEIVABLES	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
CURRENT				
Trade debtors (a)	**574,433**	417,056	-	-
Provision for doubtful debts	**(24,754)**	(13,112)	-	-
	549,679	403,944	-	-
Amounts receivable from:				
- controlled entities	-	-	**614,821**	687,770
- associated entities (c)	**24,662**	8,894	**826**	771
	24,662	8,894	**615,647**	688,541
Finance debtors	**1,980**	14,028	-	-
Provision for doubtful debts	**(324)**	(1,504)	-	-
	1,656	12,524	-	-
Loans to employees (note 40(c))	**17,104**	8,857	**804**	177
Other receivables	**56,763**	65,087	**233**	556
Provision for non-recovery	**(3,456)**	(3,741)	-	-
	70,411	70,203	**1,037**	733
	646,408	495,565	**616,684**	689,274
NON CURRENT				
Other receivables (b)	**40,424**	78,427	-	-
Amounts receivable from associated entities (c)	**34,578**	34,461	-	-
	75,002	112,888	-	-

(a) Included in trade debtors is $67,480,000 (2003: $53,578,000) which is subject to credit insurance with various terms and conditions.

(b) $8,504,768 (2003: $15,000,000) of these receivables are secured by a limited recourse charge over shares in an associated entity.

(c) $36,765,000 (2003: $34,461,000) of these receivables are secured by a second ranking charge over certain assets and undertakings of the borrower and its controlled entities.

NOTE 5 LIVESTOCK

Livestock at net market value (note 1(h))	**36,391**	43,638	-	-

At balance date 38,535 head of beef cattle were on hand (2003: 49,436).

NOTE 6 FORESTRY

Forestry plantations at net market value (note 1(i))	**12,643**	10,480	-	-

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 7 INVENTORIES	**$000**	$000	**$000**	$000
CURRENT				
Raw materials and bulk stores – at cost	**61,258**	64,299	-	-
Provision for obsolescence	**(1,986)**	(2,662)	-	-
	59,272	61,637		-
Work in progress – at cost	**80,062**	21,366	-	-
Finished goods – at cost	**130,280**	125,248	-	-
Provision for obsolescence	**(3,300)**	(1,098)	-	-
	126,980	124,150	-	-
	266,314	207,153	-	-
NON CURRENT				
Properties held for sale – at cost	**76,323**	77,900	-	-
Provision for write down	**(5,974)**	(6,195)	-	-
	70,349	71,705	-	-

NOTE 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Listed on a prescribed stock exchange:				
Associates (note 33)	**179,121**	115,376	-	-
Unlisted investments:				
Associates (note 33)	**28,291**	35,811	-	-
Joint ventures (note 34)	**83,496**	68,304	**68,800**	55,250
	111,787	104,115	**68,800**	55,250
	290,908	219,491	**68,800**	55,250

NOTE 9 OTHER FINANCIAL ASSETS

Listed on a prescribed stock exchange:				
Other entities	**21,565**	11,110	**1,549**	-
Unlisted investments:				
Other entities	**1,806**	1,858	**60**	60
Controlled entities	-	-	**214,999**	214,998
Provision for diminution	-	-	**(8,315)**	(8,315)
	1,806	1,858	**206,744**	206,743
	23,371	12,968	**208,293**	206,743

NOTE 10 PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Freehold land - cost	**31,461**	27,374	-	-
Leasehold land - cost	-	853	-	-
Buildings				
Cost	**9,214**	9,219	**11**	833
Accumulated depreciation	**(1,439)**	(1,310)	-	-
	7,775	7,909	**11**	833
Leasehold improvements				
Cost	**16,559**	14,584	**144**	143
Accumulated amortisation	**(3,234)**	(2,304)	**(140)**	(139)
	13,325	12,280	**4**	4
Plant and equipment (owned)				
Cost	**243,467**	194,323	**827**	819
Accumulated depreciation	**(102,942)**	(83,012)	**(555)**	(520)
	140,525	111,311	**272**	299
Plant and equipment (leased)				
Cost	**6,654**	13,457	-	-
Accumulated amortisation	**(4,349)**	(8,416)	-	-
	2,305	5,041	-	-
Assets under construction – cost	**33,191**	3,712	-	-
	228,582	168,480	**287**	1,136

Refer to note 15 for interest bearing liabilities secured by property, plant and equipment.

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	**$000**	$000	**$000**	$000
Reconciliations of the carrying amounts for each class of property, plant and equipment - at cost, are set out below:				
Freehold land				
Carrying amount at beginning of year	**27,374**	2,908	**-**	-
Additions	**5,837**	344	**-**	-
Acquisition through entity acquired	**-**	25,600	**-**	-
Disposals	**(1,750)**	(1,478)	**-**	-
Carrying amount at end of year	**31,461**	27,374	**-**	-
Leasehold land				
Carrying amount at beginning of year	**853**	1,051	**-**	-
Additions	**-**	-	**-**	-
Disposals	**(853)**	(198)	**-**	-
Carrying amount at end of year	**-**	853	**-**	-
Buildings				
Carrying amount at beginning of year	**7,909**	10,999	**833**	833
Additions	**944**	193	**-**	-
Disposals	**(551)**	(2,998)	**(822)**	-
Depreciation	**(527)**	(285)	**-**	-
Carrying amount at end of year	**7,775**	7,909	**11**	833
Leasehold improvements				
Carrying amount at beginning of year	**12,280**	19,417	**4**	3
Additions	**2,132**	2,382	**1**	2
Disposals	**(115)**	(9,127)	**-**	-
Amortisation	**(972)**	(392)	**(1)**	(1)
Carrying amount at end of year	**13,325**	12,280	**4**	4
Plant and equipment				
Carrying amount at beginning of year	**111,311**	68,348	**299**	308
Additions	**51,392**	60,940	**8**	33
Acquisition through entity acquired	**-**	1,222	**-**	-
Disposals	**(1,073)**	(1,986)	**-**	-
Depreciation	**(21,105)**	(17,213)	**(35)**	(42)
Carrying amount at end of year	**140,525**	111,311	**272**	299
Leased plant and equipment				
Carrying amount at beginning of year	**5,041**	6,927	**-**	-
Additions	**2,236**	-	**-**	-
Transfers to property plant & equipment owned	**(3,993)**	(1,234)	**-**	-
Amortisation	**(979)**	(652)	**-**	-
Carrying amount at end of year	**2,305**	5,041	**-**	-

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	**$000**	$000	**$000**	$000
Assets under construction				
Carrying amount at beginning of year	**3,712**	33,427	-	-
Additions	**29,479**	399	-	-
Transfers to property, plant & equipment	-	(30,114)	-	-
Carrying amount at end of year	**33,191**	3,712	-	-

The Directors have assessed the valuation of land, building and leasehold improvements on the basis of the open market value of the assets exchanged between a knowledgeable buyer and seller. Capital gains tax has not been taken into account in determining the carrying amount of these assets as they are integral to the consolidated entity's operations.

The aggregate fair value ascribed by Directors is not materially different to the current recorded carrying values at cost.

NOTE 11 INTANGIBLES

Patents, trade marks and licences - at cost	**3,432**	1,447	-	-
Accumulated amortisation	**(1,262)**	(1,067)	-	-
	2,170	380	-	-
Goodwill - at cost	**120,798**	119,100	-	-
Accumulated amortisation	**(49,563)**	(41,704)	-	-
	71,235	77,396	-	-
Brand names - at cost	**60,400**	60,400	-	-
	133,805	138,176	-	-

NOTE 12 DEFERRED TAX ASSETS

Future income tax benefits				
- attributable to carry forward tax losses	**5,027**	22,841	**5,027**	-
- attributable to timing differences	**38,305**	22,474	**30,536**	-
	43,332	45,315	**35,563**	-

NOTE 13 OTHER ASSETS

CURRENT				
Insurance deferred acquisition costs	**7,555**	7,456	-	-
Reinsurance premium ceded	**78,091**	78,819	-	-
Deferred expenses	**19,834**	19,028	-	-
Prepayments	**14,456**	15,727	**360**	274
	119,936	121,030	**360**	274

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 13 OTHER ASSETS (CONTINUED)	**$000**	$000	**$000**	$000
NON CURRENT				
Deferred design and development expenditure				
- prior periods	**116,820**	94,430	**-**	-
- current period	**20,124**	22,390	**-**	-
	136,944	116,820	**-**	-
Accumulated amortisation	**(49,575)**	(36,015)	**-**	-
	87,369	80,805	**-**	-
Deferred borrowing expenses	**7,973**	7,932	**7,973**	7,932
Accumulated amortisation	**(5,862)**	(5,230)	**(5,862)**	(5,230)
	2,111	2,702	**2,111**	2,702
Other	**5,460**	4,006	**-**	-
	94,940	87,513	**2,111**	2,702

NOTE 14 PAYABLES

CURRENT				
Trade creditors and accruals	**654,260**	490,384	**7,117**	8,628
Unearned insurance premium	**140,932**	128,155	**-**	-
Unearned forestry income	**29,831**	9,753	**-**	-
Loans from controlled entities	**-**	-	**113,784**	105,125
	825,023	628,292	**120,901**	113,753
NON CURRENT				
Net foreign currency hedge payable	**21,635**	12,577	**21,635**	12,577

NOTE 15 INTEREST BEARING LIABILITIES

CURRENT				
Finance deposits	**7,522**	8,985	**-**	-
Secured loans (a)	**8,466**	9,614	**-**	-
Unsecured loans	**41,896**	39,896	**-**	-
Lease liabilities (b)	**532**	1,011	**-**	-
Unsecured notes - December 2003	**-**	20,000	**-**	20,000
	58,416	79,506	**-**	20,000
NON CURRENT				
Secured loans (a)	**2,003**	2,560	**-**	-
Unsecured loans	**2,784**	-	**-**	
Lease liabilities (b)	**1,340**	1,855	**-**	-
Convertible notes (c)	**144,972**	144,972	**144,972**	144,972
Unsecured notes (d)				
- November 2006	**82,133**	91,191	**82,133**	91,191
- November 2009	**63,857**	63,857	**63,857**	63,857
- November 2014	**39,910**	39,910	**39,910**	39,910
	336,999	344,345	**330,872**	339,930

NOTE 15 INTEREST BEARING LIABILITIES (continued)

(a) Secured loans are secured by various fixed and floating charges over the assets of the controlled entities concerned.

(b) Lease liabilities are secured by a charge over the leased assets.

(c) 62,500,000 subordinated unsecured redeemable convertible notes were issued during the 2000 year. These notes have a face value of $2.40 each and bear interest at a coupon of 7% per annum. Interest is payable six monthly in arrears and is due for payment on 1 January and 1 July each year through, until and including, the redemption date of 31 December 2007. The notes are convertible into fully paid ordinary shares of the Company on a 1 for 1.01695 basis at pre determined periods over the term of the note. Ordinary shares issued upon conversion of the notes do not rank for any dividends declared out of profits in respect of any period which ends on or before the conversion date. The convertible notes will participate in any rights issued by the Company and bonus issues will accrue. Since issue 2,095,200 of the notes have been converted to equity.

(d) Unsecured notes are issued in the domestic and United States of America financial markets and are denominated in both Australian and United States dollars. The unsecured notes denominated in United States dollars have been swapped into Australian dollars as noted in Note 39 (b). Terms of maturity vary between November 2006 and November 2014 and interest rates vary between 6% and 7%. The notes can be repaid at an earlier date by agreement with the respective note holders.

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 16 CURRENT TAX LIABILITIES	**$000**	$000	**$000**	$000
Income tax	**24,859**	38,939	**17,396**	-

NOTE 17 PROVISIONS

CURRENT				
Employee entitlements (a)	**35,002**	29,547	**-**	-
Insurance claims (b)	**114,820**	79,616	**-**	-
Warranty	**3,698**	2,972	**-**	-
Restructuring	**2,356**	2,486	**-**	-
Other	**2,186**	351	**-**	-
	158,062	114,972	**-**	-
NON CURRENT				
Employee entitlements (a)	**14,189**	15,486	**-**	-

(a) All employee entitlements for parent entity employees are recognised in a controlled entity's statement of financial position.

(b) The weighted average term to settlement from balance date of outstanding claims is expected to be less than 12 months.

NOTE 18 DEFERRED TAX LIABILITIES

Deferred income tax liability				
– attributable to timing differences	**30,938**	27,083	**26,420**	-

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 19 CONTRIBUTED EQUITY	**$000**	$000	**$000**	$000
Issued and paid up capital				
659,138,427 ordinary shares (2003: 652,293,766)	**446,920**	437,207	**446,920**	437,207

Movements during the year:	**2004**	
	Number	**$000**
Opening balance	**652,293,766**	**437,207**
Conversion of options	**2,546,500**	**3,257**
Dividend reinvestment plan	**4,298,161**	**6,456**
Closing balance	**659,138,427**	**446,920**

Movements in prior year:	2003	
	Number	$000
Opening balance	614,870,776	383,928
Issue of capital to Salim Group	31,819,117	46,058
Conversion of options	465,000	611
Dividend reinvestment plan	5,138,873	6,610
	652,293,766	437,207

At 30 June 2004, the following options were on issue:

200,000	exercisable for	200,000	ordinary shares at	$1.39 by	1 October 2004
775,000	exercisable for	775,000	ordinary shares at	$1.61 by	1 October 2005
2,800,000	exercisable for	2,800,000	ordinary shares at	$1.61 by	1 October 2005
135,000	exercisable for	135,000	ordinary shares at	$1.86 by	22 October 2006
3,100,000	exercisable for	3,100,000	ordinary shares at	$1.23 by	24 October 2007
250,000	exercisable for	250,000	ordinary shares at	$1.51 by	31 October 2007
350,000	exercisable for	350,000	ordinary shares at	$1.71 by	7 October 2008
2,000,000	exercisable for	2,000,000	ordinary shares at	$1.37 by	1 July 2013
9,610,000		9,610,000			

Options issued since the end of the previous financial year:

250,000	exercisable for	250,000	ordinary shares at	$1.51 by	31 October 2007
350,000	exercisable for	350,000	ordinary shares at	$1.71 by	7 October 2008
2,000,000	exercisable for	2,000,000	ordinary shares at	$1.37 by	1 July 2013
2,600,000		2,600,000			

Options exercised since the end of the previous financial year:

100,000	exercised for	100,000	ordinary shares at	$1.61 by	1 October 2005
250,000	exercised for	250,000	ordinary shares at	$1.39 by	1 October 2005
250,000	exercised for	275,000	ordinary shares at	$1.39 by	1 October 2005
315,000	exercised for	346,500	ordinary shares at	$1.39 by	1 October 2003
1,000,000	exercised for	1,100,000	ordinary shares at	$1.31 by	26 October 2003
475,000	exercised for	475,000	ordinary shares at	$1.39 by	1 October 2004
2,390,000		2,546,500			

NOTE 19 CONTRIBUTED EQUITY (continued)

Options lapsed or cancelled since the end of the previous financial year:

25,000	exercisable for	25,000	ordinary shares at	$1.23
200,000	exercisable for	200,000	ordinary shares at	$1.61
550,000	exercisable for	550,000	ordinary shares at	$1.68
2,000,000	exercisable for	2,000,000	ordinary shares at	$1.68
100,000	exercisable for	100,000	ordinary shares at	$1.23
2,875,000		2,875,000		

	CONSOLIDATED		PARENT	
NOTE 20 RESERVES	**2004 $000**	2003 $000	**2004 $000**	2003 $000
Asset revaluation reserve:				
Opening balance	**-**	-	**-**	-
Share of associates' reserve increments arising during the year (a)	**64,088**	-	**-**	-
Closing balance	**64,088**	-	**-**	-
Foreign currency translation reserve:				
Opening balance	**(10,513)**	347	**-**	-
Net exchange differences on translation of financial reports of foreign controlled entities	**690**	(10,860)	**-**	-
Closing balance	**(9,823)**	(10,513)	**-**	-

(a) The consolidated entity has taken up its share of the revaluation of rural property assets undertaken by its associate, Australian Agricultural Company Ltd. The effect is to increase both investments and the asset revaluation reserve by $64.1m.

NOTE 21 RETAINED PROFITS

Retained profits at the beginning of the financial year	**416,899**	364,818	**88,581**	175,065
Net profit attributable to members	**23,849**	101,960	**(3,326)**	(37,415)
Dividends provided for or paid	**(51,779)**	(49,069)	**(51,779)**	(49,069)
Adjustment to retained earnings for revised accounting standard AASB1028 Employee Benefits	**-**	(810)	**-**	-
Retained profits at the end of the financial year	**388,969**	416,899	**33,476**	88,581

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 22 DIVIDENDS	**$000**	$000	**$000**	$000
a) Dividends proposed				
Partly franked dividend of 4¢ per share	**26,366**	26,092	**26,366**	26,092

After year end the directors have declared a 4 cent partly franked (to 75%) dividend, payable on 27 October 2004. At year end no provision for this dividend has been raised.

b) Dividends paid during the year				
Current year interim				
- partly franked (to 75%) dividend of 4¢ per share	**25,969**	24,474	**25,969**	24,474
Previous year final				
- partly franked (to 75%) dividend of 4¢ per share	**25,810**	24,595	**25,810**	24,595
	51,779	49,069	**51,779**	49,069
c) Franking credit balance	**10,984**	19,569	-	-

The above amounts represent the balance of the franking account based upon a tax rate of 30% (2003: 30%) as at the end of the financial year, adjusted for:

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

(b) franking debits that will arise from the payment of dividends as at the end of the financial year;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 23 OUTSIDE EQUITY INTERESTS	**$000**	$000	**$000**	$000
Outside equity interests comprise interests in the following items:				
Contributed equity	**51,668**	33,410	-	-
Retained earnings	**19,336**	24,424	-	-
	71,004	57,834	-	-

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 24 NOTES TO STATEMENT OF CASH FLOWS	**$000**	$000	**$000**	$000
(a) Reconciliation of profit from ordinary activities after income tax to net operating cash flows				
Profit from ordinary activities after income tax expense	**29,754**	108,869	**(3,326)**	(37,415)
Depreciation and amortisation	**46,205**	49,785	**36**	43
Share of associates' and joint venture profit	**(17,293)**	(26,684)	**-**	-
Dividends from associates	**10,339**	22,271	**-**	-
Movement in provision for:				
- doubtful debts	**10,462**	2,285	**-**	-
- employee entitlements	**4,002**	(4,254)	**-**	-
- other	**2,587**	(3,176)	**-**	-
- investment write down	**26,608**	-	**-**	-
Provision for write down in properties held for resale	**-**	6,195	**-**	-
Future income tax benefits	**1,983**	(3,633)	**-**	-
Provision for deferred income tax	**3,855**	10,300	**-**	-
Provision for tax	**(14,080)**	21,789	**-**	(2,141)
Net profit on sale of non-current assets	**(999)**	(115,348)	**37**	-
Other non cash items	**690**	(10,859)	**-**	-
Operational cash flow generated	**104,113**	57,540	**(3,253)**	(39,513)
Change in operating assets and liabilities net of effects of acquisitions and disposals of entities and the consolidation of controlled entities:				
- (Increase)/Decrease in receivables and other assets	**(153,398)**	(103,362)	**(37,051)**	6,218
- (Increase)/decrease in inventories	**(52,720)**	(26,286)	**-**	-
- Increase/(decrease) in payables and other	**223,149**	16,518	**(885)**	1,279
Net operating cash flows	**121,144**	(55,590)	**(41,189)**	(32,016)

NOTE 24 NOTES TO STATEMENT OF CASH FLOWS (continued)

(b) Non cash financing and investing activities

During the financial year the following non cash transactions occurred. These transactions are not reflected in the statement of cash flows:

- the issue of 4,298,161 ordinary shares for the value of $6.5m under the terms of the dividend reinvestment plan.
- $46m in receivables was settled by way of acquisition of property, plant and equipment.

(c) Financing arrangements

The consolidated entity has access to the following financing facilities with a number of financial institutions.

	CONSOLIDATED			PARENT		
	Accessible $000	Drawn $000	Unused $000	Accessible $000	Drawn $000	Unused $000
2004						
Multi-option facility	**394,016**	**99,508**	**294,508**	**375,000**	**80,492**	**294,508**
2003						
Multi-option facility	411,066	113,269	297,797	375,000	77,203	297,797

- $325,000,000 of the facilities are provided on a rolling three year evergreen basis with annual review, and are subject to compliance with various banking covenants.
- $50,000,000 of the facilities are subject to separate arrangements and will expire on 31 December 2004.
- The balance of the facilities of $19,016,000, are provided to controlled entities on varying terms.

NOTE 25 RESULTS OF INSURANCE ACTIVITIES

The results from general insurance activities and summary financial position below have been extracted from the audited financial report of Elders Insurance Limited (EIL). EIL is a wholly owned entity of the parent entity and is subject to prudential supervision by the Australian Prudential Regulation Authority.

	CONSOLIDATED		PARENT	
	2004 $000	2003 $000	**2004 $000**	2003 $000
Profit from ordinary activities includes the following results from general insurance activities:				
Direct premium revenue	**257,353**	209,315	-	-
Outward reinsurance premiums	**(156,501)**	(134,667)	-	-
	100,852	74,648	-	-
Claims expense	**(184,774)**	(158,497)	-	-
Reinsurance and other recoveries	**113,044**	103,591	-	-
Net claims incurred (a)	**(71,730)**	(54,906)	-	-

NOTE 25 RESULTS OF INSURANCE ACTIVITIES (continued)	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Underwriting expenses				
- Amortisation of deferred acquisition costs	**(20,618)**	(15,468)	-	-
- Recurring acquisition costs	**(9,899)**	(9,047)	-	-
- Other underwriting costs	**(6,525)**	(5,676)	-	-
	(37,042)	(30,191)	-	-
Other underwriting revenue	**37,551**	30,103	-	-
Net underwriting result	**29,631**	19,654	-	-
Investment revenue	**5,336**	3,554	-	-
General and administration expenses	**(28,811)**	(25,461)	-	-
Profit/(loss) from ordinary activities before income tax	**6,156**	(2,253)	-	-
Income tax (expense)/benefit	**(1,931)**	1,669	-	-
Net profit/(loss)	**4,225**	(584)	-	-

(a) Net claims incurred comprises:

	2004 Current Year $000	2004 Prior Year $000	2004 Total $000	2003 Current Year $000	2003 Prior Year $000	2003 Total $000
Gross claims incurred and related expenses (undiscounted)	**(186,481)**	**(1,302)**	**(187,783)**	(148,341)	(12,115)	(160,456)
Reinsurance and other recoveries (undiscounted)	**113,758**	**1,252**	**115,010**	96,358	8,632	104,990
Net claims incurred (undiscounted)	**(72,723)**	**(50)**	**(72,773)**	(51,983)	(3,483)	(55,466)
Discount and discount movement - gross claims	**2,984**	**25**	**3,009**	1,780	179	1,959
Discount and discount movement - reinsurance and other recoveries	**(1,942)**	**(24)**	**(1,966)**	(1,271)	(128)	(1,399)
Net discount movement	**1,042**	**1**	**1,043**	509	51	560
Total direct claims incurred	**(71,681)**	**(49)**	**(71,730)**	(51,474)	(3,432)	(54,906)

The Insurance Division as a whole, including Elders Insurance Limited, returned a profit before tax of $13m.

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Summary of financial position				
Cash assets	**111,670**	90,753	-	-
Receivables	**88,216**	73,956	-	-
Reinsurance and other recoveries receivable	**61,622**	46,321	-	-
Other assets	**104,991**	103,371	-	-
	366,499	314,401	-	-

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
NOTE 25 RESULTS OF INSURANCE ACTIVITIES (continued)	**$000**	$000	**$000**	$000
Payables	**40,869**	40,627	-	-
Outstanding claims	**114,820**	79,617	-	-
Unearned premiums	**141,570**	128,055	-	-
Other	**25,987**	27,075	-	-
	323,246	275,374	-	-
Net Assets	**43,253**	39,027	-	-

NOTE 26 EXPENDITURE COMMITMENTS

LEASE COMMITMENTS				
Finance leases:				
- not later than one year	**589**	1,102	-	-
- later than one year but not later than five years	**1,545**	2,251	-	-
- later than five years	-	43	-	-
Minimum lease payments	**2,134**	3,396	-	-
Future finance charges	**(262)**	(530)	-	-
Lease liabilities	**1,872**	2,866	-	-
Disclosed in the financial statements as:				
- current (note 15)	**532**	1,011	-	-
- non current (note 15)	**1,340**	1,855	-	-
	1,872	2,866	-	-
Operating leases:				
- not later than one year	**59,969**	57,435	**3,711**	3,660
- later than one year but not later than five years	**133,954**	131,788	**15,938**	15,453
- later than five years	**113,562**	124,539	**33,756**	37,948
	307,485	313,762	**53,405**	57,061

The consolidated entity leases the majority of its branch networks and capital city properties under operating leases. The lease commitments comprise base amounts adjusted where necessary for escalation clauses primarily based on inflation rates. Leases generally provide the consolidated entity with a right of renewal at the end of the lease term. The extent of lease commitments is a factor that is considered in the calculation of certain borrowing covenants.

CAPITAL EXPENDITURE COMMITMENTS				
Capital expenditure contracted for but not otherwise provided for in these accounts:				
- not later than one year	**8,578**	5,267	-	-

NOTE 27 CONTINGENT LIABILITIES

Contingent liabilities at balance date, not otherwise provided for in these financial statements, are as follows:

Claims lodged for damages resulting from the use of products or services.	**2,353**	2,300	-	-
Guarantees issued to third parties arising in the normal course of business.	**35,280**	56,361	**35,280**	56,361
	37,633	58,661	**35,280**	56,361

NOTE 27 CONTINGENT LIABILITIES

Contingent liabilities at balance date, not otherwise provided for in these financial statements, are as follows:

Claims lodged for damages resulting from the use of products or services.	**2,353**	2,300	**-**	-
Guarantees issued to third parties arising in the normal course of business.	**35,280**	56,361	**35,280**	56,361
	37,633	58,661	**35,280**	56,361

Unquantifiable contingent liabilities

(a) The consolidated entity has contingent obligations in respect of leased premises, which have been sub-let to associated entities.

(b) The consolidated entity has provided a guarantee for the performance of an associated entity under a lease agreement.

(c) Benefits are payable under service agreements with executive directors and officers of the consolidated entity under certain circumstances such as termination or achievement of prescribed performance hurdles.

Other contingent liabilities

The Australian Tax Office (ATO) has advised that the tax audit of the years 1991 to 1998 has been completed and that apart from the matter detailed below no further action would arise from the audit. No other tax audits are ongoing.

The only outstanding matter arising from the audit is in relation to an assertion by the ATO of understatement of capital gains tax, on the float of the building products division in October 1997. The ATO's review of this matter is ongoing. An amended assessment for $13.3m has been received in relation to aspects of this matter in November 2002. The assessment includes penalties and interest.

External tax advice supports the consolidated entity's view that the basis for issuing an amended assessment is incorrect. An objection to the amended assessment was lodged by the consolidated entity and subsequently denied by the ATO. The consolidated entity has appealed to the Federal Court of Australia.

On the basis of independent advice, the consolidated entity is of the opinion that its objection will be upheld and that the payment of the amended assessment tax will not be required. The consolidated entity's existing tax provisions cover the quantum of the amended assessment, inclusive of interest to balance date, and accordingly the amended assessment has no earnings effect for the consolidated entity as at 30 June 2004.

Other guarantees

(a) As disclosed in Note 32, the parent entity has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Futuris Corporation Limited and each of these controlled entities has guaranteed to pay any deficiency of any of the companies party to the Deed in the event of any of those companies being wound up.

(b) The parent entity and certain entities in the consolidated entity are parties to various guarantees and indemnities pursuant to bank facilities and operating lease facilities extended to the consolidated entity, and commitments under the convertible and unsecured notes.

NOTE 28 SEGMENT INFORMATION

Business Segments

2004	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
External sales	745,425	1,853,904	54,064	30,028	23,881	2,707,302
Other revenue	16,094	12,730	1,078	15,538	20,997	66,437
Share of net profit (loss) of associates	10	19,337	(2,311)	-	257	17,293
Total revenue	761,529	1,885,971	52,831	45,566	45,135	2,791,032
Underlying EBIT	21,525	61,159	7,533	10,904	(5,007)	96,114
Significant items	(2,000)	(42,190)	-	-	-	(44,190)
Segment Result	19,525	18,969	7,533	10,904	(5,007)	51,924
Earnings before interest, tax, depreciation & amortisation	50,217	32,699	7,940	11,398	(4,125)	98,129
Depreciation & amortisation, excluding goodwill	(30,032)	(6,511)	(47)	(494)	(882)	(37,966)
Goodwill	(660)	(7,219)	(360)	-	-	(8,239)
Segment Result	19,525	18,969	7,533	10,904	(5,007)	51,924
Corporate net interest expense						(9,992)
Profit from ordinary activities before tax						41,932
Segment assets	450,651	1,183,964	149,510	116,122	98,402	1,998,649
Unallocated assets (including tax assets)	-	-	-	-	-	432,630
Segment liabilities	197,051	724,400	17,402	47,858	39,719	1,026,430
Unallocated liabilities (including tax liabilities)	-	-	-	-	-	443,691
Carrying value of equity investments	306	277,200	4,594	100	8,708	290,908
Acquisition of property, plant & equipment, intangible assets and other non current assets, including design and development	40,278	18,708	164	3,380	162	62,692
Non cash expenses other than depreciation and amortisation	2,103	35,832	-	8	-	37,943
Profit on sale of investments	-	-	-	-	862	862

NOTE 28 SEGMENT INFORMATION (continued)

2003	Automotive Components $000	Rural Services $000	Property $000	Investment & Other $000	Total $000
External sales	766,583	1,621,177	44,533	32,011	2,464,304
Other revenue	28,984	306,752	374	17,675	353,785
Share of net profit (loss) of associates	(139)	27,792	(969)	-	26,684
Total revenue	795,428	1,955,721	43,938	49,686	2,844,773
Underlying EBIT	29,449	50,388	2,966	1,177	83,980
Significant items	(10,132)	101,897	(2,680)	(6,695)	82,390
Segment Result	19,317	152,285	286	(5,518)	166,370
Earnings before interest, tax, depreciation & amortisation	55,624	164,616	665	(4,750)	216,155
Depreciation & amortisation, excluding goodwill	(35,647)	(4,541)	(19)	(132)	(40,339)
Goodwill	(660)	(7,790)	(360)	(636)	(9,446)
Segment Result	19,317	152,285	286	(5,518)	166,370
Corporate net interest expense					(18,945)
Profit from ordinary activities before tax					147,425
Segment assets	415,470	1,040,237	93,103	140,277	1,689,087
Unallocated assets (including tax assets)	-	-	-	-	473,540
Segment liabilities	168,883	538,675	8,506	55,263	771,327
Unallocated liabilities (including tax liabilities)	-	-	-	-	489,873
Carrying value of equity investments	844	211,643	6,904	100	219,491
Acquisition of property, plant & equipment, intangible assets and other non current assets, including design and development	68,214	16,902	187	833	86,136
Non cash expenses other than depreciation and amortisation	6,861	6,417	2,161	11,629	27,068
Profit on sale of investments	-	114,686	-	(11)	114,675

NOTE 28 SEGMENT INFORMATION (continued)

The consolidated entity is organised and managed separately according to the nature of the products and services they provide. The consolidated entity comprises the following distinguishable components; Automotive Components, Rural Services, Property, Forestry and Investments & Other.

Automotive Components include the manufacturing and sales of automotive componentry of which the key components are heating ventilation and air-conditioning systems and interior systems.

Rural Services include the provision of a range of agricultural products and services through a common distribution channel.

Property includes the sale and development of land and industrial developments.

Forestry includes the consolidated entity's interests in forestry plantations. In 2003 the segment was not significant, as Integrated Tree Cropping Limited has only been consolidated since 15 May 2003.

The Investments & Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities.

Segment result has been determined on a consolidated basis and represents the earnings before corporate net borrowing costs and income tax expense.

The consolidated entity operates predominantly within Australia. All other geographical operations are not material to the financial statements.

NOTE 29 SUPPLEMENTARY STATEMENT OF NET DEBT BY SEGMENT

2004	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
Earnings before interest & tax	19,525	18,969	7,533	10,904	(5,007)	51,924
Depreciation and amortisation	30,692	13,730	407	494	882	46,205
Equity accounted earnings	(10)	(19,337)	2,311	-	(257)	(17,293)
Dividends received from associates	-	10,339	-	-	-	10,339
Profit on sale of property, plant & equipment	(13)	(166)	-	9	33	(137)
Profit on sale of investments	-	-	-	-	(862)	(862)
Interest (net)	(1,695)	6,057	-	683	(21,555)	(16,510)
Tax (paid)	(1,548)	(10,736)	(12)	(608)	(7,378)	(20,282)
Provisions and other	(984)	50,447	(108)	8	1,366	50,729
Operating cash flow before movements in working capital	45,967	69,303	10,131	11,490	(32,778)	104,113
Movement in working capital	2,219	68,972	(52,987)	(5,198)	4,025	17,031
Operating Cash Flow	48,186	138,275	(42,856)	6,292	(28,753)	121,144
Capital expenditure	(19,528)	(12,026)	(164)	(3,380)	(162)	(35,260)
Proceeds on sale of property, plant and equipment	27	1,880	-	773	946	3,626
Proceeds sale of investments	-	-	-	-	9,091	9,091
Proceeds sale of other assets	-	679	-	-	-	679
Payments for investments	-	(13,877)	-	(41)	(39,155)	(53,073)
D&D capitalised	(20,750)	-	-	-	-	(20,750)
Loans (to)/from associated parties	-	2,139	-	-	(7,631)	(5,492)
Loans to third parties	-	-	-	-	(320)	(320)
Loans from related parties	-	-	-	-	2,350	2,350
Loans to growers	-	-	-	(9,754)	-	(9,754)
Loans to employees	(1,648)	(6,372)	(202)	-	(268)	(8,490)
Investing Cash Flow	(41,899)	(27,577)	(366)	(12,402)	(35,149)	(117,393)
Proceeds from issue of shares	-	-	-	17,394	3,257	20,651
Dividends paid	-	(2,141)	-	-	(45,331)	(47,472)
Other Flows	-	(2,141)	-	17,394	(42,074)	(26,821)
TOTAL	6,287	108,557	(43,222)	11,284	(105,976)	(23,070)
Opening net debt						13,359
Total flows						(23,070)
Exchange rate adjustments to debt						11,116
Closing net debt*						1,405

* Net debt equals cash per statement of financial position less all interest bearing liabilities except for rural deposits of $7,522,000

NOTE 29 SUPPLEMENTARY STATEMENT OF NET DEBT BY SEGMENT

2003	Automotive Components $000	Rural Services $000	Property $000	Investment & Other $000	Total $000
Earnings before interest & tax	19,317	152,285	286	(5,518)	166,370
Depreciation and amortisation	36,307	12,331	379	768	49,785
Equity accounted earnings	139	(27,792)	969	-	(26,684)
Dividends received from associates	-	22,271	-	-	22,271
Profit on sale of property, plant & equipment	1,140	(1,349)	-	(464)	(673)
Profit on sale of investments	-	(114,686)	-	11	(114,675)
Interest (net)	(1,232)	2,902	-	(22,637)	(20,967)
Tax (paid)	(4,097)	(2,551)	(335)	(4,272)	(11,255)
Provisions and other	(10,019)	4,780	1,661	(3,054)	(6,632)
Operating cash flow before movements in working capital	41,555	48,191	2,960	(35,166)	57,540
Movement in working capital	(17,915)	(96,272)	(8,191)	9,248	(113,130)
Operating Cash Flow	23,640	(48,081)	(5,231)	(25,918)	(55,590)
Capital expenditure	(33,281)	(7,578)	(187)	(833)	(41,879)
Proceeds on sale of property, plant and equipment	5,817	3,538	-	3,077	12,432
Proceeds sale of investments	-	290,974	-	39	291,013
Payments for investments	-	(9,324)	(3)	(21,444)	(30,771)
D&D capitalised	(34,933)	-	-	-	(34,933)
Loans to associated parties	-	(1,731)	(166)	(512)	(2,409)
Loans to third parties	-	-	-	(2,685)	(2,685)
Loans to growers	-	-	-	(4,487)	(4,487)
Loans to employees	(1,617)	(6,611)	(256)	(373)	(8,857)
Purchase of controlled entity (net of cash acquired)	-	-	-	9,426	9,426
Investing Cash Flow	(64,014)	269,268	(612)	(17,792)	186,850
Proceeds from issue of shares	-	-	-	46,669	46,669
Dividends paid	-	(2,642)	-	(42,458)	(45,100)
Other Flows	-	(2,642)	-	4,211	1,569
TOTAL	(40,374)	218,545	(5,843)	(39,499)	132,829

Opening net debt	(119,331)
Total flows	132,829
Net debt acquired	(11,575)
Exchange rate adjustments to debt	11,436
Closing net debt*	13,359

* Net debt equals cash per statement of financial position less all interest bearing liabilities except for rural deposits of $8,985,000

NOTE 30 SUPERANNUATION COMMITMENTS

The consolidated entity maintains one superannuation fund covering substantially all of its employees, being the Master Superannuation Fund. This fund has both an accumulation section and a defined benefits section. The defined benefits section has been closed since December 1996 and new employees must join the accumulation section.

(a) In relation to the accumulation section of the fund, employees are entitled to accumulate benefits on retirement, resignation, disability or death. During the year, company contributions have been paid in accordance with legislative requirements, the fund's rules and employee salary packages. Employees may also contribute to the fund. The assets of the accumulation section of the fund are sufficient to satisfy all benefits that would be vested in the event of termination.

(b) In relation to the defined benefit section of the fund, relevant group entities are obliged to contribute to the fund as set out in the Trust Deed and in accordance with legal requirements. During the year, superannuation entitlements have been paid in accordance with legislative requirements at levels necessary to ensure that there are sufficient assets to meet the liabilities determined by actuarial valuations undertaken at regular intervals not exceeding three years. Member contributions are at a set rate.

Recent Funding and Solvency Certificates obtained by the consolidated entity highlight that the defined benefits section of the fund remains in surplus at balance date.

An actuarial review of the superannuation fund is currently underway. It is expected to be completed by November 2004.

	30 June 2004 $000	30 June 2003 $000
Net market value of plan assets	**310,463**	281,155
Accrued benefits as at 1 July 2001	**(278,034)**	(278,034)
Excess of plan assets over accrued benefits	**32,429**	3,121
Vested benefits		
- defined benefits section	**5,014**	6,299
- accumulation section	**302,089**	271,545
Date at which the above amounts were determined	**30 June 2003**	1 July 2001

	CONSOLIDATED		PARENT	
NOTE 31 REMUNERATION OF AUDITORS	**2004 $**	2003 $	**2004 $**	2003 $
Remuneration received or due and receivable by the auditors of:				
Parent entity (Ernst & Young)				
- auditing or review of financial statements	**1,400,000**	958,000	**9,000**	67,000
- tax services (primarily compliance)	**551,000**	439,000	**252,000**	116,000
- internal audit	**96,000**	175,000	**-**	-
- other services	**114,000**	439,000	**-**	313,000
Auditors other than of parent entity				
- auditing or review of financial statements	**49,000**	35,000	**-**	-
- internal audit	**191,000**	-	**-**	
- other services	**184,000**	6,000	**31,000**	-
	2,585,000	2,052,000	**292,000**	496,000

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES

		% Held by Consolidated Entity	
		2004	2003
Abbino Pty Ltd	(g)	**100**	100
Acehill Investments Pty Ltd	(a)	**100**	100
ACN 009 134 963 Pty Ltd (formerly Futuris Investments Pty Ltd)	(j)	**-**	100
ACN 073 323 038 Pty Ltd	(g)	**100**	100
Active Leisure (Sports) Pty Ltd	(a)	**100**	100
Agribusiness Insurance Brokers Pty Ltd	(g)	**100**	100
AI Asia Pacific Operations Holding Limited	(c)(e)	**100**	100
AI Bus Products Limited	(c)(e)	**100**	100
AI China Operations Holding Limited	(c)(e)	**100**	100
AI Coachair Holdings Limited	(c)(e)	**100**	100
AIGL International Pty Ltd	(a)	**100**	100
AIM Metals Pty Ltd	(a)	**100**	100
Air International (China) Pty Ltd	(a)	**100**	100
Air International (India) Pty Ltd	(g)	**100**	100
Air International (Malaysia) Sdn Bhd	(c)(e)	**100**	100
Air International (Shanghai) Co Ltd	(c)(e)(h)	**50**	50
Air International (UK) Holdings Ltd	(c)(e)	**100**	100
Air International (UK) Ltd	(c)	**100**	100
Air International (US) Inc	(c)(e)	**100**	100
Air International (Ventures) No 2 Pty Ltd	(a)	**100**	100
Air International (Ventures) No 3 Pty Ltd	(g)	**100**	100
Air International Asia Pacific Operations Pty Ltd	(a)	**100**	100
Air International Brilliance Co Ltd	(c)(e)(i)	**30**	30
Air International Chongqing Co Ltd	(c)(e)	**60**	60
Air International Coachair Malaysia Sdn Bhd	(c)(e)	**100**	100
Air International Coachair Pty Ltd	(a)	**100**	100
Air International Group Limited	(a)	**100**	100
Air International (Malaysia) Pty Ltd	(a)	**100**	100
Air International Pty Ltd	(a)	**100**	100
Air International Seating Holdings Pty Ltd	(a)	**100**	100
Air International Seating Pty Ltd	(a)	**100**	100
Air International Transit Inc Acquisition LLC	(c)(e)	**100**	100
Air International Transit Pty Ltd	(a)	**100**	100
Air International Vehicle Air Conditioning Co Ltd	(c)	**100**	100
Albany Woolstores Pty Ltd	(g)	**65.5**	65.5
Aldetec Pty Ltd	(a)	**100**	100
Aldetec Unit Trust	(f)	**100**	100
APM Coachair Sdn Bhd	(c)(e)	**50**	50
APO Administration Limited	(c)(e)	**100**	100
Artreal Pty Ltd	(g)	**100**	100
Ashwick (Vic) No 102 Pty Ltd	(a)	**100**	100
Aust Fine China Pty Ltd	(a)	**100**	100
Austech Ventures Ltd	(a)	**100**	100
Australian Plantation Timber Ltd	(i)	**25.4**	25.4
Australian Rural Finance Pty Ltd	(g)	**100**	100
B & W Rural Pty Ltd		**51**	51
Balcooma Pty Ltd	(g)	**100**	100
Banks Marsden Pty Ltd	(g)	**100**	100
Bedcell Pty Ltd	(g)	**100**	100
Bradwell Pty Ltd	(g)	**100**	100
Brimhall Pty Ltd	(g)	**100**	100

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES (continued)

		% Held by Consolidated Entity	
		2004	2003
Caversham Investments Pty Ltd	(a)	**100**	100
Caversham Landscape D. & C. Pty Ltd	(g)	**100**	100
Caversham Property (Sales) Pty Ltd	(g)	**100**	100
Caversham Property Developments Pty Ltd	(a)	**100**	100
Caversham Property Holdings Pty Ltd	(a)	**100**	100
Caversham Property Pty Ltd	(a)	**100**	100
Charlton Feedlot Pty Ltd	(a)	**100**	100
Clima Air Conditioning Pty Ltd	(g)	**100**	100
Colotti Pty Ltd	(g)	**100**	100
Costilla Pty Ltd	(g)	**100**	100
CP Ventures Ltd	(a)	**100**	100
Danny F11 Investments Pte Ltd	(c)(d)	**100**	-
Dawley Pty Ltd	(g)	**100**	100
Domeni Pty Ltd	(g)	**100**	100
E. & R. Steeden Pty Ltd	(a)	**100**	100
E Globulus Pty Ltd	(i)	**51**	51
Elders Australia Limited	(a)	**100**	100
Elders Burnett Moore WA Pty Ltd	(g)	**100**	100
Elders Distribution Company Pty Ltd	(g)	**100**	100
Elders Financial Solutions Pty Ltd	(g)	**100**	100
Elders Funds Management Pty Ltd	(g)	**100**	100
Elders Global Wool Holdings Pty Ltd	(a)	**100**	100
Elders Hycube Pty Ltd		**51**	51
Elders Insurance Brokers Pty Ltd	(g)	**100**	100
Elders Insurance Holdings Pty Ltd		**100**	100
Elders Insurance Ltd		**100**	100
Elders International Australia Limited	(a)	**100**	100
Elders Limited	(k)	**100**	100
Elders Project Management Pty Ltd	(d)(g)	**100**	-
Elders Real Estate (NSW) Pty Ltd	(g)	**100**	100
Elders Real Estate (Qld) Pty Ltd	(g)	**100**	100
Elders Real Estate (WA) Pty Ltd	(g)	**100**	100
Elders Real Estate (Tasmania) Pty Ltd	(g)	**100**	100
Elders Real Estate Franchise (Vic) Pty Ltd	(g)	**100**	100
Elders Risk Management Pty Ltd	(g)	**100**	100
Elders Securities Limited		**100**	100
Elders Underwriting Agency Pty Ltd	(g)	**100**	100
Elders Webster Pty Ltd	(d)	**51**	-
Elders Wool International Pty Ltd	(g)	**100**	100
Elders-GM Properties (SA) Pty Ltd		**100**	100
Elders-GM Properties (Vic) Pty Ltd		**100**	100
EREF Pty Ltd	(g)	**100**	100
Family Hospitals Pty Ltd	(a)	**100**	100
Fares Exports Management Mexico, S.A. de C.V.	(c)(d)	**100**	-
Fares Exports Pty Ltd	(d)	**100**	-
Fares Exports Trading Mexico, S.A. de C.V.	(c)(d)	**100**	-
Farid F Investments Pte Ltd	(d)	**100**	-
Farmers Investment Trust	(f)	**100**	100
FGSF Pty Ltd	(g)	**100**	100
Futuris Administration Pty Ltd	(a)	**100**	100
Futuris Agencies Pty Ltd	(a)	**100**	100
Futuris Corporation Limited	(a)		
Futuris Rural Pty Ltd	(a)	**100**	100
Futuris Ventures Pty Ltd	(a)	**100**	100
Futuris/Tamper Joint Venture Unit Trust	(f)	**100**	100
George Moss (Qld) Pty Ltd	(a)	**100**	100
George Moss Pty Limited	(a)	**100**	100
Grouville Pty Ltd	(g)	**100**	100

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES (continued)

		% Held by Consolidated Entity	
		2004	2003
H W Hayes & Sons (Ipswich) Pty Ltd	(g)	**100**	100
Hatmore Pty Ltd	(g)	**100**	100
Hollymont Ltd	(a)	**100**	100
Hose & Pipe Pty Ltd	(a)	**100**	100
IMA Investment Management Australia (ADF) Pty Ltd	(a)	**100**	100
IMA Investment Management Australia Pty Ltd	(a)	**100**	100
Innerhadden Ltd	(a)	**100**	100
Integrated Tree Cropping Ltd		**51**	50
ITC Finance Pty Ltd	(i)	**51**	51
ITC Timberlands Ltd	(i)	**51**	51
J.A. Gilmour & Sons (NSW) Pty Ltd	(g)	**100**	100
Kentlake Holdings Pty Ltd	(g)	**100**	100
Keratin Holdings Pty Ltd	(a)	**100**	100
Killara Feedlot Pty Ltd		**53**	53
Kojonup Farm Pty Ltd (formerly Parkhurst (NT) Pty Ltd)	(g)	**100**	100
Leisure Industries International Pty Ltd	(a)	**100**	100
M.E. Deniliquin Pty Ltd	(g)	**100**	100
Manet Holdings Pty Ltd	(a)	**100**	100
Manor Hill Pty Ltd	(a)	**100**	100
Marybrook Development Company Pty Ltd	(g)	**100**	100
Marybrook Investments Ltd	(a)	**100**	100
Milltoc Pty Ltd	(a)	**100**	100
Mylang Pty Ltd	(a)	**100**	100
New Ashwick Pty Ltd	(g)	**100**	100
North Australian Cattle Company Pty Ltd	(a)	**100**	100
Pacrim Meat & Livestock Trading Pty Ltd	(g)	**100**	100
Pakenham Properties Pty Ltd	(g)	**100**	100
Pernatty Pty Ltd	(g)	**100**	100
Prestige Property Holdings Pty Ltd	(a)	**100**	100
Primac Elders Pty Ltd (formerly Primac Elders Limited)	(a)	**100**	100
Primac Elders Real Estate Pty Ltd	(g)	**100**	100
Primac Holdings Limited	(a)	**100**	100
Primac Pty Ltd (formerly Primac Limited)	(a)	**100**	100
Primac Pastoral Co Pty Ltd	(g)	**100**	100
Primac Superannuation Nominees Pty Ltd	(g)	**100**	100
Primac Travel Pty Ltd	(g)	**100**	100
PT Elders Indonesia	(c)	**100**	100
Rachid Fares Enterprises of Australia Pty Ltd	(d)(g)	**100**	-
Redray Enterprises Pty Ltd	(a)	**100**	100
Relatran Pty Ltd	(g)	**100**	100
Rockingham Specialist Centre Pty Ltd	(g)	**100**	100
Sigma Air Conditioning (SA) Pty Ltd	(g)	**100**	100
Southern Wool Services (Goulburn) Pty Ltd	(g)	**100**	100
Steeden Holdings Pty Ltd	(a)	**100**	100
Steering Systems Australia Pty Ltd	(a)	**100**	100
Sycamore Enterprises Pty Ltd	(a)	**100**	100
Sydney Woolbrokers Limited		**66**	66
Tashmore Pty Ltd	(g)	**100**	100
Therm Air Australia Pty Ltd	(a)	**100**	100
Treecrop Pty Ltd	(i)	**51**	51
Trend-to-Zero Pty Ltd	(a)	**100**	100
Ultra Enterprises Pty Ltd	(g)	**100**	100
Ultrasound Australia Pty Ltd	(a)	**100**	100
Ultrasound International Pty Ltd	(a)	**100**	100
Ultrasound Technical Services Pty Ltd	(a)	**100**	100
Victorian Investment Corporation Pty Ltd	(a)	**100**	100
Victorian Producers Co-operative Company Limited	(a)	**100**	100
Vickner Pty Ltd	(d)(g)	**100**	-

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES (continued)

		% Held by Consolidated Entity 2004	2003
Vockbay Pty Limited	(a)	**100**	100
VP Services Pty Ltd	(g)	**100**	100
VP Travel Pty Ltd	(g)	**100**	100
Wool Exchange (WA) Pty Ltd	(g)	**66.7**	66.7
Wooltech Marketing Pty Ltd	(g)	**100**	100
Yenley Pty Ltd	(g)	**100**	100

(i) Pursuant to Australian Securities and Investments Commission Class Order 98/1418 dated 13 August 1998, relief has been granted to these controlled entities of Futuris Corporation Limited from the Corporations Act 2001 requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Futuris Corporation Limited, and the controlled entities subject to the Class Order, entered into a deed. The effect of the deed is that Futuris Corporation Limited has guaranteed to pay any deficiency in the event of the winding up of any member of the Closed Group, and each member of the Closed Group has given a guarantee to pay any deficiency, in the event that Futuris Corporation Limited or any other member of the closed group is wound up.

The parties that comprise the Closed Group are denoted by (a) above. Parties added to the Closed Group during the year are denoted by (b) above. Parties removed from the Closed Group during the year are denoted by (k) above.

The consolidated statement of financial performance and statement of financial position of the entities which are members of the Closed Group are as follows:

Consolidated statement of financial performance of the Closed Group	**2004 $000**	2003 $000
Profit from ordinary activities before income tax	**14,310**	134,042
Income tax expense relating to ordinary activities	**(29,957)**	(37,092)
Profit from ordinary activities after income tax	**(15,647)**	96,950
Net profit attributable to members of parent entity	**(15,647)**	96,950
Total changes in equity other than those resulting from transactions with owners as owners	**(15,647)**	96,950

Consolidated statement of financial position of the Closed Group

CURRENT ASSETS		
Cash assets	**133,152**	286,554
Receivables	**163,398**	201,890
Inventories	**130,401**	216,258
Other	**597**	115,614
Total current assets	**427,548**	820,316
NON CURRENT ASSETS		
Receivables	**6,794**	125,839
Investments accounted for the using equity method	**97,875**	219,391
Other financial assets	**317,466**	136,477
Inventories	**70,349**	68,598
Property, plant and equipment	**90,097**	105,697
Intangibles	**3,331**	129,433
Deferred tax assets	**13,294**	38,079
Other	**64,411**	62,400
Total non current assets	**663,617**	885,914
Total assets	**1,091,165**	1,706,230

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES (continued)

	2004 $000	2003 $000
CURRENT LIABILITIES		
Payables	**217,346**	356,890
Interest bearing liabilities	**16,029**	40,446
Current tax liabilities	**6,150**	37,702
Provisions	**14,071**	30,434
Total current liabilities	**253,596**	465,472
NON CURRENT LIABILITIES		
Payables	**21,635**	12,577
Interest bearing liabilities	**334,610**	341,482
Deferred tax liabilities	**5,886**	11,636
Provisions	**19,269**	27,022
Total non current liabilities	**381,400**	392,717
Total liabilities	**634,996**	858,189
NET ASSETS	**456,169**	848,041
SHAREHOLDERS' EQUITY		
Contributed equity	**446,920**	437,207
Retained profit	**9,249**	410,834
Shareholder equity attributable to members of Futuris Corporation Limited	**456,169**	848,041

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 24 and in connection with the unsecured and convertible notes disclosed at note 15.

(ii) All companies are incorporated and carry on business in Australia except for the companies designated by (c) above which are incorporated in the following countries:

Company	*Country of Incorporation*
AI Asia Pacific Operations Holdings Limited	Hong Kong SAR
AI Bus Products Limited	Hong Kong SAR
AI China Operations Holding Limited	Hong Kong SAR
AI Coachair Holding Limited	Hong Kong SAR
Air International (Malaysia) Sdn Bhd	Malaysia
Air International (Shanghai) Co Ltd	China
Air International (UK) Holdings Ltd	United Kingdom
Air International (US) Inc	United States of America
Air International Brilliance Co Ltd	China
Air International Chongqing Co Ltd	China
Air International Coachair Malaysia Sdn Bhd	Malaysia
Air International Transit Inc Acquisition LLC	United States of America
Air International Vehicle Air Conditioning Co Ltd	China
APM Coachair Sdn Bhd	Malaysia
APO Administration Limited	Hong Kong SAR
Coachair (Thailand) Co Ltd	Hong Kong SAR
Danny F11 Investments Pte Ltd	Singapore
Fares Exports Management Mexico, S.A. de C.V.	Mexico
Fares Exports Trading Mexico, S.A. de C.V.	Mexico
Farid F Investments Pte Ltd	Singapore
PT Elders Indonesia	Indonesia

NOTE 32 INVESTMENTS IN CONTROLLED ENTITIES (continued)

(iii) Entities acquired during the period are denoted by (d).

(iv) Entities audited by firms other than the parent entity auditors or by affiliates of the parent entity auditor are denoted by (e).

(v) Entities exempted from audit requirements due to overseas legislation or non-corporate status are denoted by (f).

(vi) Entities classified by the Corporations Act 2001 as small proprietary companies relieved from audit requirements are denoted by (g). In addition, a number of small proprietary companies are party to the Class Order deed referred to in (i).

(vii) Entities denoted by (h) are controlled entities, as the consolidated entity has the capacity to control via a dominance of financial, management and technological control.

(viii) Entities denoted by (i) are entities where an entity controlled by the parent entity holds a controlling interest in the entity.

(ix) Entities denoted by (j) are entities deregistered during the year.

(x) Certain branch locations are subject to agreements whereby profits are shared on a proportionate 50% basis albeit under the control of the controlled entities within the consolidated entity.

NOTE 33 ASSOCIATED ENTITIES AND EQUITY INFORMATION

(a) Details of material interests in associated entities are as follows:

Name of Associate	Principal activity of Associate	Balance date of Associate	Ownership Interest		Consolidated Entity Investment	
			2004 %	2003 %	**2004** $000	2003 $000
Australian Agricultural Company Ltd	Beef production	30 Jun	**45**	42	**170,413**	91,028
Bremer Woll Kämmerei AG	Wool processing	31 Dec	**41**	41	-	24,348
BWK Elders Australia Pty Ltd	Wool trading	31 Dec	**50**	50	**4,589**	6,676
BWK Elders Europe GmbH	Wool trading	31 Dec	**50**	50	**14,646**	17,227
Kareelya Ltd	Property management	30 Jun	**47**	47	**4,594**	6,904
Amcom Limited	Telecommunications	30 Jun	**22**	-	**8,708**	-
Other					**4,462**	5,004
					207,412	151,187

NOTE 33 ASSOCIATED ENTITIES AND EQUITY INFORMATION (continued)

	CONSOLIDATED 2004 $000	2003 $000
(b) Share of associates' results		
Profit from ordinary activities before income tax	**8,638**	21,421
Income tax expense	**(2,758)**	(5,975)
Profit from ordinary activities after income tax	**5,880**	15,446
Outside equity interests	**(531)**	(180)
Share of net results of associates	**5,349**	15,266
(c) Movements in carrying amount of investments		
Carrying amount of investment in associates at beginning of year	**151,187**	322,224
Share of associates' revaluation increment	**64,088**	-
Investments in associates during year	**17,501**	1,115
Investments sold during year	**-**	(170,512)
Investment write downs	**(26,608)**	(1,209)
Share of associates' net profit	**5,349**	15,266
Share of Stanbroke Costs	**(792)**	-
Loss on divestment of Incitec (Crop Care)	**-**	(1,900)
Dividends received from associates	**(3,313)**	(13,797)
Carrying amount of investments in associates at year end	**207,412**	151,187

(d) Summary performance and financial position of material associates

2004	**AACo Ltd $000**	**BWK AG $000**	**Others in aggregate $000**	**Total $000**
Net profit as reported by associates	22,220	(5,426)	(9,057)	7,737
Financial position as reported by associates				
Current assets	156,240	58,621	161,226	376,087
Non current assets	483,351	133,369	117,806	734,526
Total assets	639,591	191,990	279,032	1,110,613
Current liabilities	32,541	68,577	140,528	241,646
Non current liabilities	239,207	107,419	22,303	368,929
Total liabilities	271,748	175,996	162,831	610,575
Net assets	367,843	15,994	116,201	500,038

NOTE 33 ASSOCIATED ENTITIES AND EQUITY INFORMATION (continued)

2003	AACo Ltd	BWK AG	Others in aggregate	Total
	$000	$000	$000	$000
Net profit as reported by associates	18,276	(2,435)	43,066	58,907
Financial position as reported by associates				
Current assets	118,238	88,471	186,633	393,342
Non current assets	373,247	166,272	51,785	591,304
Total assets	491,485	254,743	238,418	984,646
Current liabilities	57,313	74,200	146,485	277,998
Non current liabilities	127,078	94,048	45,274	266,400
Total liabilities	184,391	168,248	191,759	544,398
Net assets	307,094	86,495	46,659	440,248

The above net profits as reported by associates have been obtained from publicly available data in respect of listed associates and from special purpose financial statements in respect of unlisted associates for the relevant financial year or accounting period.

	CONSOLIDATED	
	2004	2003
(e) Commitments and contingent liabilities	**$000**	$000
Share of associates' capital expenditure commitments (contracted but not provided)		
Not later than one year	**170**	5,514
Share of associates' operating lease commitments		
Not later than one year	**9,052**	3,099
Later than one year	**30,850**	8,855
	39,902	11,954
Share of associates' contingent liabilities	**21,351**	36,012

NOTE 34 INTEREST IN JOINT VENTURES

The company holds a 50% interest in Elders Rural Bank Limited whose principal activity is the provision of rural financial services. Elders Rural Bank Limited is controlled jointly by the parent entity and Bendigo Bank Limited. As Elders Rural Bank Limited is jointly controlled, the assets, liabilities and result of Elders Rural Bank Limited are not consolidated by the consolidated entity.

	CONSOLIDATED	
	2004	2003
	$000	$000
(a) Summary of financial position of Elders Rural Bank Limited		
Finance receivables	**1,858,773**	1,466,859
Other assets	**223,920**	339,086
Total assets	**2,082,693**	1,805,945
Finance deposits	**1,845,987**	1,610,396
Other liabilities	**84,296**	72,733
Total liabilities	**1,930,283**	1,683,129
Net assets	**152,410**	122,816
Share of net assets	**76,205**	61,408

NOTE 34 INTEREST IN JOINT VENTURES (continued)	CONSOLIDATED **2004** **$000**	2003 $000
(b) Summary of share of results of Elders Rural Bank Limited		
Profit from ordinary activities before income tax	**15,474**	13,442
Tax expense	**(4,578)**	(3,939)
	10,896	9,503
Equity gain recognised	**1,048**	1,915
Share of net results	**11,944**	11,418
(c) Movements in carrying amount		
Carrying amount at the beginning of financial year	**68,304**	53,260
Equity contributions	**13,550**	12,100
Share of joint venture profit	**11,944**	11,418
Dividends received	**(10,302)**	(8,474)
Carrying amount at end of financial year	**83,496**	68,304
(d) Share of commitments and contingent liabilities	**925**	802

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

Specified Directors	
S Gerlach	Chairman (appointed Chairman 1 July 2003)
C E Bright	Non Executive Director
F J Conroy	Non Executive Director (retired 23 October 2003)
J C Fox	Non Executive Director
R G Grigg	Non Executive Director (appointed 12 February 2004)
W H Johnson	Non Executive Director
A L Newman	Non Executive Director
A Salim	Non Executive Director
G D Walters	Non Executive Director
L P Wozniczka	Managing Director and Chief Executive Officer
Specified Executives	
B Griffiths	Managing Director – Air International Pty Ltd
G Hunt	Managing Director – Elders Australia Ltd
P Hall	Managing Director – Caversham Group
P Zachert	Chief Financial Officer
M Ormsby	Director of Risk Management

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives

Remuneration Policy

The Board of Directors of Futuris Corporation Limited with the assistance of the Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The Board's objective is to ensure that the Company has adopted remuneration policies that meet the needs of the Company and encourage a performance orientated culture at both the corporate and individual levels, and specifically to:

- align the rewards and interests of directors and management with the long-term growth and success of the Company within an appropriate control framework; and
- establish a clear nexus between key executive performance and remuneration.

Executive Directors and Specified Executives

Remuneration is determined as part of an annual performance review, having regard to market factors, relevant comparative data, a performance evaluation process and independent remuneration advice (where necessary).

Remuneration is structured in three components:

Fixed: this component comprises cash and other benefits and entitlements and reflects current market conditions.

Short term incentive: this component comprises cash and reflects the individual's performance in achieving various objectives over the prior 12 months.

Long term incentive: this component currently comprises shares in the Company or options over shares in the Company and either reflect the individual's performance in achieving various objectives over the prior 12 months or, in the case of the Chief Executive Officer and the Chief Financial Officer, contain performance hurdles for future performance. Options are issued with a 3 year vesting period and their issuance is designed to align the executive's actions with the interests of shareholders.

Shares issued as a component of a long term incentive are issued under the terms of the Company's employee incentive scheme (refer note 40) which was first approved by shareholders at the Company's 1989 Annual General Meeting and subsequently amended with the approval of shareholders at the 1998 Annual General Meeting. The total number of options under the scheme must not exceed 3% of the total number of ordinary shares in the Company on issue from time to time. The total number of shares issued or acquired under the terms of the scheme, when aggregated with the number of shares which have been issued in the past 5 years under the scheme, may not exceed 5% of the issued capital of the Company at the time an invitation to participate in the scheme is made.

Non Executive Directors

The Board determines the fees payable to non-executive directors with the assistance of the Remuneration Committee and independent remuneration advice (where necessary).

Further information on Director emoluments and fees can be found in the Corporate Governance Section of the Concise Report.

Share Options

Share options are issued to selected executives as a form of remuneration, which is directly related to long term performance in the Company's share price and thereby aligns Company and executive interests. Share options issued by the Company:

(i) are either subject to performance hurdles or have been issued in consequence of the achievement of performance criteria; and

(ii) have a three year vesting period.

The total quantity of options issued as at 30 June 2004 represented 1.5% of the Company's issued ordinary shares.

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(Dollars)	Primary Base Salary or Fee	Primary Bonus (i) (ii)	Primary Other (iii) (iv)	Post Employment Super-annuation	Post Employment Retirement Benefits	Equity Options (vi)	Equity Share Plan (vii)	Total
Specified Directors								
S Gerlach	150,000	-	-	13,500	-	-	-	163,500
C E Bright	50,000	-	147,203	4,500	-	-	-	201,703
FJ Conroy	18,864	-	-	1,698	150,000	-	-	170,562
J C Fox	50,000	-	-	4,500	-	-	-	54,500
R G Grigg	29,647	-	-	2,668	-	-	-	32,315
W H Johnson	60,000	-	-	5,400	-	-	-	65,400
A L Newman	50,000	-	995,791	4,500	-	-	-	1,050,291
A Salim	50,000	-	-	-	-	-	-	50,000
G D Walters	85,000	-	-	7,650	-	-	-	92,650
L P Wozniczka	1,000,000	150,000	66,800	150,000	-	67,191	-	1,433,991
Total Remuneration								
2004	**1,543,511**	**150,000**	**1,209,794**	**194,416**	**150,000**	**67,191**	**-**	**3,314,912**
2003	2,698,007	-	213,288	53,888	370,000	440,185	-	3,775,368
Specified Executives								
B Griffiths	520,000	-	76,623	46,800	-	25,709	1,165	670,297
G Hunt (v)	357,434	286,000	140,177	53,119	-	32,136	1,165	870,031
P Hall	250,943	150,000	41,326	22,585	-	7,189	-	472,043
P Zachert	338,998	70,000	22,811	11,585	-	26,288	-	469,682
M Ormsby	242,581	62,000	44,867	43,664	-	34,036	1,165	428,313
Total Remuneration								
2004	**1,709,956**	**568,000**	**325,804**	**177,753**	**-**	**125,358**	**3,495**	**2,910,366**
2003	1,409,843	888,000	443,548	174,057	-	182,785	-	3,098,233

(i) The bonus component of remuneration in 2004 relates to performance bonuses that have been earned and accrued in the current financial year. The comparative disclosures are consistent with the disclosures made in last year's annual report which showed bonuses that were physically paid in that year. The Chief Executive Officer was paid a bonus during the current year that related to 2003 of $750,000.

(ii) Certain executives elect to receive an allocation of shares in Futuris Corporation Limited in lieu of a cash bonus. These shares are issued under the Company's Employee Incentive Scheme and are subject to holding restrictions (refer note 40).

(iii) A L Newman received a consultancy fee of $950,000 for services provided to the Company, and was provided with the use of a motor vehicle.

C E Bright received a consultancy fee of $147,203 for services provided to the consolidated entity (principally wool related directorships and services).

(iv) Other in the case of specified directors and executives, includes motor vehicles, housing benefits and other allowances subject to fringe benefits tax.

(v) G Hunt's bonus for the current financial year includes a $100,000 component that will not be paid until certain performance targets relating to the recovery of provisions are met.

(vi) In the 2003 Annual Review a notional value of $440,185 was attributed to options held by Mr Wozniczka at that time. During the current year, 2 million of these options notionally valued at $380,667 lapsed.

(vii) Interest free portion of loan under the general employee share scheme (refer note 40).

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer and the Specified Executives are formalised in service agreements. Entitlements to performance related bonuses (including those under the Company's employee incentive scheme) are either recorded in those agreements or determined as part of an annual formal performance review. Other benefits including health insurance and car allowances are also recorded in those agreements. Major provisions of the agreements relating to remuneration are set out below:

L Wozniczka

Mr Wozniczka's agreement is terminable on 12 months notice under the terms of his agreement. The remuneration package under the agreement comprises 3 elements – a fixed base remuneration, an annual incentive and a long term incentive, the latter two elements subject to the achievement of certain performance hurdles.

The long-term incentive component comprises options entitlements, which have been issued in two equal tranches. One tranche is subject to the achievement of total shareholder return performance hurdles, based on Futuris' comparative performance against the ASX 200 over a rolling three-year period. The other tranche of options is subject to the achievement of earnings per share growth performance hurdles over a rolling three-year period. Further discussion on the performance hurdles attached to these options can be found in the Directors Report of the Concise Report.

Notice terms under the agreement are comparable with industry standards and ensure that both parties are protected. Either the Company or Mr Wozniczka may terminate the employment agreement at any time on 12 month's prior written notice. In specified (non-default) circumstances both parties have the right to terminate the agreement on 1 month's notice. If notice is given in the first 2 years of the agreement, a termination benefit equivalent to 18 month's fixed base remuneration (less any notice worked-out) is payable. If notice is given after the second anniversary, the termination payment is equivalent to 12 month's fixed base remuneration (less any notice worked-out).

B Griffiths

Mr Griffiths has a three year agreement that commenced on 1 July 2004. The current agreement reflects Mr Griffiths' length of service and the effect of certain elements of agreements put in place over previous years, which it replaces. Base salary inclusive of superannuation, is reviewed annually by the Chief Executive Officer, in consultation with the Remuneration Committee and the chairman of Air International Group Limited. The agreement provides for a termination benefit of $2m in the event that employment with Air International Group Limited is terminated without cause or due to death or permanent incapacity. The agreement also sets an annual incentive based on Air International Group's financial performance over the relevant period. The arrangement has 2 components: firstly budget over performance. Under this component, Mr Griffiths is entitled to an annual incentive payment up to 50% of his salary package, subject to the achievement of annual performance hurdles determined by the Company including both quantitative and qualitative financial measures. Secondly, super performance compared to the approved budget. Mr. Griffiths is entitled to participate in a bonus pool on a pro-rated basis in the event that Air International Group achieve prescribed return on net assets targets. The agreement also includes a longer-term value creation incentive, being 2% to 3% of any cash or value realised in excess of cost on any divestment or realisation of capital value of the Air International Group.

G Hunt

Mr Hunt's agreement is terminable on 12 months' notice under the terms of his agreement. Base salary, inclusive of superannuation, is reviewed annually by the Chief Executive Officer in consultation with the Remuneration Committee and the chairman of Elders Australia Limited. An annual incentive is paid based on Elders' financial performance over the relevant period. For achieving budget - $240,000 (representing 40% of remuneration) and for each 1% incremental performance $12,000 up to a further $240,000. As a longer term incentive, for achievement of budget, Mr Hunt is entitled to, up to 250,000 options (or another equity incentive) under the Company's employee incentive scheme.

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

P Hall

Mr Hall's agreement has no specified term. Base salary inclusive of superannuation, is reviewed annually by the Chief Executive Officer in consultation with the Remuneration Committee. An annual incentive is paid based on Caversham Property Group's EBIT return on average net assets employed – the general principle being that no incentive is payable unless a return of at least 10% is achieved up to a maximum payment of 5% where the EBIT return on average net assets employed is greater than 15%.

Any incentive earned is payable as 50% on achievement of the profit and 50% on achievement of the cash flow relating to that profit to reflect that the timing of the cash inflow may be different to the timing of the booking of the profit.

P Zachert

Mr Zachert's agreement is terminable on 12 months notice under the terms of his agreement. Base salary inclusive of superannuation, is reviewed annually by the Chief Executive Officer in consultation with the Remuneration Committee. An annual incentive is paid based on the Company's financial performance over the relevant period, being for achievement of budgeted profit after tax, 50% of annual remuneration. A longer-term incentive for achievement of budgeted profit after tax is 250,000 options annually (up to a maximum of 750,000 options) under the Company's employee incentive scheme at an exercise price of $1.51.

M Ormsby

Mr Ormsby has a 12 month contract which is automatically rolled over annually for a further 12 months. Base salary inclusive of superannuation, is reviewed annually by the Chief Executive Officer in consultation with the Remuneration Committee. The agreement includes termination benefits of 12 months' remuneration plus an amount of 2 weeks' additional remuneration for each year of service, up to a maximum of 26 weeks. An annual incentive based on the performance of Mr Ormsby and the Company over the relevant period determined by the Chief Executive Officer in conjunction with the Remuneration Committee. This would generally include a cash component and an equity component under the Company's employee incentive scheme.

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Remuneration Options – Granted and Vested during the year

	Granted Options (Number)	Vested Options (Number)	Value at Grant Date ($)	Exercise Price ($)	Expiry
Specified Directors					
L P Wozniczka [1]	2,000,000	-	0.39	1.37	1 July 2013
Specified Executives					
G Hunt	-	250,000			
P Zachert	250,000	-	0.18	1.51	31 October 2007
M Ormsby	100,000	-	0.25	1.71	7 October 2008

All options are valued on the basis of the Black Scholes valuation methodology.

(d) Option holdings of Specified Directors and Specified Executives

(Number)	Balance at beginning of period	Options Exercised	Options Granted	Options Lapsed	Balance at end or period	Total Vested at 30 June 2004
Specified Directors						
S Gerlach	-	-	-	-	-	-
C E Bright	-	-	-	-	-	-
J C Fox	-	-	-	-	-	-
R G Grigg	-	-	-	-	-	-
W H Johnson	-	-	-	-	-	-
A L Newman	-	-	-	-	-	-
A Salim	-	-	-	-	-	-
G D Walters	-	-	-	-	-	-
L P Wozniczka [2]	3,000,000	(1,000,000)	2,000,000	(2,000,000)	2,000,000	-
Specified Executives						
B A Griffiths	700,000	-	-	-	700,000	-
G A Hunt	700,000	-	-	-	700,000	250,000
P A R Hall	-	-	-	-	-	-
P Zachert	-	-	250,000	-	250,000	-
M G Ormsby [3]	615,000	(415,000)	100,000	-	300,000	-
Total	5,015,000	(1,415,000)	2,350,000	(2,000,000)	3,950,000	250,000

(1) Issued in two equal tranches and subject to performance hurdles – 1 million based on total shareholder return targets and 1 million based on earnings per share targets. Further information on these hurdles can be found in the Directors Report in the Concise Report.

(2) 1,000,000 options were exercised for 1,100,000 shares, at a price of $1.31 (unpaid amount per share – nil).

(3) 415,000 options were exercised for 431,500 shares, at a price of $1.39 (unpaid amount per share – nil).

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Shareholdings of Specified Directors and Specified Executives

Ordinary Shares	Balance at beginning of period	On Exercise of Options	Granted as Remuneration (i)	Net Change other	Balance at end or period
Specified Directors					
S Gerlach	328,491	-	-	-	328,491
C E Bright	103,492	-	-	-	103,492
J C Fox(ii)	56,025	-	-	-	56,025
R G Grigg	20,000	-	-	-	20,000
W H Johnson(ii)	23,548,181	-	-	-	23,548,181
A L Newman	6,353,327	-	-	-	6,353,327
A Salim	31,819,117	-	-	1,101,461	32,920,578
G Walters	21,000	-	-	-	21,000
L P Wozniczka(ii)	1,075,731	1,100,000	506,073	4,007	2,685,811
Specified Executives					
B A Griffiths	1,131,467	-	-	11,502	1,142,969
G A Hunt	2,202	-	75,840	22,901	100,943
P A R Hall	13,339	-	-	-	13,339
P Zachert	13,119	-	59,290	-	72,409
M G Ormsby	53,519	431,500	-	(418,224)	66,795
Total	64,539,010	1,531,500	641,203	721,647	67,433,360

Convertible notes					
Specified Directors					
L P Wozniczka(ii)	43,600	-	-	-	43,600
Specified Executives					
M Ormsby	3,600	-	-	-	3,600
Total	47,200	-	-	-	47,200

(i) included in total remuneration for the period as per note 35(b)

(ii) shareholdings include non beneficial interests – refer the Directors Report in the Concise Report.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arms length.

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(f) Loans to Specified Directors and Specified Executives

	Balance at beginning of period $000	Interest Charged	Interest not Charged $000	Loan Written Off $000	Balance at end or period $000	Number in group
Specified Directors						
2004	-	-	-	-	-	-
2003	-	-	-	-	-	-
Specified Executives						
2004	3,073	175	47	-	3,248	2
2003	3,197	195	44	-	3,073	2
Total						
2004	3,073	175	47	-	3,248	2
2003	3,197	195	44	-	3,073	2

(i) Interest not charged includes employee share scheme interest

Details of individuals with loans above $100,000 in the reporting period are as follows:

Specified Executives					
G Hunt	701	-	43	-	701
P Hall	2,372	175	-	-	2,547

Terms and Conditions

The loan to Mr Hall relates to finance provided for the completion of a property development as part of his remuneration package upon commencing employment. The loan is secured over listed shares and is repayable at call. A market rate of interest is charged on this loan, and is capitalised on the loan balance.

The loan to Mr Hunt is secured by a mortgage over property and is repayable by November 2004. The loan is interest free and included as part of Mr Hunt's total remuneration. The average commercial rate of interest during the year was 6.2%.

NOTE 35 SPECIFIED DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(g) Other Transactions and Balances with Specified Directors and Specified Executives

The aggregate amounts recognised in respect of the following types of transactions with directors of entities in the consolidated entity and their director-related entities were:

		CONSOLIDATED	
		2004	2003
Transaction type	Director concerned	**$000**	$000
Sales through rural agency services	W H Johnson	**70**	263
	C E Bright	**12**	201
Purchase of merchandise	W H Johnson	**305**	252
	C E Bright	**118**	91
	A L Newman	**2**	-
Purchases through rural agency services	W H Johnson	**9**	-
Contract engineering services paid	J C Fox	**1,017**	343
Insurance brokerage paid	R Fuller (i)	-	484
Reinsurance brokerage paid	R Fuller (i)	-	64
Service fee paid	R Fuller (i)	-	18
Insurance premiums received	F Conroy	-	4
	C E Bright	-	11

(i) Mr Fuller ceased to be an officer of the consolidated entity on 31 December 2002.

The above transactions were made on commercial terms and conditions and at market rates.

In addition, directors of the parent entity or its controlled entities, or their director-related entities, may purchase goods and services from the consolidated entity in their domestic dealings and within normal customer or employee relationships on terms and conditions no more favourable than those available in similar arms length dealings.

The amounts involved are immaterial to the consolidated entity and include the following:

(i) Sales of goods

(ii) Provision of insurance services

(iii) Provision of rural agency services

(iv) Provision of deposit facilities

At the time of the float of Australian Agricultural Company Ltd (AACo) a loan of $15,000,000 was made to a director of that entity, Mr Peter Holmes a Court, for the purpose of purchasing shares under the offer. The loan provides for interest at commercial rates over the period of the loan with final repayment on 31 December 2009. The security for the loan is a limited recourse charge over the AACo shares held by Mr Holmes a Court. As at 30 June 2004 the loan outstanding was $8.5m. Subsequent to balance date the loan has been repaid in full.

NOTE 36 RELATED PARTY DISCLOSURES

(a) Ultimate Controlling Entity

The ultimate controlling entity of the consolidated entity is Futuris Corporation Limited.

(b) Transactions with related parties in the wholly owned group

Transactions between the parent entity and related parties in the wholly owned group during the years ended 30 June 2004 and 30 June 2003 consisted of:

(i) loans advanced by Futuris Corporation Limited;

(ii) loans repaid by Futuris Corporation Limited;

(iii) the receipt and payment of interest on the above loans;

(iv) the payment of dividends to Futuris Corporation Limited;

(v) the receipt of management fees by Futuris Corporation Limited;

(vi) the provision of accounting and administrative services;

(vii) the provision of transport services;

(viii) the provision of guarantees and credit facilities; and

(ix) the transfer of tax losses as permitted by the Income Tax Assessment Act.

These transactions were undertaken on commercial terms and conditions.

(c) Transactions with controlled entities not wholly owned

Transactions between the wholly owned consolidated entity and partly owned controlled entities consisted of:

	2004	2003
	$000	$000
Capital (paid) or received	-	(1,224)
Commission earned	**459**	317
Dividend income	**408**	1,040
Interest income	**166**	11
Purchases of inventories	**4,912**	15,411
Rent	**16**	16
Sales	**10,368**	4,946

All transactions with controlled entities not wholly owned are conducted on commercial terms and conditions.

(d) Transactions with other partly owned related parties consisted of:

Transaction type	Class of related party	CONSOLIDATED		PARENT	
		2004	2003	**2004**	2003
		$000	$000	**$000**	$000
Loans to other related parties					
Loans advanced	Associate	**9,124**	-	**7,624**	-
Loans repaid	Associate	**1,493**	-	-	-
Interest received or receivable	Associate	**2,702**	2,022	-	-
Other transactions					
Facility fees	Associate	**3,700**	-	-	-
Interest paid	Associate	-	26	-	-
Dividends received	Associate	**3,313**	13,797	-	-
Dividend received	Joint Venture	**10,302**	8,474	**10,302**	8,474
Distribution fees received	Joint Venture	**13,640**	13,749	-	-
Management fee paid on transfer of cash accounts	Joint Venture	**8,115**	11,938	-	-

NOTE 36 RELATED PARTY DISCLOSURES (continued)

Transaction type	Class of related party	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT 2004 $000	PARENT 2003 $000
Reimbursement of expenses	Joint Venture	**18,646**	17,123	-	-
Transfer of cash accounts	Joint Venture	**134,018**	123,310	-	-
Capital contributions	Joint Venture	**13,550**	12,100	**13,550**	12,100
Guarantees issued	Associate	-	1,500	-	1,500
Purchases	Associate	**7,066**	59,827	-	-
Sale of inventory	Associate	**23,713**	5,485	-	-
Sale of seed export business	Associate	-	250	-	-
Other services	Associate	-	1,247	-	-
Acquisition of investments	Associate	**17,428**	993	-	-
Proceeds on sale of assets	Associate	-	290,974	-	-

All transactions with other related parties are conducted on commercial terms and conditions.

NOTE 37 EARNINGS PER SHARE

The following reflects the net profit and share data used in the calculations of basic and diluted earnings per share (EPS):	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000
Earnings used in calculating basic EPS	**23,849**	101,960
Add interest savings (after tax) on exercise of dilutive shares	-	590
Earnings used in calculating dilutive EPS	**23,849**	102,550
Weighted average number of ordinary shares ('000) used in calculating basic EPS	**656,128**	627,656
Dilutive share options ('000)	**7,468**	12,432
Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	**663,596**	640,088

Convertible notes of 60,404,800 have not been included in the calculation of dilutive EPS as they are not believed to be dilutive, given the current share price compared with the conversion price.

Since the end of the financial year there have been no issues of ordinary shares or potential ordinary shares.

NOTE 38 FOREIGN CURRENCY EXPOSURE

The Australian dollar equivalents of foreign currency monetary items included in the statement of financial position to the extent that they are not effectively hedged are set out below:

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
Receivables				
Amounts receivable in foreign currency which are not effectively hedged:				
Pounds Sterling	**10,771**	-	-	-
United States Dollar	**5,114**	2,445	-	-
Chinese Yuan (Renminbi)	**32,439**	31,356	-	-
Malaysian Ringgit	-	2,964	-	-
Payables and interest bearing liabilities				
Amounts payable in foreign currency which are not effectively hedged:				
Pounds Sterling	**5,105**	-	-	-
United States Dollar	**8,768**	1,982	-	-
Chinese Yuan (Renminbi)	**33,925**	38,024	-	-
Malaysian Ringgit	-	1,241	-	-

NOTE 39 FINANCIAL INSTRUMENTS

(a) Objectives for holding derivative financial instruments

The consolidated entity uses derivative financial instruments to manage specifically identified interest rate and foreign currency risks. The consolidated entity is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies and movements in interest rates. These interest rate derivatives are not recognised in the financial statements. The purposes for which specific derivative instruments are used are as follows:

Foreign forward exchange contracts are purchased to hedge the Australian dollar value of receipts and payments of foreign currency arising from normal business operations. The consolidated entity hedges a portion of its anticipated future receipts and payments for short term periods extending after the end of the financial year.

Cross currency interest swaps are used to hedge the Australian dollar value of cash flows associated with the payment of principal and interest on long term fixed rate borrowings and to swap a fixed rate exposure into an Australian floating interest rate exposure.

Interest rate swap agreements are used to convert floating interest rate exposures on certain debt to fixed rates. These swaps entitle the consolidated entity to receive, or oblige it to pay, the amounts, if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts.

NOTE 39 FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk exposures

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

		Fixed Interest Rate Maturing In					Average Interest Rate %	
2004	**Floating Interest Rate $000**	**1 Year or Less $000**	**Over 1 to 5 Years $000**	**More than 5 Years $000**	**Non-Interest Bearing $000**	**Total $000**	**Floating**	**Fixed**
Financial assets								
Cash	389,298	-	-	-	-	389,298	5.0	-
Finance debtors	1,850	130	-	-	-	1,980	11.8	15.5
Associated entity loans	44,746	-	-	-	14,494	59,240	6.7	-
Trade debtors	-	-	-	-	574,433	574,433	-	-
Other receivables	11,038	618	2,191	3,200	97,244	114,291	6.1	10.7
Other financial assets	-	-	-	-	23,371	23,371	-	-
	446,932	748	2,191	3,200	709,542	1,162,613		
Financial liabilities								
Secured loans	7,908	-	-	-	2,561	10,469	5.4	-
Finance deposits	-	-	-	-	7,522	7,522	-	-
Unsecured loans	27,680	17,000	-	-	-	44,680	4.0	5.8
Unsecured notes	-	-	103,768	103,767	(21,635)	185,900	-	8.1
Convertible notes	-	-	144,972	-	-	144,972	-	7.0
Finance leases	-	532	1,340	-	-	1,872	-	6.5
Payables	-	-	-	-	846,658	846,658	-	-
Taxation payable	-	-	-	-	24,859	24,859	-	-
Interest rate swaps	175,000	-	(175,000)	-	-	-	5.2	-
Currency & interest rate swaps	207,535	-	(103,768)	(103,767)	-	-	6.5	-
	418,123	17,532	(28,688)	-	859,965	1,266,932		

NOTE 39 FINANCIAL INSTRUMENTS (continued)

2003	Floating Interest Rate $000	Fixed Interest Rate Maturing In: 1 Year or Less $000	Over 1 to 5 Years $000	More than 5 Years $000	Non-Interest Bearing $000	Total $000	Average Interest Rate % Floating	Fixed
Financial assets								
Cash	428,225	-	-	-	-	428,225	4.8	-
Finance debtors	13,351	677	-	-	-	14,028	11.3	15.5
Associated entity loans	34,461	-	-	-	8,894	43,355	6.0	-
Trade debtors	20,100	-	-	-	417,056	437,156	8.4	-
Other receivables	49,879	-	-	-	102,492	152,371	7.1	-
Other financial assets	-	-	-	-	12,968	12,968	-	-
	546,016	677	-	-	541,410	1,088,103		
Financial liabilities								
Secured loans	9,096	-	-	-	3,078	12,174	5.0	-
Finance deposits	-	-	-	-	8,985	8,985	-	-
Unsecured loans	39,896	-	-	-	-	39,896	5.4	-
Unsecured notes	-	20,000	103,768	103,767	(12,577)	214,958	-	8.0
Convertible notes	-	-	144,972	-	-	144,972	-	7.0
Finance leases	-	1,011	1,812	43	-	2,866	-	6.5
Payables	-	-	-	-	640,869	640,869	-	-
Taxation payable	-	-	-	-	38,939	38,939	-	-
Interest rate swaps	175,000	-	(175,000)	-	-	-	4.8	-
Currency & interest rate swaps	207,535	-	(103,768)	(103,767)	-	-	6.2	-
	431,527	21,011	(28,216)	43	679,294	1,103,659		

(c) Foreign exchange

The following table summarises by currency the Australian dollar value of forward foreign exchange contracts as at year end. The buy amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies and the sell amount represents the Australian dollar equivalent of commitments to sell foreign currencies.

Currency	Average Exchange Rate **2004**	2003	**2004 Buy $000**	**2004 Sell $000**	2003 Buy $000	2003 Sell $000
United States Dollars						
3 months or less	**0.70**	0.56	**11,322**	**54,434**	4,530	27,401
over 3 to 12 months	**0.70**	0.62	**2,355**	**17,370**	3,138	26,717
over 12 to 24 months	**0.69**	0.62	**-**	**2,665**	-	-
			13,677	**74,469**	7,668	54,118
Japanese Yen						
3 months or less	**76**	67	**-**	**4,980**	-	8,679
over 3 to 12 months	**73**	77	**-**	**2,191**	-	5,039
			-	**7,171**	-	13,718

NOTE 39 FINANCIAL INSTRUMENTS (continued)

Currency	Average Exchange Rate **2004**	Average Exchange Rate 2003	**2004 Buy $000**	**2004 Sell $000**	2003 Buy $000	2003 Sell $000
Euro						
3 months or less	**0.58**	0.55	**524**	**9,871**	939	5,044
over 3 to 12 months	**0.56**	0.55	**-**	**6,620**	2,681	5,695
			524	**16,491**	3,620	10,739
Canadian Dollars						
3 months or less	**0.93**	0.90	**-**	**1,665**	656	660
over 3 to 12 months	**0.94**	0.89	**738**	**1,273**	484	578
			738	**2,938**	1,140	1,238
New Zealand Dollars						
3 months or less	**1.15**	-	**4,046**	**52**	-	-
			4,046	**52**	-	-
Other currencies in aggregate						
3 months or less			**505**	**513**	-	-
			505	**513**	-	-

(d) Credit risk exposures

The consolidated entity's exposures to credit risk on the statement of financial position are indicated by the carrying amounts of its financial assets. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various locations and industries. The credit risk amounts do not take into account the value of any collateral or security. The creditworthiness of counterparties is regularly monitored and subject to defined credit policies, procedures and limits. The amounts disclosed below do not reflect expected losses and are shown gross of provisions.

	2004 $000	2003 $000
Location of credit risk		
Australia	**656,171**	527,630
Asia (excluding China)	**5,605**	7,052
China	**32,907**	34,827
Europe	**49,266**	49,406
North America	**5,809**	7,588
Other	**186**	307
Total gross receivables	**749,944**	626,810
Industry classification		
Rural	**431,340**	397,474
Automotive	**190,871**	156,878
Property	**22,612**	13,541
Forestry	**75,169**	28,657
Other	**29,952**	30,260
Total gross receivables	**749,944**	626,810

The credit risk associated with cash is located primarily in Australia.

NOTE 39 FINANCIAL INSTRUMENTS (continued)

(e) Net fair value of financial assets and liabilities

All financial assets and liabilities have been recognised in the Statement of Financial Position at their net fair values, except for the following:

	2004		2003	
	Carrying Amount $000	**Fair Value $000**	Carrying Amount $000	Fair Value $000
Financial assets:				
Interest rate swaps	**-**	**2,639**	-	-
Listed shares (i)	**200,686**	**149,005**	126,486	108,832
Forward exchange contracts	**-**	**-**	-	963
Financial liabilities:				
Interest rate swaps	**-**	**-**	-	1,129
Forward exchange contracts	**-**	**734**	-	-

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

Recognised financial instruments

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(i) Listed shares are carried at an amount above current market value, as the directors consider they are long term strategic investments and the recoverable amount is believed to be above the carrying amount. Included in the carrying value of listed shares is the consolidated entity's share of the revaluation to fair value of rural property assets undertaken by its associate, Australian Agricultural Company Ltd. This is considered recoverable on the basis of underlying property values.

Unrecognised financial instruments

The fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

The fair values of forward exchange contracts is determined as the unrecognised gain or loss at balance date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(f) Agency arrangement

An associated entity has entered into an agreement with a third party whereby the associated entity acts as the agent for the third party for the purchasing and selling of a rural commodity on behalf of the principal.

Further, a controlled entity has entered into derivative financial instruments with the third party and the associated entity that confer certain economic risks and benefits of the goods to the associated entity.

At balance date, there was $76.7m (2003: $94.1m) of this rural commodity outstanding and based upon market prices as at balance date there was no material exposure to the consolidated entity or the associated entity.

NOTE 39 FINANCIAL INSTRUMENTS (continued)

(g) The consolidated entity's accounting policies in respect of each material class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are as follows:

Financial instrument	*Accounting policies*
Receivables - trade, other and associated entity loans	Carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Where interest applies it is recognised as it accrues.
Finance debtors	Carried at nominal amounts due less any provision for doubtful debts. A general doubtful debt provision is raised together with a specific provision when collection of the nominal amount is no longer probable. Interest is recognised as it accrues on secured and performing loans. Finance debtors transferred during the financial year and finance debtors to be transferred subsequent to year end are affected on a non-recourse basis.
Bank overdrafts, bank loans and unsecured notes	Carried at principal amount, interest is charged as an expense as it accrues.
Other borrowings	Carried at face value, the discount applying is charged as an interest expense as it accrues.
Convertible notes	Carried at face value, coupon interest payable is charged as an interest expense as it accrues.
Accounts payable	Recognised in respect of goods and services received, whether or not billed at year end.
Deferred consideration	Recognised at discounted value, representing the maximum consideration payable in respect of acquisitions.
Dividends payable	Recognised when declared by the company.
Finance lease liability	Recognised in accordance with AASB 1008.
Ordinary shares	Recognised as the fair value of consideration received allowing for transaction costs.
Forward exchange contracts	It is the consolidated entity's policy not to recognise forward exchange contracts in the financial statements. Net receipts and payments are recognised in the statement of financial performance.
Interest rate hedges	It is the consolidated entity's policy not to recognise interest rate hedges in the financial statements. Net receipts and payments are recognised in the statement of financial performance.

NOTE 40 EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
The number of full time equivalents employed at 30 June are:	**5,158**	4,757	**20**	19

(a) Employee option ownership scheme

The parent entity issues from time to time options over ordinary shares to senior employees of the consolidated entity. These options are issued at the sole discretion of the Directors as part of employees' remuneration packages.

Details of options issued under the scheme are as follows:		
Total number issued during the year	**2,600**	3,800
Total number issued since commencement of scheme	**30,827**	28,227
Proceeds received or receivable from the exercise of options ($000)	**3,257**	611
Total options on hand at year end under the scheme	**11,610**	12,275

NOTE 40 EMPLOYEE ENTITLEMENTS (continued)

(a) Employee option ownership scheme (continued)

Current Australian Accounting Standards do not require options to be recorded as an expense in the statement of financial performance. Had the options issued under the option plan been expensed, the impact on the statement of financial performance would have been to reduce operating net profit for the current year by $0.3m (2003: $0.1m).

(b) Employee entitlements recognised

	CONSOLIDATED		PARENT	
	2004	2003	**2004**	2003
	$000	$000	**$000**	$000
The aggregate employee benefit liability is comprised of:				
Accrued salaries, wages and on-costs	**3,020**	1,007	-	-
Provisions - current (note 17)	**35,002**	29,547	-	-
Provisions - non current (note 17)	**14,189**	15,486	-	-
	52,211	46,040	-	-

(c) Employee share plan (ESP)

Shareholders approved the implementation of an ESP at a general meeting in November 1989 and October 1998. Within the ESP, two schemes exist. The general terms and conditions of these schemes comprise:

i) General Employee Scheme under which permanent employees may acquire shares in the parent company with a market value not exceeding $1,000 per year per employee; and

ii) Incentive Scheme under which selected employees will be eligible to acquire shares in the parent company on such terms as the Directors decide are appropriate in the circumstances of the employee.

During the financial year 1,320,613 ordinary shares in the parent company were transferred to eligible employees for nil consideration under the Incentive Scheme.

Shares are issued to eligible employees by way of an interest free loan and are subject to holding restrictions, which prevent the employee dealing in the shares until the restriction period has expired. All shares issued under the plan rank equally with other shares of their class and participants enjoy all rights attaching to that class of shares. Any loan is repayable from dividends and the proceeds of sale of shares issued under the plan but is otherwise non-recourse to the employee, the shares being held by the Trustee as security for repayment of loan.

NOTE 41 CHANGES IN THE COMPOSITION OF THE ENTITY

Controlled Entities Acquired

The following controlled entities were acquired by the consolidated entity at the date stated and their operating results have been included within the statement of financial performance from the relevant date.

Equity and consideration given	Date Acquired	Proportion of Shares Acquired	CONSOLIDATED **2004** **$000**	2003 $000
Integrated Tree Cropping Limited				
- Cash (i)	15/5/03	50%	-	-

(i) Nil cash consideration paid. Settlement by way of conversion of $10.0m of debt to equity.

The aggregate amounts of assets and liabilities acquired by major class are:	CONSOLIDATED **2004** **$000**	2003 $000
Cash	-	9,426
Receivables	-	3,758
Inventories	-	7,832
Property, plant and equipment	-	26,822
Other assets	-	1,353
Tax assets and liabilities	-	(2,152)
Creditors and provisions	-	(9,511)
Borrowings	-	(11,575)
Outside equity interests	-	(25,953)
	-	-
Outflow of cash to acquire the entities, net of cash acquired:		
Cash consideration		-
Cash balance acquired	-	9,426
Net Inflow/(Outflow) of cash	-	9,426

NOTE 42 SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, except for the following.

On 29 July 2004 Integrated Tree Cropping Limited (ITC) announced that it had conditionally agreed terms with Neville Smith Group for a merger of the two companies. It is proposed that the merger will be effected by ITC acquiring the entire issued share capital of Neville Smith Group for an acquisition price of $80 million through payment of cash ($40m) and the balance in ITC script. Completion of the transaction was subject to ITC shareholder approval, which was obtained on 8 September 2004.

On 29 July 2004 ITC announced it had acquired a 19.9% shareholding in Forest Enterprises Australia Limited.

To fund these transactions ITC proposes to raise $80m in equity via a placement of shares to Futuris Corporation Limited and institutional investors, with an associated offer to ITC shareholders of up to $5,000 value of new ITC shares. The proposed issue price will be $1.20 per share. Futuris Corporation Limited will subscribe for 50 million shares in ITC to support these transactions.

NOTE 43 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Futuris Corporation Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS.

As the consolidated entity has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the consolidated entity prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. IFRS also require that entities complying with IFRS for the first time also restate their comparative financial statements. This means that the consolidated entity's opening IFRS balance sheet will be a restated comparative balance sheet as at 1 July 2004.

Set out below, are the key areas where accounting policies will change and may have an impact on the financial report of the company. At this stage the company has not been able to reliably quantify the impact on the financial report of these matters, as outlined below.

Amortisation of Goodwill

Under AASB 3 Business Combinations, goodwill will no longer be required to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill on a straight line basis, over a period not exceeding 20 years. On the basis of the 30 June 2004 result, this will reduce expenses for goodwill amortisation by $8,239,000. Reliable estimation of the future financial effects of the impairment test is impracticable because the conditions under which impairment will be assessed are not yet known.

Design & Development

Under AASB 138 Intangible Assets, costs incurred in the research phase of the development of an internally generated intangible must be expensed. This will result in a change in the group's current accounting policy, which allows for the capitalisation of costs incurred in the research phase of an internally generated intangible asset where future benefits are expected beyond reasonable doubt. Under the new policy, all research costs will be written off as incurred. Reliable estimation of the future financial effects of this change in accounting policy has not yet been measured.

Impairment of Assets

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy, which determines the recoverable amount of an asset on the basis of discounted cash flow. Under the new policy it is likely that the impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Financial Instrument Classification

Under AASB 139 Financial Instruments Recognition and Measurement, financial instruments will be required to be classified into one of five categories, which will in turn determine the accounting treatment of the item.

The classifications are

- Loans and receivables – measured at amortised cost;
- Held to maturity - measured at amortised cost;
- Held for trading - measured at fair value with fair value changes charged to net profit or loss;
- Available for sale – measured at fair value with fair value changes taken to equity; and
- Non trading liabilities – measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

NOTE 43 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (continued)

Hedge Accounting

Under AASB 139 Financial Instruments Recognition and Measurement, in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This may result in a change in the consolidated entity's current accounting policy, which applies hedge accounting to its purchase and sale of inventory under forward foreign exchange contracts. Some contracts are not able to be separately identified and documented in accordance with the requirements of AASB 139, and will be classified as hedges held for trading. Under the new policy hedge accounting will no longer be able to be applied to such forward foreign exchange contracts and all gains and losses on the contracts will be recognised in the statement of financial performance. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Share Based Payments

Under AASB 2 Share Based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Employee Benefits

Under AASB 119 Employee Benefits, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability respectively. This will result in a change in the consolidated group's current accounting policy, which does not currently recognise the net assets/liabilities of the defined benefit fund. Under the new policy, the entity will be required to recognise an asset of the defined benefit fund for the net surplus based on an actuarial calculation of the position of the fund. The initial adjustment on transition will be through retained earnings and subsequent adjustments to net profit or loss for the period. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the actuarial calculations have not yet been completed as at 30 June 2004.

Income Taxes

Under AASB 112 Income Taxes, the consolidated entity will be required to use a balance sheet liability method to calculate deferred tax balances which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax based balance sheet. This change may result in additional deferred tax liabilities in relation to the differences in tax and accounting values of items such as equity accounted investments and revalued assets. Any adjustments arising from the adoption of these requirements on transition will be recorded against opening retained earnings.

Securitisation

Under AASB 139 Financial Instruments Recognition and Measurement, there are more specific requirements in relation to effective off balance sheet treatment for any securitised receivables. The consolidated entity's securitisation arrangements will be reviewed to conclude whether such arrangements meet the requirements of AASB 139.

Acquisition Accounting and Business Combinations

AASB 3 Business Combinations has various requirements in regard to accounting for acquisitions of businesses that differ to current practices in Australia. In regards to acquisitions undertaken by the consolidated entity before transition date of 1 July 2004, it is currently anticipated that use of the exemptions within AASB1 First Time Adoption of Australian Financial Reporting Pronouncements will be used and the acquisitions will not be restated on transition.

DIRECTORS' DECLARATION

(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 32, will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors.

GD Walters
Director

LP Wozniczka
Director

8 September 2004

Ernst & Young

INDEPENDENT AUDIT REPORT TO MEMBERS OF FUTURIS CORPORATION LIMITED

Scope

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 Futuris Corporation Limited and 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 preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion on it 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, including compliance with Accounting Standards in Australia, 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.

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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Futuris Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:

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

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

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Colin W Dunsford
Partner
Adelaide

Date 8 September 2004

COMPANY DIRECTORY

Directors

S. Gerlach, LLB, Chairman
W.H. Johnson, ASA, Deputy Chairman
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Auditors

Ernst & Young

Bankers

Australia & New Zealand Banking Group
BNP Paribas
Citibank
Commonwealth Bank of Australia
National Australia Bank

Stock Exchange Listings

Futuris Corporation Limited ordinary shares and subordinated unsecured redeemable convertible notes are listed on the Australian Stock Exchange.

Trustee For Convertible Note Holders

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Carlton South, Victoria 3053

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