FUTURIS

9 February 2006

Company Announcements Platform
Australian Stock Exchange Limited

FUTURIS CONTINUES EARNINGS GROWTH IN 2006

Please find as follows Appendix 4D for the period ending 31 December 2005, including press release and discussion and analysis of the Company's Results.

Sonya Furey
Company Secretary

9 February 2006

Company Announcements Platform
Australian Stock Exchange Limited

Futuris continues earnings growth in 2006

- **5% increase in underlying profit after tax**
- **Underlying EBIT up 36%**
- **Strong earnings growth from Elders operations**
- **Consolidation of recent investments**

Futuris Corporation has announced a 5% increase in underlying profit for the half year to 31 December, with the release of its 2006 interim result.

The Chairman of Futuris, Stephen Gerlach announced,

> *"Futuris Corporation has reported further growth in underlying profit for the six months to December 2005. Underlying net profit to shareholders was $31.3 million before non-recurring items, an increase of 5% over the underlying profit of $29.9 million recorded in the six months to December 2004.*
>
> *"The reported profit for the 2006 first half was $31.1 million which compares with the 2005 first half reported profit of $67.8 million. The reported profit was negligibly impacted by non-recurring items totalling negative $0.2 million, compared with a $37.9 million non-recurring gain in the previous year.*
>
> *"Directors have maintained the interim dividend at 4 cents per share, fully franked."*

Les Wozniczka, the Chief Executive of Futuris said that "Futuris continues to move forward, with growth being delivered by most divisions. The company has increased its underlying levels of revenue, EBIT and net profit, despite difficult market conditions in the automotive and housing sectors. Group underlying EBIT increased 36% to $64.1 million from $47.0 million in the first half of 2005."

Strong growth from Elders operations accounts for most of the increase in EBIT. Elders delivered underlying EBIT growth from operations of 29%, increasing from $29.1 million to $37.5 million. Interest income from Elders insurance provided additional earnings, increasing from $4.6 million in the first half of 2005 to $5.8 million.

The strong growth evidenced in Elders' performance was broadly based across all major products, except Livestock where herd rebuilding reduced volumes. Mr Wozniczka said that "Good seasonal conditions prevailed during the first half and this is reflected in the Elders result. For example, Elders Real Estate increased revenue by 30% due to strong broadacre and residential sales performance.

Australian Agricultural Company (AACo), which is equity accounted within the Elders results, produced first half earnings of $4.3 million, 72% higher than the $2.5 million profit delivered in 2005.

Futuris Automotive increased underlying EBIT by 30% to $14.4 million. Mr. Wozniczka said "The Automotive division, which now only equity accounts 35% of Global Thermal's results, performed credibly in a tough market of reduced production of Australian made cars."

ITC generated double digit growth in revenue, EBITDA and EBIT in the six months to 31 December. EBIT rose from $7.8 million to $10.0 million year on year, an increase of 28%. EBITDA increased by 36% to $11.7 million.

"The growth was driven by a strong performance from the plantation division, with strong first half sales. The Neville Smith processing division is experiencing difficult trading conditions reflecting low levels of activity in the housing sector. Several new initiatives have been implemented to lift the division's performance, and these are progressing according to plan."

Property produced an underlying EBIT loss of $1.7 million for the first half, compared with a $3.0 million profit in the same period last year. Mr. Wozniczka stated that "The negative first half result is indicative of the uneven nature of profit recognition from the Property activities, and improvement is expected during the second half of the financial year."

Notwithstanding Futuris' busy investment program in 2005, gearing remains at prudent levels, increasing marginally from 25% in December 2004 to 26% at 31 December 2005.

Given perceived favourable conditions in capital markets, Futuris is exploring the merits of a hybrid instrument. The Company believes that a hybrid instrument could further strengthen the balance sheet and provide enhanced flexibility within its capital structure. Futuris has engaged Citigroup to assist in this assessment process.

Due to the seasonal nature of its agribusiness operations, Futuris anticipates generating the majority of its full year profit in the second half of the financial year.

Futuris expects its underlying profit to shareholders for the 2006 financial year will fall within the range of current market expectations assuming a satisfactory seasonal break and year-end mark to market price adjustments on AACo's results. As in previous years, Futuris will provide an earnings update in the fourth quarter of the financial year once seasonal trends become evident.

FURTHER COMMENT:
Les Wozniczka, Chief Executive Officer Tel: 08 8425 4999

FURTHER INFORMATION:
Don Murchland, Corporate & Investor Relations Manager Tel: 08 8425 4999

Discussion and Analysis of 2006 Half Yearly Report

Results for the six months ended 31 December 2005

Financial results

1. Profit

Futuris Corporation has recorded an underlying profit to shareholders after tax and minorities of $31.3 million for the six months to December 31, 2005, 5% higher than the corresponding result of $29.9 million in the 2005 financial year.

The reported profit to shareholders was $31.1 million, compared to reported profit of $67.8 million in the previous corresponding period which included a net $37.9 million one-off gain as a result of the sale of 65% of the Company's Global Thermal business.

Underlying earnings per share for the half year increased to 4.6 cents from 4.5 cents in the 2005 first half. The reported earnings per share result was 4.7 cents, compared to 10.3 cents in 2005.

Underlying EBIT increased to $64.1 million from $47.0 million in the first half of 2005, a rise of 36%. Underlying profit before tax was up by 12%, increasing from $39.8 million last year to $44.4 million.

The comparative results have been restated from those reported last year to be consistent with this period's results reported under Australian Equivalents to International Financial Reporting Standards (AIFRS).

Movement in underlying profit before tax

As set out in the table below, the earnings growth in the six months to 31 December 2005 is broadly based across most of the Company's operating divisions.

Factors in first half profit 2006 vs 2005	*$ million*
2005 first half underlying Profit Before Tax	**39.8**
Elders operational EBIT	+10.9
AACo equity accounted profit	+1.8
Elders insurance interest income	+1.2
Futuris Automotive EBIT	+3.3
Forestry EBIT	+2.2
Investment and other EBIT	+3.5
Property EBIT	-4.6
Net interest	-13.7
2006 first half underlying Profit Before Tax	**44.4**

Discussion of performance of the Company's operating divisions is provided under the heading "Review of Operations" commencing on page 5 of this document.

FUTURIS CORPORATION LIMITED

Non-recurring items

The 2006 first half reported profit includes a number of non-recurring items totalling $0.7 million before tax. These items include:

- A pre-tax profit of $10.4 million, arising from ELF's share of the profit realised upon the acquisition of the remaining 33% of Hi-Fert.
- Redundancies and restructuring costs incurred by Elders of $2.3 million, principally associated with the acquisition of remaining 50% of PlantTech and the disposal of Primix
- $2.0 million in BWK for redundancies and costs in excess of land revaluation, in line with original restructuring plans.
- $3.5 million for costs associated with the part closure of two Futuris Automotive Australian operating facilities.
- A $1.9 million take-up of non-recurring items reported by Westralia Property Trust in 2005 after closure of the Futuris accounts.

The 2005 first half result included a non-recurring profit totalling $73.0 million before tax, primarily comprised of profit from the sale of 65% of the Global Thermal business.

The following table outlines the reconciliation of reported earnings to underlying earnings.

Calculation of underlying profit

$ million	EBIT		Profit before tax:		Profit after tax & OEI	
For the six months ending:	**Dec. 05**	Dec. 04	**Dec. 05**	Dec. 04	**Dec. 05**	Dec. 04
Reported result	**64.8**	120.0	**45.1**	112.8	**31.1**	67.8
Hi-Fert acquisition benefit	**10.4**		**10.4**		**7.3**	
Redundancies and restructuring affecting Elders	**(2.3)**		**(2.3)**		**(1.7)**	
BWK redundancies	**(2.0)**		**(2.0)**		**(1.4)**	
Futuris Automotive redundancies and restructuring	**(3.5)**		**(3.5)**		**(2.5)**	
Take-up of non-recurring items in Westralia Property Trust	**(1.9)**		**(1.9)**		**(1.9)**	
2005 first half non-recurring items		(73.0)		(73.0)		(37.9)
Total adjustments for underlying profit	**(0.7)**	(73.0)	**(0.7)**	(73.0)	**0.2**	(37.9)
Underlying result	**64.1**	47.0	**44.4**	39.8	**31.3**	29.9

Revenue and expenses

Significant revenue and expense outcomes for the half year include:

Sales Revenue increased by 12% to $1,559.5 million ($1,392.6 million in the first half of 2005). The increase in sales was contributed by organic growth within Elders and ITC, and the consolidation of BWK within the Elders results.

Income contribution from associates and joint ventures rose from $5.9 million to $23.1 million. The increase is largely due to the profit on acquisition of the remaining 33% of Hi-Fert by ELF. The contributions from Global Thermal operations and Australian Wool Handlers, both now being reported as associates, positively affected this result, while AACo, Elders Rural Bank and Forest Enterprises Australia accounted for the remainder of the year on year increase.

Depreciation and amortisation was $18.7 million, down from $26.7 million in the corresponding period last year. This decrease is due largely to the sale of Global Thermal. The other significant impact is the adoption of AIRFS accounting standards, which resulted in a write-down of some assets and has altered the treatment of intangibles. Certain research and development costs are now expensed rather than capitalised, with the result being a decrease in amortisation and an increase in operational expenditure.

Borrowing costs increased from $16.4 million to $31.1 million, reflecting an increased level of debt and the increase in interest rates in 2005.

2. Dividend

Directors have declared an unchanged fully franked interim dividend of 4.0 cents per share.

The 2006 interim dividend will be payable on 3 April 2006, to shareholders registered at 16 March 2006.

3. Cash Flow

Operating cash flow for the six months to 31 December 2005 was negative $38.0 million compared with negative $193.7 million in the previous corresponding period. This result is representative of the seasonal nature of the business, although the outflow was less than last year primarily due to a reduction in working capital within Elders and BWK.

Investing cash outflows of $59.3 million were recorded, compared with a $169.6 million outflow in the 2005 first half. This comprised principally of further investment in the Elders network and increased investment in existing associates (Hi-Fert, ITC, Amcom and Webster).

With a financing inflow of $66.1 million, the total net cash outflow for the half year was $31.2 million. This resulted in a net debt position of $388.3 million.

4. Balance Sheet

Balance Sheet

$ million (unless otherwise indicated) as at:	**31 Dec. 05**	30 Jun 05 post-AIFRS	30 Jun 05 pre-AIFRS	31 Dec 04
Shareholders' equity	**1,098.0**	971.0	1,082.3	1071.9
Cash*	**334.6**	365.8	365.8	271.0
Borrowings	**722.9**	680.6	680.6	625.7
Net debt*	**388.3**	314.8	314.8	354.6
Gearing# *(%)*	**26%**	24%	23%	25%
NTA per share *($)*	**0.95**	0.82	0.95	0.99

* includes insurance reserves and cash held in trust of $202.4 million ($177.7 million as at 30 June 05)

calculated as net debt / (net debt + shareholders' equity)

Futuris' balance sheet at 31 December 2005 reflects the impact of its customary seasonal cash and net debt movements.

The introduction of AIFRS accounting standards resulted in a decrease in equity and slight increase in borrowings. The June 2005 position is shown in the table above both pre and post AIFRS adjustments.

Other balance sheet movements of significance included:

- A $50.4 million increase in investments, including the increased shareholding of ELF in Hi-Fert.
- Payables declining from $910.7 million at 30 June 2005 to $758.9 million at 31 December 2005. This reflects the seasonal nature of the Elders business.
- Reserves increasing from $32.1 million to $65.9 million, primarily as a result of AACo land revaluation.

Given perceived favourable conditions in capital markets, Futuris is exploring the merits of a hybrid instrument. The Company believes that a hybrid instrument could further strengthen the balance sheet and provide enhanced flexibility within its capital structure. Futuris has engaged Citigroup to assist in this assessment process.

5. Review of operations

Elders

	Six months to 31 December		
$ million	**2005**	**2004**	
Sales	**1205.3**	935.1	**+29%**
Underlying Elders operations EBITDA	**44.3**	35.6	**+24%**
Depreciation & amortisation	**6.8**	6.6	
Underlying EBIT from:			
Elders operations*	**37.5**	29.1	**+29%**
AACo equity accounted earnings	**4.3**	2.5	
Other equity accounted earnings	**(0.1)**	(2.6)	
Underlying EBIT	**41.7**	29.0	**+44%**
Non-recurring items	**6.1**	-	
EBIT Reported	**47.8**	29.0	
Insurance investment interest	**5.8**	4.6	**+26%**

* Elders Rural Bank, a 50.50 joint venture, is included in Elders operations

Underlying EBIT from Elders operations of $37.5 million (excluding equity accounted earnings) was 29% higher than the corresponding 2005 EBIT of $29.1 million. As in previous years, Elders EBIT includes contributions from Elders Rural Bank on an after-tax basis with full allocation of interest and group costs. The increased financial contribution from Elders' operations reflects broadly based growth across most product areas.

In addition to earnings from operations, Elders earned $5.8 million of investment income from its insurance operations compared to $4.6 million in the 2005 first half.

Australian Agricultural Company, which is equity accounted within the Elders results, produced first half earnings of $4.3 million, 72% higher than the $2.5 million profit delivered in the first half of 2005.

Total reported EBIT was $47.8 million, $6.1 million higher than total underlying EBIT due to non-recurring items outlined previously. This compares with the 2005 first half reported EBIT of $29.0 million, which was not affected by non-recurring items.

Sales revenue rose 29% from $935.1 million to $1,205.3 million for the first half. The revenue growth is due to increased sales in every product area other than Livestock, with additional sales arising from consolidation of BWK in Elders from January 2005.

Key features of Elders' performance in individual product areas is as follows:

- **Merchandise**: Elders' sales of merchandise rose by 7% to $512 million, with agricultural chemicals and fertiliser providing the major source of growth. Elders continued to make progress with its fertiliser strategy and, in conjunction with AWB/Landmark, acquired the remaining 33% interest in Hi-Fert.
- **Livestock** producers continued to take advantage of good rainfall and pasture growth to rebuild herds. This reduced volumes of cattle sold, resulting in Livestock revenue being 5% lower than last year.
- **Wool** sales revenue increased to $250 million, principally due to the consolidation of BWK within Elders during 2005.

- **Grain:** Grain pooling activities have been received very well by farmers, which we believe is evidence that growers want alternative channels to market. Elders is on target to double last year's annual volume and now have in place the network accumulation capacity, management and systems to drive further growth in the grain business.
- **Banking:** Elders Rural Bank, a 50/50 joint venture with Bendigo Bank, continued to perform strongly, increasing profit in the first half by 17% to $13.2 million. Loans grew from $2.3 billion in June 2005 to $2.5 billion in December. Loan book quality was maintained with the ratio of net non-performing loans at 31 December reducing to 0.36%.
- **Insurance**: The insurance division reported continued growth, with gross written premium increasing to $204 million, 5% higher than the prior corresponding period.
- **Real Estate:** Elders Real Estate strongly increased its financial contribution with revenues growing by 30% to $34 million due to strong performance in broadacre and residential sales and property management acquisitions.
- **Telecommunications:** The telecommunications division has completed six months of operations, with successful trials at pilot centres in three states. Elders is looking to successfully leverage the Elders brand, network and customer base to take advantage of the significant sales opportunities in new 3G mobile and broadband technologies.

Futuris Automotive

Futuris Automotive first half results	***Six months to 31 December:***		
$ million	**2005**	2004	
Sales	**250.6**	382.6	
Underlying EBITDA	**24.4**	29.8	
Depreciation & Amortisation	**10.0**	18.7	
Underlying EBIT	**14.4**	11.1	+30%
Non-recurring items	**(3.5)**	81.1	
EBIT reported	**10.9**	92.2	

Futuris Automotive increased underlying EBIT from $11.1 million last year to $14.4 million. The result was achieved from a smaller business base due to the divestment of 65% of the Global Thermal division.

Sales, EBITDA and Depreciation were all substantially below the previous year's results, due to the Global Thermal divisional results no longer being consolidated.

Forestry

Forestry first half results	*Six months to 31 December:*		
$ million	**2005**	2004	
Sales	**57.0**	32.7	
EBITDA	**11.7**	8.6	+36%
Depreciation & Amortisation	**1.7**	0.8	
EBIT*	**10.0**	7.8	+28%

* Includes corporate overheads

ITC reported $10.0 million EBIT, 28% up on the 2005 first half result. EBITDA increased by $3.1 million (or 36%), to $11.7 million for the half year.

The earnings growth is attributable to the plantation division, following its strong PDS sales in 2005. Divisional EBIT was $9.5 million, 55% higher than 2005.

The Neville Smith processing division is experiencing difficult trading conditions, in line with the downturn in the broader housing market. EBIT for the half was $0.1 million, compared with $2.2 million last year. A number of new initiatives have been put in place to counter the testing market conditions, and these are progressing according to plan.

Revenue of $57.0 million included $15.0 million carried over from previous years. A further $38.8 million will be recognised in the second half as plantation establishment work is completed. All land has now been secured for the 2005 PDS projects.

Equity accounting of ITC's 23.6% share of Forest Enterprise Australia's profit contributed $0.6 million to ITC's first half earnings.

Property

Property first half results	*Six months to 31 December:*	
$ million	**2005**	2004
Revenue	**38.7**	30.7
Underlying EBIT	**(1.7)**	3.0
Non-recurring items	**(1.9)**	(5.5)
Reported EBIT	**(3.6)**	(2.5)

Underlying EBIT generated by Property was negative $1.7 million, compared with a $3.0 million EBIT profit in the first half of last year. The EBIT loss in the 2005 first half reflects the lumpy nature of income and expenditure associated with property projects, and improvement is expected in the second half of the year.

A charge of $1.9 million was taken up by Futuris as a result of non-recurring write-downs reported by Westralia Property Trust in 2005 after closure of the Futuris accounts. This resulted in a reported EBIT of negative $3.6 million.

6. Second half outlook

The 2006 first half profit was in line with Company expectations.

Futuris anticipates that its underlying profit to shareholders for the 2006 year will be within current market expectations assuming a satisfactory seasonal break and year-end mark to market price adjustments on AACo's results.

9 February 2006

Further comment:
Les Wozniczka Tel: 08 8425 4999
Chief Executive Officer

Further information:
Don Murchland
Investor Relations Manager Tel: 08 8425 4999

FUTURIS

CORPORATION LIMITED

ABN 34 004 336 636

HALF YEAR REPORT
APPENDIX 4D

31 DECEMBER 2005

HALF YEAR REPORT
RESULTS FOR ANNOUNCEMENT TO THE MARKET
FINANCIAL PERIOD ENDED 31 DECEMBER 2005

				$'000
Revenues from ordinary activities*	up	8%	to	1,630,468
Profit from underlying ordinary activities after tax attributable to members	up	5%	to	31,257
Profit from ordinary activities after tax attributable to members	down	49%	to	31,148
Net profit for the period attributable to members	down	49%	to	31,148

Dividends	Amount per security	Franked amount per security
Interim dividend	4¢	4¢
Previous corresponding period	4¢	4¢
Record date for determining entitlements to the dividend		16 March 2006

* Revenues from ordinary activities comprises:

	2005 $'000	2004 $'000
Sales revenue	1,559,468	1,392,553
Other revenues from ordinary activities	30,664	13,745
Share of net profits of associates and joint ventures	23,136	5,881
Profit from sale of non current assets	5,827	83,557
Interest revenue	11,373	9,203
Total	1,630,468	1,504,939

FUTURIS CORPORATION LIMITED
DIRECTORS' REPORT

The Board of Directors of Futuris Corporation Limited has pleasure in submitting its report in respect of the half year ended 31 December 2005.

DIRECTORS

The Directors of the Company in office during the half year and at the date of this report are:

Stephen Gerlach (Chairman)

Walter Hubert Johnson (Deputy Chairman)

Charles Ernest Bright

James Charles Fox

Raymond George Grigg

Alan Leslie Newman

Anthoni Salim

Graham Douglas Walters

Leslie Peter Wozniczka (Chief Executive Officer)

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity has reported a consolidated profit, after tax and minority interests, of $31.1 million (2004: $67.8 million, which included proceeds from sale of 65% of the Thermal Operations off set by certain one-off costs). Underlying earnings are $31.3 million (2004: $29.9 million).

All segments contributed to the higher underlying earnings, apart from Property where the timing of profit take up impacted the results for the period.

Sales revenue for the consolidated entity rose by 12% to $1,559 million, with sales growth in Elders and Integrated Tree Cropping.

Elders sales increased by 29% being primarily an increased contribution from merchandise and grain and consolidation of BWK.

Sales revenue from Integrated Tree Cropping was significantly higher principally due to the successful 2005 product offering.

Further details on the results and operations are included in the Discussion and Analysis Document provided to the Australian Stock Exchange

ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in the Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE

The Auditors review of the financial report is in accordance with the declaration on page 35 – "Auditor Independence Declaration to the Directors of Futuris Corporation Limited."

This report has been made in accordance with a resolution of directors.

G D Walters
Director

L P Wozniczka
Director

Adelaide
9 February 2006

FUTURIS CORPORATION LIMITED
CONDENSED INCOME STATEMENT
HALF YEAR ENDED 31 DECEMBER 2005

	Note	CONSOLIDATED December 2005 $000	December 2004 $000
Continuing operations			
Sales revenue	2	1,559,468	1,392,553
Cost of sales		(1,169,049)	(1,020,557)
Other revenues		30,664	13,745
Other expenses	2	(385,250)	(355,169)
Share of net profits of associates and joint ventures accounted for using the equity method	5	23,136	5,881
Profit on sale of non current assets	2	5,827	83,557
Profit/(loss) before net borrowing costs and tax expense		**64,796**	**120,010**
Interest revenue		11,373	9,203
Borrowing costs		(31,080)	(16,417)
Profit/(loss) before tax expense		**45,089**	**112,796**
Income tax expense		(9,702)	(43,633)
Net profit/(loss) for period		**35,387**	**69,163**
Net profit attributable to minority interest		(4,239)	(1,346)
Net profit/(loss) attributable to members of the parent entity		**31,148**	**67,817**
Basic earnings per share (cents per share)		**4.7¢**	**10.3¢**
Basic underlying earnings per share (cents per share)		4.6¢	4.5¢
Diluted earnings per share (cents per share)		**4.2¢**	**9.2¢**
Diluted underlying earnings per share (cents per share)		4.1¢	4.1¢

The accompanying notes form an integral part of this condensed income statement.

FUTURIS CORPORATION LIMITED
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	CONSOLIDATED	
	December 2005 $000	June 2005 $000
CURRENT ASSETS		
Cash and cash equivalents	334,628	365,803
Trade and other receivables	566,314	590,127
Livestock	59,729	61,400
Inventories	497,484	510,546
Derivatives	1,682	-
Other	111,643	117,792
TOTAL CURRENT ASSETS	1,571,480	1,645,668
NON CURRENT ASSETS		
Trade and other receivables	99,679	70,196
Forestry	13,257	13,940
Inventories	30,756	55,257
Other financial assets	21,398	12,740
Investments accounted for using the equity method	543,251	492,829
Property, plant and equipment	195,584	189,034
Investment properties	129,436	106,083
Intangibles	230,357	216,906
Deferred tax assets	67,001	60,615
Other (including design and development)	23,987	26,348
TOTAL NON CURRENT ASSETS	1,354,706	1,243,948
TOTAL ASSETS	2,926,186	2,889,616
CURRENT LIABILITIES		
Trade and other payables	758,890	878,108
Interest bearing loans and borrowings	98,184	145,008
Current tax payable	25,278	32,480
Provisions	204,735	207,105
TOTAL CURRENT LIABILITIES	1,087,087	1,262,701
NON CURRENT LIABILITIES		
Trade and other payables	-	32,615
Interest bearing loans and borrowings	624,730	535,556
Deferred tax liabilities	79,157	49,864
Provisions	37,192	38,761
TOTAL NON CURRENT LIABILITIES	741,079	656,796
TOTAL LIABILITIES	1,828,166	1,919,497
NET ASSETS	1,098,020	970,119
EQUITY		
Issued capital	455,996	454,420
Convertible notes	54,576	-
Reserves	65,903	36,554
Retained earnings	376,328	357,518
TOTAL PARENT ENTITY INTEREST IN EQUITY	952,803	848,492
Minority interests	145,217	121,627
TOTAL EQUITY	1,098,020	970,119

The accompanying notes form an integral part of this condensed balance sheet.

FUTURIS CORPORATION LIMITED
CONDENSED CASH FLOW STATEMENT
HALF YEAR ENDED 31 DECEMBER 2005

	CONSOLIDATED	
	December 2005 $000	December 2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,214,710	4,002,860
Payments to suppliers and employees	(4,248,485)	(4,163,915)
Dividends received	19,563	11,353
Interest received	11,373	8,763
Interest and other costs of finance paid	(34,438)	(20,592)
GST paid (net)	(3,630)	(22,360)
Income taxes (paid)	(10,811)	(19,970)
Other operating inflows	13,758	10,146
Net operating cash flows	(37,960)	(193,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(61,681)	(33,130)
Payment for investments	(30,703)	(92,527)
Payment for design and development capitalised	(540)	(13,562)
Proceeds from sale of property, plant and equipment	33,174	1,194
Proceeds from sale of investments	2,647	2,357
Proceeds from sale of other non current assets	-	147
Loans to associated entities	(6,341)	(11,670)
Loans from third parties	-	8,505
Loans to growers	(378)	(124)
Loans repaid by growers	11,762	4,720
Payment for outside equity interests in controlled entity	(1,800)	(2,845)
Payment for controlled entity (net of cash acquired)	(5,416)	(32,617)
Net investing cash flows	(59,276)	(169,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,576	850
Proceeds from borrowings	124,025	252,125
Repayment of borrowings	(38,392)	(359)
Principal repayments of lease liabilities	(1,854)	(108)
Proceeds from leasing	4,632	-
Dividends paid	(38,119)	(24,304)
Proceeds from issue of shares by controlled entity (net)	14,193	16,806
Net financing cash flows	66,061	245,010
Net decrease in cash held	(31,175)	(118,257)
Cash at the beginning of the financial year	365,803	389,298
Cash at the end of the financial period	334,628	271,041

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

FUTURIS CORPORATION LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
HALF YEAR ENDED 31 DECEMBER 2005

Consolidated ('000)	Notes	Issued Capital	Convertible Notes	Reserves	Retained Earnings	Minority Interest	Total Equity
As at 1 July 2005*		454,420	54,576	37,009	383,299	121,627	1,050,931
Issue of share capital		-	-	-	-	20,484	20,484
Exercise of options		1,576	-	-	-	-	1,576
Cost of share based payments		-	-	624	-	-	624
Shares vested to employees		-	-	3,706	-	-	3,706
Dividends to shareholders		-	-		(38,119)	-	(38,119)
Fair value revaluations of associate's land and buildings		-	-	24,237	-	-	24,237
Fair value revaluations of plant and equipment		-	-	(2,600)	-	-	(2,600)
Currency translation differences		-	-	1,848	-	-	1,848
Net gains in cash flow hedges		-	-	1,079	-	-	1,079
Partnership profits		-	-	-	-	(1,133)	(1,133)
Profit for period		-	-	-	31,148	4,239	35,387
As at 31 December 2005		455,996	54,576	65,903	376,328	145,217	1,098,020

Consolidated ('000)	Notes	Issued Capital	Convertible Notes	Reserves	Retained Earnings	Minority Interest	Total Equity
As at 1 July 2004		446,920	-	18,088	358,506	71,048	894,562
Issue of share capital		2,977	-	-	-	22,000	24,977
Exercise of options		850	-	-	-	-	850
Cost of share based payments		-	-	1,051	-	-	1,051
Shares vested to employees		-	-	-	-	-	-
Dividends to shareholders		-	-	-	(27,280)	-	(27,280)
Fair value revaluations of associate's land and buildings		-	-	16,780	-	-	16,780
Currency translation differences		-	-	(7,794)	-	-	(7,794)
Partnership profits		-	-	-	-	-	-
Acquisition of minority interests in controlled entity		-	-	-	-	(9,066)	(9,066)
Acquisition of partly owned subsidiaries		-	-	-	-	40,000	40,000
Profit for period		-	-	-	67,817	1,346	69,163
As at 31 December 2004		450,747	-	28,125	399,043	125,328	1,003,243

** post adjustments for AASB 139 Financial Instruments: Recognition and Measurement*

The accompanying notes form an integral part of this condensed statement of changes in equity.

NOTE 1 BASIS OF PREPARATION

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as would the full financial report.

The half year financial report should be read in conjunction with the 30 June 2005 annual report which was prepared based on Australian Accounting Standards applicable before 1 January 2005 (AGAAP) and any public announcements made by Futuris Corporation Limited and its controlled entities during the half year in accordance with the continuous disclosure obligations of the Corporations Act (2001) and Australian Stock Exchange Listing Rules.

(a) Basis of accounting

The half year report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act (2001), applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

This report has been prepared on a historical cost basis, except for investment properties, livestock carrier, derivative financial instruments and available for sale financial assets that have been measured at fair value, and biological assets that are measured at fair value less estimated point of sale costs. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the half year ended 31 December 2004 and full year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement, as the Group has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and will apply AASB 132 and AASB 139 from 1 July 2005. A summary of the significant accounting policies of the Group under AIFRS is disclosed in Note 1(c) below. A reconciliation of AIFRS equity and profit to the balances reported under AGAAP is detailed in Note 1(e) below.

Australian Accounting Standards that have recently been amended but are not yet effective have not been adopted for the half year reporting period ending 31 December 2005. The table below outlines each of these amended standards and the expected change in accounting policy when applied, if any.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of Group
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change expected to accounting policy required.	1 July 2006
2005-5	AASB 1: *First-time adoption of AIFRS*, AASB 139: *Financial Instruments: Recognition and Measurement*	No change expected to accounting policy required.	1 July 2006

NOTE 1 BASIS OF PREPARATION (continued)

(b) Statement of compliance (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of Group
2005-6	AASB 3: *Business Combinations*	No change expected to accounting policy required.	1 July 2006
2005-10	AASB 132: *Financial Instruments: Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*, AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts* and AASB 1038: *Life Insurance Contracts*	No change expected to accounting policy required.	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures*	No change expected to accounting policy required.	1 July 2007

(c) Summary of significant accounting policies

(i) Basis 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 “Group”.

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.

(ii) Cash and cash equivalents

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

(iii) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(iv) Inventories

Inventories 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 sale 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 property segment of the consolidated entity for development and resale is valued at the lower of cost and net realisable value.

Livestock and forestry, which are considered to be agricultural activities, are measured at fair value less estimated point of sale costs, with market value increments or decrements included in the net profit.

Borrowing costs that are directly attributable to property held for development and resale which are considered qualifying assets, are capitalised as part of the cost of those assets.

(v) Livestock

The Group holds biological assets in the form of livestock, primarily beef cattle and sheep. These assets are measured at fair value, which has been determined based upon livestock prices at balance date, less selling and transport costs.

(vi) Forestry

The Group has interests in forestry plantations through plantation areas established and maintained by a controlled entity. Forestry plantations owned by the Group are valued at fair value and increments and decrements in fair value are recognised in the income statement 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 fair values.

- There is no active and liquid market for immature forestry plantations by which an open market can be readily determined. In these circumstances, fair 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 fair value of such forestry plantations.

(vii) Investment in associates

Interests in associated entities are brought to account using the equity method. Under this method, the investment in associates is initially recognised at cost. Subsequently the investment is carried at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value and adjusted for any differences in accounting policies. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(viii) Investment in joint ventures

Interests in joint venture entities are accounted for by applying the equity method of accounting. The Group identifies joint venture entities where the Group is in a position of joint control over the entity. Investments in joint venture entities are carried at the equity accounted amount less any impairment in value.

(ix) Property, plant and equipment

Property, plant and equipment is stated at cost, except for the livestock carrier which is independently valued.

Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Property, plant and equipment, excluding freehold land and assets under construction, 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
Livestock carrier	10 years	Straight line

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(x) Impairment

The carrying values of all assets, other than inventories and deferred tax assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the income statement.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xi) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xi) Investment properties (continued)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

(xii) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is reviewed annually for impairment, or more frequently if there is any indication that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the fair value of the assets acquired is less than the cost of acquisition the difference is recognised directly in the income statement.

Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

(xiii) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over their useful lives.

Brand names, which are considered to have an indefinite life, are not amortised but are regularly tested for impairment. Expenditure incurred in developing, maintaining or enhancing brand names is expensed in the year in which it is incurred.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(xiv) Design and development

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xiv) Design and development (continued)

Any expenditure carried forward is amortised from the commencement of commercial production on a straight-line basis over the period of the expected benefit. These development costs are automotive related and primarily represent engineering costs incurred in developing products under awarded contracts.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

(xv) Investments – other than associates and joint ventures

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(xvi) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(xvii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xvii) Provisions (continued)

Certain subsidiaries are affected by warranty claims. Claims are covered by a provision for warranty, which has been calculated based on past experience of the level of repairs and returns.

Where subsidiaries have entered into leasing arrangements that require the leased asset to be returned at the end of the lease term in its original condition an estimate is made of the costs of restoration or dismantling of any improvements and a provision is raised.

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

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced, or when firm contracts have been entered into.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xviii) Provision for 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.

(xix) Share based payment

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two share based plans in place to provide these benefits:
(i) Employee Share Option Plan (ESOP), which provides benefits to senior executives, and
(ii) Employee Share Loan Plan (ESLP), which provides benefits to all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a trinomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Futuris Corporation Limited (market conditions). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xix) Share based payment (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:
(i) the extent to which the vesting period has expired; and
(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xx) 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 rewards incidental to ownership.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(xxi) Revenue

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

Sale of goods
Revenue is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Rendering of services – non insurance related
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 of the expenses recognised that are recoverable.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xxi) Revenue (continued)

Interest and dividend income
Dividend revenue is recognised when the shareholder's right to receive the payment is established and interest revenue is recognised as it accrues using the effective interest rate method.

Forestry revenue
Revenue from the provision of forestry services is recognised by reference to the financial period during which the relevant services are provided. Any unearned portion of these fees at financial year end is brought to account in the balance sheet as a liability and recognised in subsequent periods.

(xxii) 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.

Outward 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 of 5.5% (2004: 5.5%) 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.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xxiii) 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 Group, 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.

(xxiv) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible notes).

(xxv) Income tax

Income tax disclosed in the income statement comprises of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xxv) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(xxvi) Other taxes

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.

(xxvii) Foreign currency translation

Both the functional and presentation currency of Futuris Corporation Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Futuris Corporation Limited at the rate of exchange ruling at the balance sheet date, and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xxviii) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The gain or loss arising from changes in fair value is recognised immediately in the income statement, unless the derivative qualifies for hedge accounting, in which case the accounting treatment is set out below.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(xxix) Convertible notes

The component of the convertible non-cumulative redeemable notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs.

On the issue of the convertible redeemable notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

NOTE 1 BASIS OF PREPARATION (continued)

(c) Summary of significant accounting policies (continued)

(xxix) Convertible notes (continued)

The corresponding mandatory coupon payments on those notes are charged as interest expense in the income statement.

Issue costs are apportioned between the liability and equity components of the non-cumulative redeemable convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(d) AASB 1 Transitional Exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments
Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Financial Instruments and Derivatives
AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 132 'Financial Instruments: Presentation and Disclosure' have been applied from 1 July 2005.

NOTE 1 BASIS OF PREPARATION (continued)

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Sub Note	1 July 2005 $'000	31 Dec 2004 $'000	1 July 2004 $'000
Total equity under AGAAP		1,082,338	1,074,717	961,158
Adjustments to retained earnings				
Expensing of employee share options	1	(1,941)	(1,263)	(585)
Expensing of employee share plan	1	(2,486)	(373)	-
De-recognition of deferred research costs	2	(24,067)	(22,042)	(19,004)
De-recognition of other capitalised costs	2	(4,608)	(3,972)	(3,335)
Write back of deferred research amortisation	2	3,132	1,253	-
Write back of other capitalised cost amortisation	2	561	247	-
Write back of goodwill amortisation	3	10,467	4,609	-
Impairment of assets – goodwill	4	(12,549)	(3,206)	(3,206)
Impairment of assets – other assets	4	(31,908)	(9,669)	(7,369)
Redundancy provision	5	(5,159)	-	-
Lease restoration provision	6	(3,638)	(3,343)	(3,048)
Restated profit on divestment of Thermal division	7	2,787	2,787	-
Income recognition under Forestry MIS Scheme	8	(1,431)	(99)	-
Net fair value adjustments on financial instruments	9	24,887	-	-
Net fair value adjustments on other assets	10	894	-	-
Recognition of defined benefit pension asset	11	211	211	211
Tax effect of above adjustments	12	8,138	5,704	5,917
Effect on outside equity interests of above adjustments	13	(131)	(44)	(44)
Adjustments to other reserves				
Expensing of employee share options	1	1,941	1,263	585
Expensing of employee share plan	1	2,486	373	-
Reclassification to equity compensation reserve of loans to employees under share plan	14	(25,907)	(17,535)	(17,535)
Reclassify equity portion of convertible notes	15	54,576	-	-
Net unrealised gains reserve	9	650	-	-
Tax effect of unrealised gains	9	(195)	-	-
Tax effect of re-valued assets	16	(28,248)	(26,419)	(19,227)
Effect on outside equity interests of above adjustments	13	131	44	44
Total equity under AIFRS		1,050,931	1,003,243	894,562

NOTE 1 BASIS OF PREPARATION (continued)

(ii) Reconciliation of Net Profit under AGAAP to that under AIFRS

	Sub Note	Consolidated $'000 30 June 2005	Consolidated $'000 31December 2004
Net profit as reported under AGAAP		91,025	66,554
Expensing of employee share options	1	(1,356)	(678)
Expensing of employee share plan	1	(2,486)	(373)
Write off capitalised research costs	2	(5,063)	(3,038)
Write off capitalised other costs	2	(1,273)	(636)
Amortisation of deferred research	2	3,132	1,253
Amortisation of other capitalised costs	2	561	247
Amortisation of goodwill	3	10,467	4,609
Impairment losses recognised – goodwill	4	(9,343)	-
Impairment losses recognised – other assets	4	(24,539)	(2,300)
Redundancy provision	5	(5,159)	-
Lease restoration provision	6	(590)	(295)
Restated profit on divestment of Thermal division	7	2,787	2,787
Income recognition under Forestry MIS Scheme	8	(1,431)	(99)
Adjustment to income tax expense	12	2,220	(214)
Effect on outside equity interests	13	(87)	-
Net profit under AIFRS		58,865	67,817

Notes:

1. Share based payment costs are charged to the income statement under AASB 2 "Share Based Payment" but not under AGAAP.

2. Research costs and certain other costs are not allowed to be capitalised under AASB 138 "Intangible Assets" but were capitalised under AGAAP where future benefits were expected beyond reasonable doubt.

3. Goodwill is not amortised under AASB 3 "Business Combinations" but was amortised under AGAAP.

4. AASB 136 "Impairment of Assets" requires the recoverable amount of an asset to be determined as the higher of its fair value less costs to sell and value in use. The Group's assets were tested for impairment as part of the cash generating unit to which they belong and impairment losses were recognised under AIFRS. At the time of preparing the 30 June 2005 financial accounts testing on all cash generating units and for all partially owned subsidiaries had not been completed. As a result the impairment of goodwill and other assets is $12m higher than best estimates at the time.

5. A restructuring provision is recognised under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" but not under AGAAP.

6. Under AIFRS at the commencement of a lease or operation, the present value of restoration obligations is recognised as a non current liability and the cost of future restoration is capitalised as part of the asset. The capitalised cost is depreciated over the life of the lease or project and the provision is decreased as the discounting of the liability unwinds.

NOTE 1BASIS OF PREPARATION (continued)

(ii) Reconciliation of Net Profit under AGAAP to that under AIFRS

Notes (continued)

7. As a result of AIFRS adjustments to research costs capitalised, the profit on the sale of the Thermal Operation in 2005 had to be restated. This resulted in an additional $2.8m increase to profit for that year.

8. Income from managed investment schemes (MIS) is recognised in each reporting period in accordance with the amount of work done during that period. Under AIFRS, certain costs incurred are excluded from the calculation of work done, as they are not directly attributable to the revenue earned. This has resulted in a reduction in the amount of income recognised in prior periods.

9. Under AASB 139 "Financial Instruments: Recognition and Measurement" derivative financial instruments such as foreign currency contracts and interest rate swaps are fair valued. Unrealised gains on unexpired foreign exchange contracts that qualify for hedge accounting will be accounted for depending on whether they are classified as a fair value hedge or a cash flow hedge. Fair value hedge movements are recognised immediately in the income statement. Cash flow hedge movements are recognised directly in equity, although any ineffective portion is recognised in the income statement. The effect of this standard had not been fully quantified at the time of preparing the 30 June 2005 financial accounts.

10. Financial assets that are classified as held for trading or designated as fair value through profit or loss under AASB 139 "Financial Instruments: Recognition and Measurement" are carried at fair value. They were carried at cost under AGAAP.

11. A pension asset is recognised under AASB 119 "Employee Benefits" from the defined benefit pension fund, but was not recognised under AGAAP. This increase in pension asset during the period has resulted in an increase in profit.

12. The tax effect of the adjustments arising from AIFRS has resulted in a decrease in deferred tax liability of $7.7m in the opening balance sheet of 30 June 2005 and a reduction in current tax expense for 30 June 2005 of $2.2m.

13. Some of the AIFRS adjustments result from adjustments made in partially owned subsidiaries. The effect on minority interests is an increase of $0.1m.

14. Loans to employees under company share incentive schemes were disclosed as a receivable under AGAAP but as part of reserves under AIFRS.

15. Convertible notes were treated as interest bearing liabilities under AGAAP. Under AIFRS an equity portion has been determined in accordance with AASB 139 "Financial Instruments: Recognition and Measurement" and reclassified to equity.

16. Existing revaluation reserves have been tax effected for the first time under AASB 116 "Property Plant and Equipment" at a rate of 30%.

(iii) Restated AIFRS Statement of Cash Flows

There are no material impacts between the cash flows presented under AGAAP and those presented under AIFRS.

NOTE 2. REVENUE AND EXPENSES

	CONSOLIDATED	
	December 2005 $000	December 2004 $000
Specific Items of Revenue or Expense		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
Sales revenue:		
Sale of goods	1,243,538	1,160,284
Commission and other selling charges	184,923	129,344
Construction contract revenue	32,094	18,191
Insurance premium revenue	78,803	62,678
Other sales related income	20,110	22,056
	1,559,468	1,392,553
Other expenses:		
Distribution expenses	196,459	194,132
Marketing expenses	14,422	13,948
Occupancy expenses	8,142	5,866
Administrative expenses	55,229	38,245
Insurance claims & related expenses	75,021	62,682
Other expenses	35,977	40,296
	385,250	355,169
Profit on sale of non current assets		
- property, plant and equipment	4,205	159
- investments	1,622	38
- controlled entities	-	83,360
	5,827	83,557
Included in equity profits and other expenses are the following:		
Depreciation and amortisation	18,668	26,701
Impairment losses	-	2,300
Hi-Fert acquisition benefit	10,425	-
Redundancies and restructuring costs	(7,800)	-
Write down of Westralia Property Trust (share of equity loss)	(1,947)	-
Write down of Kareelya investment	-	(5,476)
Loss on sale of hospitals & associated provisions	-	(2,544)
	678	(8,020)

NOTE 3. DIVIDENDS

	CONSOLIDATED	
	December 2005 $000	December 2004 $000
Parent Entity Equity dividends on ordinary shares:		
Dividends paid during the half year		
- Final fully franked dividend for June 2005 of 5c per share (2004: 4¢ per share, fully franked)	33,200	26,827
Dividends proposed and not recognised as a liability		
- Interim fully franked dividend payable April 2006 of 4c per share (2004: 4¢ per share, partly franked)	26,573	26,925
	59,773	53,752
Subsidiary Equity dividends on ordinary shares:		
Dividends paid to external parties during the half year		
- Fully franked dividend paid September 2005 of 5c per share	4,919	-
	64,692	53,752

Shareholders can elect to have all or a certain number of their shares participate in the Company's Dividend Reinvestment Plan ("DRP"). The issue price of shares under the DRP is the weighted average closing market price of the Company's shares sold through Australian Stock Exchange Limited during the five (5) days immediately following the Books Close (Record) Date, less a discount of 2.5%. The maximum number of shares an individual shareholder can receive under the DRP is 2,000 shares at each dividend date.

The last date for receipt of election notices for the dividend plan is 16 March 2006.

NOTE 4. ISSUED CAPITAL

	CONSOLIDATED	
	December 2005 $000	June 2005 $000
Ordinary shares:		
Issued and fully paid up	455,996	454,420

	Number of shares	$'000
Movements in ordinary shares:		
Opening balance	663,243,696	454,420
Conversion of options	1,100,000	1,576
Closing balance	664,343,696	455,996

NOTE 5. DETAILS OF EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

Name of Associate or Joint Venture	Principal activity of Associate or Joint Venture	Ownership Interest		Contribution to net profit (loss)	
		2005 %	2004 %	2005 $000	2004 $000
Air International Thermal (US) Holdings Inc	Automotive	35	35	4,182	-
Air International Thermal (Belgium) NC	Automotive	35	35	(729)	-
Australian Agricultural Company Ltd	Beef production	43	45	4,311	2,510
Australian Wool Handlers	Wool processing	50	-	2,791	-
Elders Rural Bank Limited	Financial Services	50	50	6,604	5,625
Forest Enterprises Australia	Forestry	24	20	600	-
HiFert Pty Ltd	Fertiliser	50	33	6,967	-
Westralia Property Trust	Property Management	49	47	(1,947)	-
Other				357	(2,254)
				23,136	5,881

The Group has taken up its share of the revaluation of rural property assets undertaken by its associate, Australian Agricultural Company Ltd. The effect in the current period is to increase investments by $35m, the asset revaluation reserve by $24m and deferred tax liability by $11m.

NOTE 6. NET TANGIBLE ASSETS

	CONSOLIDATED	
	December 2005	December 2004
Net tangible asset backing per ordinary security	95¢	99¢

NOTE 7. SEGMENT INFORMATION

Business Segments

December 2005	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
External sales	250,583	1,205,286	38,686	56,999	7,914	1,559,468
Other revenue	11,187	29,410	1,929	1,566	3,772	47,864
Share of net profit (loss) of associates	3,265	21,218	(1,947)	600	-	23,136
Total revenue	265,035	1,255,914	38,668	59,165	11,686	1,630,468
Underlying EBIT	14,432	41,677	(1,651)	10,027	(367)	64,118
Significant items	(3,500)	6,125	(1,947)	-	-	678
Segment Result	10,932	47,802	(3,598)	10,027	(367)	64,796
Earnings before interest, tax, depreciation & amortisation	20,943	54,576	(3,523)	11,768	(300)	83,464
Depreciation & amortisation	(10,011)	(6,774)	(75)	(1,741)	(67)	(18,668)
Segment Result	10,932	47,802	(3,598)	10,027	(367)	64,796
Corporate net interest expense						(19,707)
Profit from ordinary activities before tax						45,089

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

Automotive Components include the manufacturing and sales of automotive componentry of which the key components are seating, heating ventilating and air-conditioning 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 and holding an equity interest in a listed property trust.

Forestry includes the consolidated entity's interests in forestry plantations.

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

Segment results have been determined on a consolidated basis and represent the earnings before corporate net borrowing costs and income tax expense.

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

NOTE 7. SEGMENT INFORMATION (continued)

December 2004	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
External sales	382,628	935,110	28,191	32,659	13,965	1,392,553
Other revenue	83,047	8,027	2,555	10,060	2,816	106,505
Share of net profit of associates	245	5,544	-	-	92	5,881
Total revenue	465,920	948,681	30,746	42,719	16,873	1,504,939
Underlying EBIT	11,103	28,977	2,968	7,818	(3,896)	46,970
Significant items (including impairment losses	81,060	-	(5,476)	-	(2,544)	73,040
Segment Result	92,163	28,977	(2,508)	7,818	(6,440)	120,010
Earnings before interest, tax, depreciation & amortisation	110,873	35,614	(2,311)	8,666	(6,131)	146,711
Depreciation & amortisation	(18,710)	(6,637)	(197)	(848)	(309)	(26,701)
Segment Result	92,163	28,977	(2,508)	7,818	(6,440)	120,010
Corporate net interest expense						(7,214)
Profit from ordinary activities before tax						112,796

NOTE 8. SUPPLEMENTARY STATEMENT OF NET DEBT BY SEGMENT

December 2005	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
Earnings before interest & tax	10,932	47,802	(3,598)	10,027	(367)	64,796
Depreciation and amortisation	10,011	6,774	75	1,741	67	18,668
Equity accounted earnings	(3,265)	(21,218)	1,947	(600)	-	(23,136)
Dividends received from associates	-	18,516	-	794	-	19,310
Profit/loss on sale of property, plant & equipment	2	(3,963)	-	(244)	-	(4,205)
Profit on sale of investments	-	(784)	-	-	(838)	(1,622)
Interest (net)	251	1,110	3	(140)	(24,289)	(23,065)
Tax (paid)/refund	-	(4,150)	(76)	(12,609)	6,024	(10,811)
Fair Value Adjustments	-	(5,981)	-	-	(161)	(6,142)
Provisions and other	(838)	2,299	414	280	4,600	6,755
Operating cash flow before movements in working capital	17,093	40,405	(1,235)	(751)	(14,964)	40,548
Movement in working capital	(10,105)	112	(23,472)	(28,526)	(16,517)	(78,508)
Operating Cash Flow	6,988	40,517	(24,707)	(29,277)	(31,481)	(37,960)
Capital expenditure	(6,951)	(11,507)	-	(43,223)	-	(61,681)
Proceeds on sale of property, plant and equipment	-	26,885	-	2,877	-	29,762
Proceeds sale of investments	-	879	-	-	1,768	2,647
Proceeds sale of other assets	-	3,412	-	-	-	3,412
Payments for investments	-	(27,567)	-	-	(3,136)	(30,703)
D&D capitalised	(540)	-	-	-	-	(540)
Loans (to)/from associated parties	-	(2,869)	-	(3,472)	-	(6,341)
Loans from growers (net)	-	-	-	11,384	-	11,384
Acquisition of further outside equity interest	-	(1,800)	-	-	-	(1,800)
Acquisition of controlled entity (net)	-	(5,416)	-	-	-	(5,416)
Investing Cash Flow	(7,491)	(17,983)	-	(32,434)	(1,368)	(59,276)
Proceeds from issue of shares	-	-	-	14,193	1,576	15,769
Dividends paid	-	-	-	(4,919)	(33,200)	(38,119)
Other Flows	-	-	-	9,274	(31,624)	(22,350)
TOTAL	(503)	22,534	(24,707)	(52,437)	(64,473)	(119,586)
Opening net debt						(314,761)
Total flows						(119,586)
AIFRS reclassification of debt to equity						54,576
AIFRS fair value adjustments to debt						(8,515)
Closing net debt						(388,286)

NOTE 8. SUPPLEMENTARY STATEMENT OF NET DEBT BY SEGMENT

December 2004	Automotive Components $000	Rural Services $000	Property $000	Forestry $000	Investment & Other $000	Total $000
Earnings before interest & tax	92,163	28,977	(2,508)	7,818	(6,440)	120,010
Depreciation and amortisation	18,710	6,637	197	848	309	26,701
Equity accounted earnings	(245)	(5,544)	-	-	(92)	(5,881)
Dividends received from associates	-	10,619	-	-	208	10,827
Profit on sale of property, plant & equipment	(26)	(164)	-	28	3	(159)
Profit on sale of investments	-	-	5	(9)	(34)	(38)
Profit on sale of controlled entity	(83,360)	-	-	-	-	(83,360)
Interest (net)	(1,189)	3,261	-	70	(13,971)	(11,829)
Tax (paid)/refund	(457)	(6,554)	-	(4,601)	(8,358)	(19,970)
Provisions and other	(2,141)	6,708	5,476	(81)	4,251	14,213
Operating cash flow before movements in working capital	23,455	43,940	3,170	4,073	(24,124)	50,514
Movement in working capital	(5,776)	(197,829)	(3,761)	(22,154)	(14,709)	(244,229)
Operating Cash Flow	17,679	(153,889)	(591)	(18,081)	(38,833)	(193,715)
Capital expenditure	(7,238)	(9,322)	(10)	(16,496)	(64)	(33,130)
Proceeds on sale of property, plant and equipment	-	1,175	-	19	-	1,194
Proceeds sale of investments	-	-	1,748	50	559	2,357
Proceeds sale of other assets	-	147	-	-	-	147
Payments for investments	(121)	(59,202)	-	(21,947)	(11,257)	(92,527)
D&D capitalised	(13,562)	-	-	-	-	(13,562)
Loans (to)/from associated parties	-	(1,248)	-	(4,636)	(5,786)	(11,670)
Loans from third parties	-	-	-	-	8,505	8,505
Loans from growers	-	-	-	4,596	-	4,596
Acquisition of further outside equity interest	-	-	-	(2,845)	-	(2,845)
Acquisition of controlled entity (net)	-	(2,710)	-	(29,907)	-	(32,617)
Investing Cash Flow	(20,921)	(71,160)	1,738	(71,166)	(8,043)	(169,552)
Proceeds from issue of shares	-	-	-	16,806	850	17,656
Dividends paid	-	-	-	-	(24,304)	(24,304)
Other Flows	-	-	-	16,806	(23,454)	(6,648)
TOTAL	(3,242)	(225,049)	1,147	(72,441)	(70,330)	(369,915)
Opening net debt						1,405
Total flows						(369,915)
Net Debt Acquired/Repaid						(6,548)
Exchange rate adjustments to debt						20,432
Closing net debt						(354,626)

NOTE 9. SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial period 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

NOTE 10. CHANGES IN CONTINGENT LIABILITIES AND ASSETS

Tax

The Group has previously advised of a review by the Australian Taxation Office (ATO) of the tax treatment of the sale of the Building Products Division in October 1997, for which assessments of $47m have been received, inclusive of penalties and interest.

The Group has sought independent professional advice in relation to the issues involved and is objecting to the further amended assessment. At 31 December 2005 the provision for taxation is sufficient to cover any anticipated payment under the assessment, should the Group be unsuccessful in its objection.

The Group is also currently under audit of tax returns covering the 2002 and 2003 tax years. No amended assessment has been received.

Other

Included in receivables at period end are rebates of $7.65m, which are currently the subject of litigation. Independent legal opinion obtained by the Group supports eventual recovery.

NOTE 11. CHANGES IN THE COMPOSITION OF THE ENTITY

(a) 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 income statement from the relevant date.

Equity and consideration paid	Date Control Acquired	Proportion of Shares Acquired	CONSOLIDATED 2005 $000	2004 $000
Plantech Pty Limited*				
- Cash	2/9/05	50%	5,416	-
Neville Smith Group Pty Limited				
- Cash	10/9/04	100%	-	29,907
Pitt Son & Keene Pty Ltd				
- Cash	1/7/04	100%	-	2,710
			5,416	32,617

	CONSOLIDATED 2005 $000	2004 $000
The aggregate amounts of assets and liabilities acquired by major class are:		
Cash	(3,351)	11,442
Receivables	2,133	15,147
Inventories	2,976	33,828
Investments	971	-
Property, plant and equipment	127	26,569
Goodwill	3,672	54,679
Other assets	64	1,240
Tax assets and liabilities	1,606	909
Creditors and provisions	(6,133)	(18,821)
Borrowings	-	(40,934)
Outside equity interests	-	(40,000)
	2,065	44,059
Outflow of cash to acquire the entities, net of cash acquired:		
Cash consideration	(2,065)	(44,059)
Cash balance acquired	(3,351)	11,442
Net Inflow/(Outflow) of cash	(5,416)	(32,617)

** Plantech was a 50% equity accounted associate at 30 June 2005*

(a) Controlled Entities Disposed

The 2004 comparative relates to the disposal of the consolidated entity's interest in Air International's Global Thermal Operations.

	CONSOLIDATED	
	2005	2004
	$000	$000
Proceeds receivable on disposal of shares	-	252,100
Less costs of disposal	-	(12,486)
	-	239,614
The carrying amounts of assets and liabilities disposed of by major class are:		
Receivables	-	46,917
Inventories	-	14,100
Other assets (including design & development)	-	51,603
Property, plant & equipment	-	27,356
Intangibles	-	1,605
Payables	-	(34,251)
Provisions	-	(3,802)
Net assets of entity sold	-	103,528
Unrealised profit eliminated	-	(58,300)
Profit on disposal (before tax)	-	83,360

FUTURIS CORPORATION LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Futuris Corporation Limited, we declare that:

In the opinion of the directors:

(b) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date of the consolidated entity; and

(iii) comply with the Accounting Standard AASB 134 Interim Financial Reporting, and the Corporations Regulations 2001;

(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, and the companies and parent entity who are a party to the deed of cross guarantee, will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

On behalf of the Board

G D Walters
Director

L P Wozniczka
Director

Adelaide
9 February 2006

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Futuris Corporation Limited and the consolidated entity

In relation to our review of the interim financial report of Futuris Corporation Limited and the consolidated entity for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Alan H Herald
Partner
Adelaide
9 February 2006

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Independent review report to members of Futuris Corporation Limited

Scope

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Futuris Corporation Limited and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2005.

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 consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

Review approach
We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

ERNST & YOUNG

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Futuris Corporation Limited and the entities it controlled during the period is not in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the period ended on that date; and

  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Alan Herald
Partner
Adelaide
9 February 2006