finbar

20th Annual Report

for the year ended 30th June 2004

corporate directory

Directors
Paul Rengel (Chairman)
John Chan (Managing Director)
Loh Kee Kong
John Cheak
Richard Rimington

Company Secretary
Darren Pateman

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Level 3
15 Labouchere Road
SOUTH PERTH WA 6151

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SOUTH PERTH WA 6951

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000

Bankers
National Australia Bank Limited
50 St Georges Terrace
PERTH WA 6000

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000

Auditors
KPMG
132-158 St Georges Terrace
PERTH WA 6000

Solicitors
Chalmers & Partners
Level 6
524 Hay Street
PERTH WA 6000

Stock Exchange Listing
Australian Stock Exchange Limited (Perth)
ASX Code: FRI

Website
www.finbar.com.au

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chairman's report

I am pleased to present to the shareholders, the twentieth Annual Report of your Company.

This milestone year has seen the conclusion of a decade for Finbar as a property developer and has been a year of substantial profits, strong growth in the Company's financial position and an enhancement of the Company's reputation for the quality of projects completed.

Once again, the net profit shows a significant increase over the previous year, up 42% from just under $3.2 million to $4.5 million. A steady net asset growth has been maintained at approximately 12% on the prior year and the liquidity of the Company remains strong with current assets of almost $26 million against current liabilities of just over $3.6 million, and with total assets of $35 million as against a total external debt of just under $4 million.

The Company is also very well placed to build upon its strong financial base with the anticipation of good levels of profitability into the future. There are projects in hand with a value of over $230 million and additionally, the Company currently holds a "land bank" of approximately $150 million of end value.

Specific details of work in progress and operational matters are presented for the information of shareholders in the Managing Directors Review, which is included in this annual report.

Shareholders were advised last year that the Directors and their Corporate Advisors were reviewing the Company's shareholding spread with a view to increasing it and thereby facilitating the availability of shares for trading in sufficient volume on the securities market. This is continuing as the Directors believe that the Company's market share price does not fairly reflect the value of their investment to our shareholders and a wider spread of shareholdings could increase trading in those securities which, together with the Company's continued strong financial performance, should enhance the market value of our shareholder's investment.

Now in its twenty first year, Finbar is well positioned to consolidate its market position and to build upon its sound financial base. The Company is also well served by diligent and highly competent people at all levels, with a Board of Directors committed to the highest levels of corporate governance and business performance standards. Shareholders may be assured that they hold a sound investment in a quality Company.

In closing, I acknowledge that the Company has, during the year, received expressions of support from shareholders for which the Directors express their appreciation.

I am also pleased to commend the dedication and continued efforts of my fellow Directors and the Management Team for which I thank them, on behalf of shareholders.

I trust that shareholders will find this Annual Report both highly informative and satisfactory and that they will be able to attend the Annual General Meeting.

With Compliments

Paul Anthony Rengel
Chairman of Directors

managing director's review

This review marks our first decade as a property developer, a decade which I am very pleased to say has concluded with record results and record returns to shareholders and the expectation of ongoing success at these levels.

Greatly improved performance indicators are a testament to the diligent work of all members of the Company - good planning by the Board, together with prudent execution by the management team and quality performance by staff.

The most significant mark of Finbar International Ltd's excellent performance is shown in its achievement of a record $4.5 million net profit after tax for the year to 30 June 2004, a most encouraging 42 per cent increase on the result for 2002/2003.

All shareholders will be pleased to note that this has flowed through to a major rise in earnings per share, which have lifted some 43 per cent to 5 cents per share compared to 3.5 cents in the previous financial year.

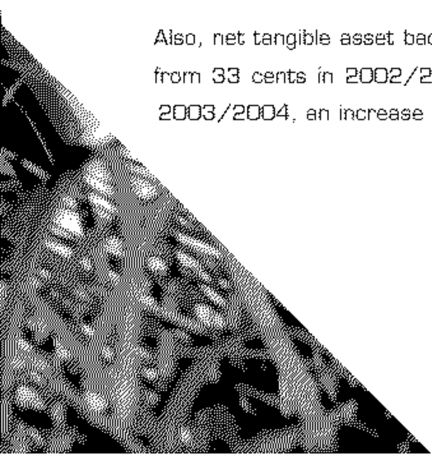
Also, net tangible asset backing per share rose from 33 cents in 2002/2003 to 37 cents in 2003/2004, an increase of 12 per cent.

In turn, directors have increased the dividend 100 per cent from 1 cent per share in 2002/2003 to 2 cents in the year ended 30 June 2004.

Currently, Finbar and its Joint Ventures have projects with a total value of $230 million under construction while holding a land bank with development approvals to the value of $151 million on which no projects have yet been launched and on which no construction has started.

The improved dividend paid reflects the Board's view that such an increase can be made while still retaining sufficient funds to ensure continuing vigorous growth.

Finbar's strong performance reflects its market leadership in Perth's inner city development where it has the most projects and the most units underway.



Currently, the Company has two Terrace Road inner city projects which are each valued at $80 million – Westralian, due for completion in the new year, and Altair, on which construction is scheduled to start in September and in which Macquarie Bank is financier and equity participant.

Finbar expects that the strong 2004 result will not only be maintained in 2004/2005 but will be improved as identified in current projections.

This outlook is based on projects on hand and under construction in conjunction with the continuing strong level of pre-sales on all current projects.

Also, the Company retains a strong foundation for its future operations in an unreleased development portfolio with end sales value of approximately $151 million.

However, while the Company has achieved record results, the Board recognises that lack of liquidity in the market means that the price of Finbar shares – currently trading around 30 cents – is not a true reflection of their intrinsic worth.

While the current Price/Earning ratio is about 5.9, the Board considers that a more liquid market would see this ratio in a range between 9 and 12, in line with other listed property companies.

Consequently, the Board is now looking at ways in which liquidity can be increased including the possibility of issuing more stock to seek new shareholders.

While recent economic figures indicate a national slow down in the market for units, the Board believes that Finbar is well placed not only to maintain profitability but to increase it in 2004/2005.

The Company takes this view because it sees itself being cushioned from the effects of any market softening through its high level of pre-sales and its number of ongoing projects. Additionally, it continues to fulfil well-recognised consumer demands with a quality product which has high brand recognition and excellent acceptance in the market place.

Consequently, the Company considers that the very positive character of its results in 2003/2004 can be expected to continue and it looks forward to a similarly good performance in the next financial year.

John Chan
Managing Director

"... it continues
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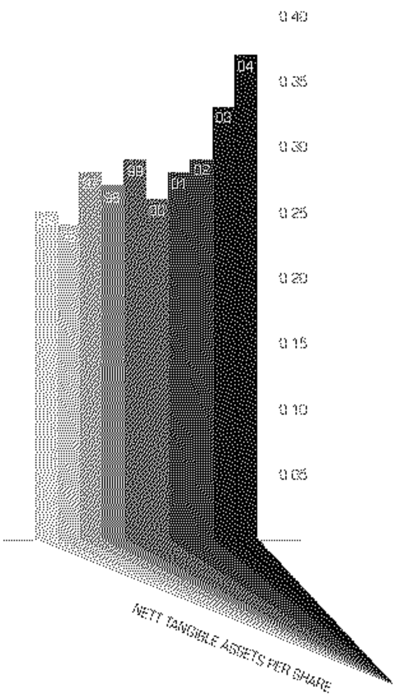
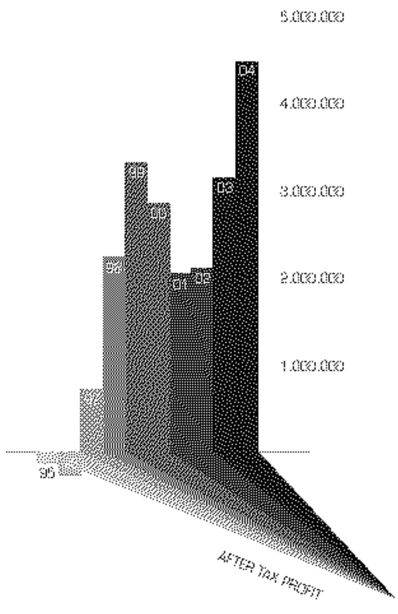
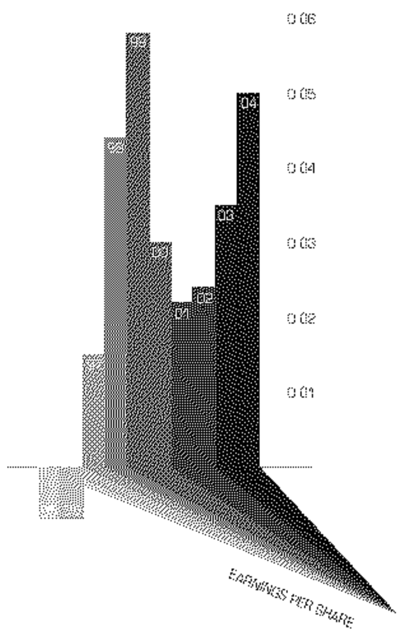






project review

Marketrise

9 Delhi Street, West Perth
Joint Venture

Apartments
93 high-rise apartments comprising one, two and three bedroom units

Commercial
Café

Average sale price to date
$327,935

Approximate end value
$34,031,023

Completion Date
June 2004

Blue 2

23 Bowman Street
South Perth

Apartments
20 one-bedroom one-bathroom apartments and five offices

Commercial
Five offices

Average sale price to date
Commercial - $365,350
Residential - $313,262

Sales to date
$8,092,000

Approximate end value
$8,092,000

Completion Date
June 2004

Westralian Riverfront Apartments

78 Terrace Road, East Perth
Joint Venture

Apartments
96 luxury apartments
and two commercial premises

Commercial
Two premises

Average sale price to date
$646,250

Sales to date
$43,945,000

Approximate end value
$79,325,000

Estimated completion date
January 2005

175 Hay

175 Hay Street, East Perth
Joint Venture

Apartments
50 apartments

Commercial
One unit

Average sale price to date
$315,000

Sales to date
$13,230,000

Approximate end value
$16,450,000

Estimated completion date
October 2004

Arum and Samphire

11 and 15 Tanunda Drive, Rivervale

Joint Venture

Apartments

93 2 and 3-bedroom apartments

Commercial

Three units and a café

Average sale price to date

$285,012

Sales to date

$24,772,000

Approximate end value

$27,752,000

Estimated completion date

December 2004

Riverstone

15 Stone Street, South Perth

Apartments

7 3-bedroom and 7 1-bedroom

Average sale price to date

$440,375

Sales to date

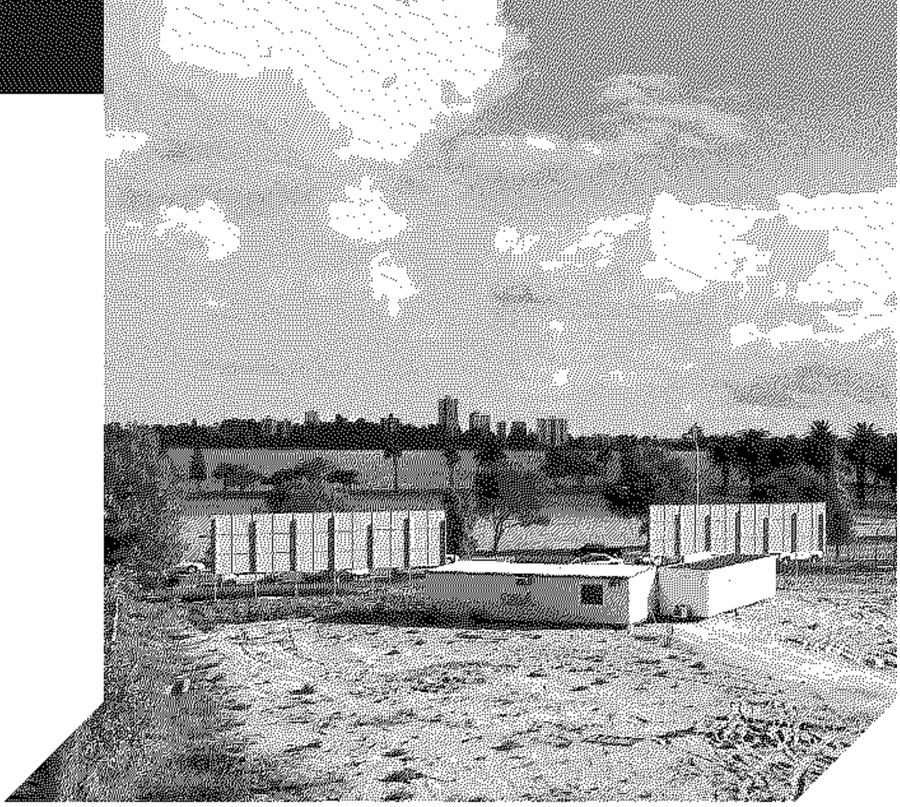
$3,523,000

Approximate end value

$6,568,000

Estimated completion date

May 2005



Altair Waterfront Apartments

132 Terrace Road, East Perth

Apartments

120 luxury apartments comprising
3, 2 and 1-bedroom apartments

Commercial

Café and commercial space

Average sale price to date

$621,950

Sales to date

$39,182,866

Approximate end value

$79,412,866

Estimated start date

November 2004

Estimated completion date

May 2006

Cosmopolitan

269 Hay Street, East Perth

Apartments

63 1, 2 and 3-bedroom apartments

Commercial

One commercial unit

Average sale price to date

$293,653

Sales to date

$18,206,500

Approximate end value

$18,896,500

Estimated completion date

May 2005

future projects

Stage 3 - Hill 60, Rivervale

Joint Venture

Apartments
76 3 and 2-bedroom apartments

Approximate end value
$32,981,800

Expected marketing launch date
October 2004

Estimated start date
March 2005

Estimated completion date
September 2006

Stage 4 - Hill 60, Rivervale

Joint Venture

Apartments
113 3 and 2-bedroom apartments

Approximate end value
$49,217,600

Estimated marketing launch date
December 2005

Estimated start date
February 2006

Estimated completion date
August 2007

126-130 Adelaide Terrace, East Perth

(Stage 2 of 175 Hay St)
Joint Venture

Apartments
103 1, 2 and 3-bedroom apartments

Commercial
One commercial space

Approximate end value
$30,620,000

Estimated marketing launch date
November 2004

Estimated start date
January 2005

Estimated completion date
June 2006

188 Adelaide Terrace, East Perth

Apartments
78 1, 2 and 3-bedroom apartments

Commercial
One commercial space

Approximate end value
$23,700,000

Estimated marketing launch date
February 2005

Estimated start date
June 2005

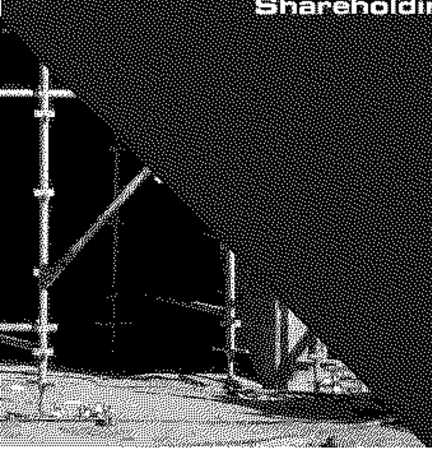
Estimated completion date
December 2006


LISTED ON
AUSTRALIAN STOCK EXCHANGE

FINBAR INTERNATIONAL LIMITED (ACN 009 113 473)

financial report

FOR THE YEAR ENDED 30 JUNE 2004



corporate governance statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated.

BOARD OF DIRECTORS

The Board is responsible for the Corporate Governance of the Company including its strategic direction establishing goals for management and monitoring achievement of these goals. The Board monitors and evaluates the effectiveness of management and itself. The Company is not currently considered to be of the size, nor are its affairs of such complexity to justify the establishment of separate committees, a formal Board charter or a code of conduct. Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full Board.

In the current financial year ended 30 June 2004, the Board has not conducted a review of its own effectiveness.

The Board communicates regularly and meets when considered appropriate, and attends to the majority of the governance matters via circular resolution.

Each director has the right to seek independent professional advice at the Company's expense on matters relating to his position as a director of the Company, subject to obtaining prior approval of the Chairman which shall not be reasonably withheld.

COMPOSITION OF BOARD

The procedures for the election and retirement of directors are governed by the Company's constitution and the listing Rules of the Australian Stock Exchange Limited ("ASX").

The composition of the Board is determined using the following principles:

- The Board shall comprise directors with a range of expertise encompassing the current and proposed activities of the Company.
- Have a non-executive independent director as Chairperson.
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments are referred to shareholders at the next opportunity for re-election in general meeting.
- New directors are provided the opportunity to meet with management and familiarise themselves with the business operations of the Company.

An independent director is a director who is not a member of management (a non-executive director and who):

- Holds less than 5% of the voting shares of the Company;
- Within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company;
- Is not a material supplier or customer of the Company or an officer of or otherwise associated directly or indirectly with a material supplier of customer;

- Has no material contractual relationship with the Company other than as a Director;
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the Director's ability to act in the best practices of the Company.

The Board considers material in the above context to be where any Director-related business relationship to represent at least 5% of the Director-related business' revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each director-related business relationship in arriving at this threshold.

Refer to directors report for details of, and policies on, remuneration of directors and executives.

The Board currently consists of one independent director and four non independent directors. The Company is not currently considered to be of the size nor have the shareholder spread to warrant the appointment of additional independent directors. The Company Chairman is a non-executive independent director who holds this position in the interest of minority shareholders.

Trading in Company securities

The key elements of the Trading in Company Securities Policy are;

- Identification of those restricted from trading - directors and all senior executives including all staff of J and R Management Pty Ltd may acquire shares in the Company but are prohibited from dealing in Company shares and exercising options:
    - Within 48 hours after either the release of the Company's half-year and annual results to the Australian Stock Exchange ("ASX"), the annual general meeting or any major announcement;
    - Whilst in possession of price sensitive information not yet released to the market.
- Raising the awareness of legal prohibitions including transactions with colleagues and external advisors.
- Requiring details to be provided of confirmation of trades in securities of the Company.
- Identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

AUDITORS

Whilst the Company does not have a formally constituted audit committee, the Board reviews the performance of the external auditors on an annual basis and a representative of the Board meets with them at least twice a year to review:

- The results and findings of the audit, the adequacy of the accounting and the financial controls, and to obtain feedback on implementation of recommendations made; and
- The draft financial statements and audit/review reports at year end and half-year.

The Board monitors the need to form an audit committee on a periodic basis.

The Board considers annually the necessity to request the attendance of the auditors at annual general meetings so as to be available to answer shareholder questions about the conduct of the audit and content of the auditor's report.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

Financial reporting

There is a comprehensive accounting system. Monthly financial accounts are prepared by the Company's external accountant for review by directors. The Company reports to shareholders half-yearly. Procedures are in place to ensure price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements. The Board, given the close involvement of various executive members in the operations of the Company, sees no necessity for management to formally sign off on the financial reports as per 4.1 and 7.2 of ASC Corporate Governance Principles.

Ethical standards

The Company recognises the need for directors and employees to observe the highest standard of behaviour and business ethics in conducting its business.

Related party transactions

A review is undertaken at year end of all related party transactions.

Business risks

The Board adopts practices to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating such risk.

Role of shareholders

The Board of Directors ensures that the shareholders in all jurisdictions are informed of all major developments affecting the Company's state of affairs by way of annual reporting, and the continuous disclosure of significant events by way of announcements to the ASX Company Announcements Offices. A copy of these announcements are placed on the Company's web site for easy access by all shareholders.

directors' report

The Directors herewith present the financial report of Finbar International Limited ("the Company") for the year ended 30 June 2004 and the auditors' report thereon.

DIRECTORS

The Directors of the Company at any time during or since the financial year are:

Mr Paul Anthony RENGEL (Chairman)

Mr John CHAN (Managing Director)

Mr John Boon Heng CHEAK

Mr Kee Kong LOH

Mr Richard Dean RIMINGTON

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year continued to be property investment and development.

The Company's focus is in the development of medium to high-density residential buildings in the Perth metropolitan area by way of direct ownership or by joint venture involvement through companies registered specifically to conduct the development.

RESULTS

The net profit after income tax amounted to $4,474,948 (2003 $3,141,396).

REVIEW OF OPERATIONS

During the year the Company continued to focus on its core activities of residential property development.

The Company has entered into one new Joint Venture arrangement with a private Company – Wembley Lakes Estates Pty Ltd ("WLE") to facilitate participation in a substantial residential apartment project within the Perth metropolitan area. Previous such Joint Venture arrangements are operating satisfactorily.

The Company has funded its operations from cash reserves together with short-term construction finance that is project specific.

ENVIRONMENTAL REGULATIONS

The Company's activities are not subject to any significant environmental regulations under either State or Commonwealth legislation.

DIVIDENDS

The Company paid a final dividend of $0.01 per fully paid ordinary share out of profits for the year ended 30 June 2003 on 20 November 2003, which amounted to $897,366.

The Directors recommended on 17 June 2004, the payment of a fully franked dividend of $0.02 per fully paid ordinary share for approval by members at the Company's annual general meeting. The dividend recommended by the Directors amounts to $1,794,732 for shares issued at 30 June 2004. If approved, the dividend will be paid on 22 November 2004 and provision has been raised for this amount at year end.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors there has been no significant change in the Company's state of affairs that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in the future financial years.

LIKELY DEVELOPMENTS

The Company will continue planned development projects on existing land and will seek new opportunities for the acquisition of future development projects. Further information about likely development in the operations of the Company and the expected results of those operations in the future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

INFORMATION ON DIRECTORS

The particulars of the qualifications and experience of the Directors are as follows:

Paul Anthony Rengel
Chairman
(appointed 22/5/92)

Mr Rengel has a Bachelor of Commerce degree from the University of Western Australia. He is a Fellow of the Australian Institute of Chartered Accountants with 31 years experience in public practice in international firms. Mr Rengel is a Partner of Moore Stephens BG, Chartered Accountants. He is an associate of the Australian Institute of Company Directors and the Australian Institute of Management. As Chairman, Mr Rengel attended one Directors' meeting and two shareholders' meetings held during the year.

John Chan
Managing Director
(appointed 27/4/95)

Mr Chan has a Bachelor of Science degree from Monash University and a Master of Business Administration degree from the University of Queensland. He has considerable experience as a Director in public corporations and in the areas of trading, manufacturing, finance and property development. Mr Chan attended one Directors' meeting and two shareholders' meetings held during the year.

John Boon Heng Cheak
(appointed 28/4/93)

Mr Cheak has a Bachelor of Economics degree from the University of Western Australia. He is an Executive Director of Chuan Hup Holdings Limited, a substantial shareholder of the Company. Mr Cheak attended one Directors' meeting held during the year.

Kee Kong Loh
(appointed 28/4/93)

Mr Loh has a degree in Accountancy from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is a director of Chuan Hup Holdings Limited, a substantial shareholder in the Company. Mr Loh attended one Directors' meeting held during the year.

Richard Dean Rimington
(appointed 27/4/95)

Mr Rimington is a property developer with 16 years experience in land subdivision, development, construction and marketing, with particular focus on high quality medium density residential property, which is the core business of the Company. He is responsible for the project management of the Company's property development operations. Mr Rimington attended one Directors' meeting and two shareholders' meetings held during the year.

DIRECTORS' AND SENIOR EXECUTIVE EMOLUMENTS

The Company's policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and amount of each major element of the emolument of each Director of the Company and the named officers of the Company receiving the highest remuneration are:

Director	Base Emolument	Superannuation $	Commission $	Options issued (**)	Total $
Executive					
Mr John Chan	20,682	2,045	*	36,895	59,622
Mr Richard Rimington	20,682	2,045	*	28,671	51,398
Non-executive					
Mr John Cheak	20,682	2,045		12,902	35,629
Mr Kee Kong Loh	20,682	2,045		12,902	35,629
Mr Paul Rengel	31,023	3,068		17,203	51,294
Officer					
Mr Darren Pateman	-	-	*	20,070	20,070

*Commission:

The Company has entered into a management agreement ("the agreement") with J & R Management Pty Ltd ("J & R Management") for the provision of executive management, project management and Company secretarial services to the Company for a period of three years from 1 July 1998. This agreement was renewed for a further period of three years from 1 July 2001 and amended by way of variation as approved by shareholders at a general meeting on 26 June 2003. Mr John Chan and Mr Richard Rimington are directors and shareholders of J & R Management. Mr Darren Pateman is employed by J & R Management. The agreement provides for the payment of a commission of 8% of pre-tax profits of the Company in each financial year. For the year to 30 June 2004 this commission amounts to $566,725 (2003: $390,176) which has been accrued in these financial statements. In addition, the management agreement also provides for a monthly fee of $26,261 (2003: $26,261) to be paid to J & R Management. The amount paid was $314,592 (2003: $315,132) to 30 June 2004.

The variation approved by shareholders on 26 June 2003 included a clause to pay J & R Management 50% of the management fee payable to the Company by Boas Gardens Estate Pty Ltd. This fee payable to J & R Management totalled $48,684 (2003:$163,496). The grand total of commission plus fees payable to J & R Management was $930,002 (2003:$868,804).

** Options issued:

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

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
5 September 2003	5 September 2006	$0.30	$0.28	40%	4.6%	5.1%

Estimated volatility approximates historic volatility. The life of all options granted is two years from the vesting date. Each option entitles the holder to purchase one ordinary share in the Company.

An estimated discount of 40% on the value of options was utilised to approximate the lack of marketability of the options.

Options do not vest until 12 months after the grant date.

The options were approved in an extraordinary shareholders meeting on 26 June 2003.

Options granted to directors and senior executives

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Finbar International Limited to the following Directors and to the following officers of the Company as part of their remuneration:

Options	Number of options granted	Exercise price	Vesting date	Expiry date
Directors				
John Chan	1,286,828	$0.30	5 Sep 04	5 Sep 06
John Cheak	450,000	$0.30	5 Sep 04	5 Sep 06
Kee Kong Loh	450,000	$0.30	5 Sep 04	5 Sep 06
Paul Rengel	600,000	$0.30	5 Sep 04	5 Sep 06
Richard Rimington	1,000,000	$0.30	5 Sep 04	5 Sep 06
Officers				
Darren Pateman	700,000	$0.30	5 Sep 04	5 Sep 06

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 September 2006	$0.30	4,486,828

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange Limited in accordance with S205G(1) of the Corporations Act 2002, as at the date of this report is as follows:

Director	Ordinary shares	Options issued on 5 September 2003
Mr John Chan	16,316,969	1,286,828
Mr John Cheak	23,553,996	450,000
Mr Kee Kong Loh	23,605,996	450,000
Mr Paul Rengel	23,000	600,000
Mr Richard Rimington	7,190,248	1,000,000

INDEMNIFICATION

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company except where the liability arises out of conduct involving a lack of good faith.

INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid insurance premiums of $25,166 in respect of Directors and officers liability and legal expenses insurance contracts, for Directors and Officers, including executive officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Signed in accordance with a resolution of the Board of Directors

WChan

J Chan - Managing Director

Dated at Perth this 13th day of August 2004.

	Note	2004 $	2003 $
Revenue from sale of development properties	2	9,832,169	13,007,061
Other revenue from ordinary activities	2	290,603	5,495,366
Total revenue	2	10,122,772	18,502,427
Agency fees & settlement costs		(200,951)	(487,227)
Changes in inventories		(1,905,302)	(2,727,484)
Development expenses capitalised into inventories			
- Land acquisitions		(1,264,882)	(50,000)
- Design, construction & development costs		(4,605,881)	(6,825,131)
- Statutory & holding costs		(48,461)	(142,111)
- Advertising & marketing costs		(106,819)	(179,637)
- Consultants & legal fees		(9,803)	(13,175)
- Borrowing costs	3	(125,003)	(332,134)
- Other costs		(8,693)	(6,700)
Management fees		(930,002)	(868,804)
Professional fees		(195,585)	(181,207)
Occupancy expenses		(24,688)	(16,927)
Depreciation expenses	3	(42,427)	(44,392)
Borrowing costs		(35,603)	(23,340)
Cost of assets sold		-	(4,450,053)
Other expenses from ordinary activities		(168,257)	(327,681)
Share of net profit of joint ventures accounted for using the equity method	12	4,148,310	1,864,288
Profit from ordinary activities before income tax		4,598,725	3,690,712
Income tax relating to ordinary activities	5	(123,777)	(549,316)
Net profit attributable to members of the Company		4,474,948	3,141,396
Basic earnings per share	8	$0.05	$0.035
Diluted earnings per share	8	$0.05	-

The statement of financial performance is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 $	2003 $
CURRENT ASSETS			
Cash assets		1,023,494	9,152,996
Receivables	10	17,762,202	4,575,547
Investments accounted for using the equity method	12	4,718,834	2,906,944
Inventories	11	2,063,060	2,597,122
Tax asset	15	57,899	-
Other	14	1,536	339
TOTAL CURRENT ASSETS		25,627,025	19,232,948
NON CURRENT ASSETS			
Receivables	10	6,404,499	11,679,631
Inventories	11	335,090	397,547
Investments accounted for using the equity method	12	1,643,802	12,382
Property, plant and equipment	13	874,479	895,182
Deferred tax assets	15	103,084	1,239
TOTAL NON CURRENT ASSETS		9,360,954	12,985,981
TOTAL ASSETS		34,987,979	32,218,929
CURRENT LIABILITIES			
Payables	16	1,113,559	1,371,041
Interest bearing liabilities	17	700,000	840,000
Current tax liabilities	18	-	646,113
Provisions	19	1,794,732	-
TOTAL CURRENT LIABILITIES		3,608,291	2,857,154
NON CURRENT LIABILITIES			
Deferred tax liabilities	18	334,982	99,919
TOTAL NON CURRENT LIABILITIES		334,982	99,919
TOTAL LIABILITIES		3,943,273	2,957,073
NET ASSETS		31,044,706	29,261,856
EQUITY			
Contributed equity	20	23,259,061	23,259,061
Retained profits	21	7,785,645	6,002,795
TOTAL EQUITY		31,044,706	29,261,856

The statement of financial position is to be read in conjunction with the accompanying notes.

	Note	2004 $	2003 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		4,716,639	17,026,369
Cash payments in the course of operations		(6,966,764)	(8,785,734)
Interest received		167,520	239,347
Borrowing costs paid		(160,606)	(355,474)
Income tax paid		(694,571)	(1,054,116)
Net cash provided by/(used in) operating activities	24(ii)	(2,937,782)	7,070,392
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(22,700)	(21,013)
Proceeds from sale of property, plant and equipment		347	4,808,484
Payments for joint venture entities		(1)	(1)
Dividend received from joint venture entity		705,000	-
Loans to related joint venture entities		(10,609,500)	(8,246,223)
Repayment from related joint venture entities		5,772,500	3,852,257
Net cash (used in)/provided by investing activities		(4,154,354)	393,504
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,356,037	8,068,000
Repayment of borrowings		(3,496,037)	(10,466,000)
Dividends paid		(897,366)	(897,366)
Net cash used in financing activities		(1,037,366)	(3,295,366)
Net increase/(decrease) in cash held		(8,129,502)	4,168,530
Cash at the beginning of the financial year		9,152,996	4,984,466
Cash at the end of the financial year	24(i)	1,023,494	9,152,996

The statement of cash flows is to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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

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

These accounting policies have been consistently applied.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Recognition of profit on development of property

Profit is recognised on an individual project basis using the percentage of completion method when the stage of project completion can be reliably determined, costs to date can be clearly identified, and the following can be reliably estimated:

- Total project revenues to be received; and
- Costs to complete.

Profit recognition does not normally commence until reasonable sales have been achieved and physical construction has commenced.

Stage of completion is measured by reference to an assessment of total costs incurred to date as a percentage of estimated total costs for each project.

The proportion of the project to which the percentage of completion method is applied is determined as the ratio of the expected revenue from sales to date on the project to the total expected project revenue.

Interest revenue

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

Sale of non-current asset

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

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

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(d) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(e) Taxation

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

Income tax expense is calculated on operating profit after permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses are only brought to account when their realisation is virtually certain.

(f) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

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

(g) Acquisition of assets

All assets acquired including property, plant and equipment and purchased intangible assets are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Property, plant and equipment and intangibles are then depreciated/amortised as outlined in (m). The carrying value of these assets are reviewed in accordance with accounting policy (l) non-current assets.

(h) Receivables

Settlement debtors

Settlement debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Land held for development

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, interest on funds borrowed for the development and holding costs until completion of development. Interest and holding charges incurred after full completion of a development are expensed.

(j) Construction work in progress

Valuation

Work in progress is carried at cost plus profit recognised using the percentage of completion method as outlined at (b). Provision for the total loss on a contract is made as soon as the loss is identified.

Cost includes land, development costs and other costs directly related to specific projects, and those which can be attributed to project activity in general and which can be allocated to specific projects on a reasonable basis.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

(k) Investments

Investment properties

Investment properties are carried at the lower of cost or recoverable amount.

Investment in joint venture entity

A joint venture entity is an entity which has a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

In these financial statements investments in joint venture entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount. The Company's equity accounted share of the joint venture entities' net profit or loss is recognised in the statement of financial performance from the date joint control commenced until the date joint control ceases.

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

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

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

Certain non-current assets have not been revalued. Valuations are performed on a three year basis in accordance with Company policy.

(m) Depreciation and amortisation

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method or reducing balance method over their useful lives. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

Offices	2.5%
Office furniture, fixtures and fittings	4%
Plant and equipment	20% - 40%

There has been no change in these rates since the prior financial year.

(n) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

	2004 $	2003 $

2. REVENUE FROM ORDINARY ACTIVITIES

Sales of development properties revenue	9,832,169	13,007,061

Other revenue

From operating activities:		
Rental income	25,370	259,277
Interest - other parties	167,520	239,347
Forfeited deposits	-	18,000
Management fees - associated entities	97,366	170,258
From non-operating activities:		
Proceeds from sale of investment	-	4,808,484
Proceeds from sale of non-current asset	347	-
Total other revenues	290,603	5,495,366
Total revenue from ordinary activities	10,122,772	18,502,427

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

Profit from ordinary activities before income tax is determined after (crediting)/charging the following items:

Cost of goods sold	8,074,844	10,276,372
Borrowing costs - other parties	160,606	355,474
Less: Borrowing costs capitalised to inventory	(125,003)	(332,134)
Add: Borrowing costs expensed to cost of goods sold	201,155	253,297
	236,758	276,637

Borrowing costs were capitalised to capital works in progress at a weighted average rate of 7.3% (2003:6.5%)

Depreciation/amortisation		
- offices	19,940	19,940
- office furniture, fixtures and fittings	5,874	6,998
- plant and equipment	16,613	17,454
	42,427	44,392
Net gain on sale of intangible asset	-	202
Net gain on sale of investments	-	358,229
Net loss on sale of property, plant and equipment	(628)	-
Net gain/(loss) on sale of property, plant and equipment	(628)	358,431

	2004 $	2003 $

4. AUDITORS' REMUNERATION

Remuneration of the auditor for:

Audit services		
Auditors of the Company - KPMG		
- Audit and review of financial reports	33,600	31,900
Other services		
Auditors of the Company – KPMG		
- Taxation services	4,900	5,500
- Accounting advice and assistance	17,150	14,150
	55,650	51,550

5. INCOME TAX EXPENSE

Prima facie tax expense on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%	1,379,618	1,107,214
Add: Tax effect of non-deductible items	5,647	306
Less: Tax effect of share of joint venture entities' net profit	(1,244,493)	(559,287)
Less: Income tax (over)/under provided in prior year	(16,995)	1,083
Income tax expense attributable to operating profit	123,777	549,316

Income tax expense attributable to operating profit is made up of:

Current income tax provision	7,554	708,279
Deferred income tax provision	235,063	(164,082)
Future income tax benefit	(101,845)	4,036
(Over)/under provision in prior year	(16,995)	1,083
	123,777	549,316

6. DIRECTORS' REMUNERATION

The Company's policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Details of the nature and amount of each major element of the emolument of each Director of the Company and the named officers of the Company are:

Directors	Base Emolument $	Superannuation $	Commission $	Options issued (**)	Total $
Executive					
Mr John Chan	20,682	2,045	*	36,895	59,622
Mr Richard Rimington	20,682	2,045	*	28,671	51,398
Non-executive					
Mr John Cheak	20,682	2,045		12,902	35,629
Mr Kee Kong Loh	20,682	2,045		12,902	35,629
Mr Paul Rengel	31,023	3,068		17,203	51,294
Officer					
Mr Darren Pateman	-	-	*	20,070	20,070

* refer to directors' report or Note 23 for further details of commission

** Options granted to directors and senior executives

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Finbar International Limited to the following Directors and to the following officers of the Company as part of their remuneration:

Options	Number of options granted	Exercise price	Vesting date	Expiry date
Directors				
John Chan	1,286,828	$0.30	5 Sep 04	5 Sep 06
John Cheak	450,000	$0.30	5 Sep 04	5 Sep 06
Kee Kong Loh	450,000	$0.30	5 Sep 04	5 Sep 06
Paul Rengel	600,000	$0.30	5 Sep 04	5 Sep 06
Richard Rimington	1,000,000	$0.30	5 Sep 04	5 Sep 06
Officers				
Darren Pateman	700,000	$0.30	5 Sep 04	5 Sep 06

All options were granted during the financial year. No options have been granted since the end of the financial year. For further details on options and their valuation refer to Directors' report.

Equity holdings and transactions

	Held at 1 July 2003	Purchases	Sales	Held at 30 June 2004
Directors				
Mr Paul Rengel	23,000	-	-	23,000
Mr John Chan	15,313,019	1,003,950	-	16,316,969
Mr John Cheak	23,553,996	-	-	23,553,996
Mr Kee Kong Loh	23,605,996	-	-	23,605,996
Richard Rimington	7,071,860	118,388	-	7,190,248
Officers				
Darren Pateman	-	-	-	-

Refer to Note 23 for details of Director related transactions and Director related balances at 30 June 2004.

7. DIVIDENDS

Dividends

Proposed or paid by the Company are:

	Cents per share	Total Amount	Date of Payment	Franked Rate	Percentage Franked
2004					
2004 Final ordinary					
- Declared	2.0	1,794,732	22 November 2004	30%	100%
2003 Final ordinary					
- Paid	1.0	897,366	20 November 2003	30%	100%
		2,692,098			
2003					
2002 Final ordinary					
- Paid	1.0	897,366	20 November 2002	30%	100%
Over accrued for 2002					
final dividend		(9,650)			
		887,716			

	2004 $	2003 $
30% franked credits available to shareholders for subsequent financial years	1,360,062	748,273

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

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

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and

(d) Franking credits that the entity may be prevented from distributing in subsequent years.

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

8. EARNINGS PER SHARE

	2004 $	2003 $
Earnings reconciliation		
Net profit	4,474,948	3,141,396
Earnings	4,474,948	3,141,396
Weighted average number of shares used as denominator		
Number for basic earnings per share		
Ordinary shares	89,736,576	89,736,576
Number for diluted earnings per share		
Ordinary shares	89,736,576	89,736,576
Effect of share options	3,675,511	-
	93,412,087	89,736,576

Diluted earnings per share was not materially different from basic earnings per share.

Classification of Securities

There were 4,486,828 options issued on 5 September 2003 vesting on 5 September 2004.

The exercise price of the options is $0.30 and they expire on 5 September 2006.

9. SEGMENT REPORTING

The Company operates predominantly in the property development sector.

The Company operates wholly in one geographical segment being Western Australia.

	2004 $	2003 $

10. RECEIVABLES

Current		
Settlement debtors	3,772,565	663,173
Amounts receivable from related parties	13,402,132	3,290,000
Other debtors	587,505	622,374
	17,762,202	4,575,547
Non-current		
Amount receivable from related parties	6,404,499	11,679,631

The amounts receivable from related parties relates to loans to the joint venture entities referred to in Note 12. The loans are repayable after the completion of the development for which the joint venture has been established. No interest is currently payable on the loans and each loan is unsecured.

11. INVENTORIES

Current		
Finished units on hand – at cost	-	945,593
Work in progress:		
Development projects under construction	2,063,060	1,651,529
	2,063,060	2,597,122
Current contract costs incurred to date:		
Land at cost	497,826	1,312,062
Development costs capitalised including rates, interest, taxes and other amounts	256,456	339,467
Profit recognised to date	1,308,778	-
	2,063,060	1,651,529
Non-current		
Work in progress:		
Development projects under construction	335,090	397,547
Non-current contract costs incurred to date:		
Land at cost	246,620	50,000
Development costs capitalised	88,470	347,547
	335,090	397,547

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Current

Investments in joint venture entities

			Ownership interest		Investment carrying amount	
Name	Principal activities	Balance date	2004	2003	2004 $	2003 $
Boas Gardens Estate Pty Ltd	Property Development	30 June	50%	50%	2,827,701	2,184,713
Hamersley Road Joint Venture Pty Ltd	Property Development	30 June	50%	50%	12,008	722,230
78 Terrace Road Joint Venture Pty Ltd	Property Development	30 June	50%	50%	1,879,124	-
132 Terrace Road Joint Venture Pty Ltd	Property Development	30 June	50%	50%	1	1
					4,718,834	2,906,944

Non-current

Investments in joint venture entities

78 Terrace Road Joint Venture Pty Ltd	Property Development	30 June	50%	50%	-	7,453
175 Hay Street Joint Venture Pty Ltd	Property Development	30 June	50%	50%	673,199	4,927
Rivervale Concepts Pty Ltd	Property Development	30 June	50%	50%	970,602	-
188 Adelaide Terrace Joint Venture Pty Ltd	Property Development	30 June	50%	50%	1	-
					1,643,802	12,382

	2004 $	2003 $
Results of joint venture entities		
The Company's share of the joint venture entities' results consist of:		
Revenues from ordinary activities	30,941,097	11,831,315
Expenses from ordinary activities	(25,012,702)	(9,167,894)
Profit from ordinary activities before income tax expense	5,928,395	2,663,421
Income tax expense relating to ordinary activities	(1,780,085)	(799,133)
Net profit – accounted for using the equity method	4,148,310	1,864,288

	2004 $	2003 $

Statement of financial position

The Company's share of the joint venture entities' assets and liabilities consist of:

Current assets	45,492,187	9,550,285
Non-current assets	5,350,984	13,705,466
Total assets	50,843,171	23,255,751
Current liabilities	36,466,092	8,317,161
Non-current liabilities	8,014,443	12,019,264
Total liabilities	44,480,535	20,336,425
Net assets - accounted for using the equity method	6,362,636	2,919,326

Refer to Note 23 for details of commitments and contingencies.

Share of post-acquisition retained profits attributable to joint venture entities

Share of joint venture entities' retained profits at beginning of year	2,919,320	1,055,032
Share of joint venture entities' net profit	3,443,309	1,864,288
Share of joint venture entities' retained profits at end of year	6,362,629	2,919,320

Movements in carrying amount of joint venture entities

Carrying amount at beginning of year	2,919,326	1,055,037
Investment in joint venture entities acquired during the year	1	1
Share of joint venture entities' net profit	4,148,309	1,864,288
Less: Dividend received from joint venture entity	(705,000)	-
Carrying amount at end of year	6,362,636	2,919,326

13. PROPERTY, PLANT AND EQUIPMENT

Offices at cost	798,450	798,450
Less: Accumulated depreciation	(54,521)	(34,581)
	743,929	763,869
Office furniture, fixtures and fittings at cost	78,426	78,426
Less: Accumulated depreciation	(28,618)	(22,742)
	49,808	55,684
Plant and equipment - at cost	144,175	124,476
Less: Accumulated depreciation	(63,433)	(48,847)
	80,742	75,629
Total property, plant and equipment	874,479	895,182

	2004 $	2003 $

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Offices

	2004 $	2003 $
Carrying amount at beginning of year	763,869	782,955
Additions	-	854
Depreciation	(19,940)	(19,940)
Carrying amount at end of year	743,929	763,869

Office furniture, fixtures and fittings

	2004 $	2003 $
Carrying amount at beginning of year	55,684	62,682
Additions	-	-
Disposals	-	-
Depreciation	(5,874)	(6,998)
Carrying amount at end of year	49,808	55,684

Plant and equipment

	2004 $	2003 $
Carrying amount at beginning of year	75,629	72,923
Additions	22,700	20,160
Disposals	(974)	-
Depreciation	(16,613)	(17,454)
Carrying amount at end of year	80,742	75,629

14. OTHER ASSETS

Current

	2004 $	2003 $
Prepayments	1,536	339

15. DEFERRED TAX ASSETS

Current

	2004 $	2003 $
Income tax refund receivable	57,899	-

Non-current

	2004 $	2003 $
Future income tax benefit	103,084	1,239

16. PAYABLES

Current

	2004 $	2003 $
Trade creditors	193,804	22,364
Other creditors and accruals	919,755	1,348,677
	1,113,559	1,371,041

	2004 $	2003 $

17. INTEREST BEARING LIABILITIES

Current		
Secured liabilities:		
Standby facility	700,000	840,000

Refer to Note 25 for terms and conditions.

18. TAX LIABILITIES

Current

Income tax payable	-	646,113

Non-current

Deferred income tax	334,982	99,919

19. PROVISIONS

Current

Dividends	1,794,732	-

Reconciliations

Reconciliations of the carrying amounts of each class of provision:

Dividends

Carrying amount at beginning of year	-	897,366
Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	(897,366)
Provisions made during the year:		
Final dividend 2004	1,794,732	-
Final dividend 2003	897,366	-
Final dividend 2002	-	897,366
Adjustment over accrued 2002	-	(9,650)
Payments made during the period	(897,366)	(887,716)
Carrying amount at the end of year	1,794,732	-

20. CONTRIBUTED EQUITY

Issued and paid up capital

89,736,576 (2003:89,736,576) ordinary shares, fully paid	23,259,061	23,259,061

Terms and conditions of shares

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

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

	2004 $	2003 $

21. RETAINED PROFITS

Retained profit at beginning of the year	6,002,795	2,861,399
Increase in retained profits due to changes in accounting policies on adoption of:		
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	887,716
Net profit attributable to members of the Company	4,474,948	3,141,396
Dividends recognised during the year	(2,692,098)	(887,716)
Retained profits at end of the year	7,785,645	6,002,795

22. COMMITMENTS AND CONTINGENT LIABILITIES

Joint Venture entity commitments

Share of development commitments of the joint venture entities not provided for, and payable:

Within one year	26,949,301	16,567,959
Later than five years	-	3,133,431
	26,949,301	19,701,390

Guarantees

Finbar has provided a $19,850,000 guarantee to BankWest and Westpac for security on a finance facility in 78 Terrace Road Joint Venture Pty Ltd.

Finbar has also provided a $285,175 guarantee to Commonwealth Bank, which is equal to 2.5% of the building contract value for the first two stages of the project undertaken by Rivervale Concepts Pty Ltd.

23. RELATED PARTIES

The names of each person holding the position of Director of Finbar International Limited during the financial year are:

Mr Paul Rengel

Mr John Chan

Mr John Cheak

Mr Kee Kong Loh

Mr Richard Rimington

Details of Directors' remuneration and retirement benefits are set out in Note 6. Apart from the detail disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interest subsisting at year end.

Directors' holdings of shares and share options

The interests of Directors of the Company and their Director-related entities in shares of the Company at year end are set out below:

	2004 Number	2003 Number
Finbar International Limited		
- ordinary shares	70,690,209	69,567,871
- options	3,786,828	-

Other transactions with the Company

The Company has entered into a management agreement ("the agreement") with J & R Management Pty Ltd ("J & R Management") for the provision of executive management, project management and company secretarial services to the Company for a period of three years from 1 July 1998. This agreement was renewed for a further period of three years from 1 July 2001 and amended by way of variation as approved by shareholders at a general meeting on 26 June 2003. Mr John Chan and Mr Richard Rimington are Directors and shareholders of J & R Management. Mr Darren Pateman is employed by J & R Management. The agreement provides for the payment of a commission of 8% of pre-tax profits of the Company in each financial year. For the year to 30 June 2004 this commission amounts to $566,725 (2003: $390,176) which has been accrued in these financial statements. In addition, the management agreement also provides for a monthly fee of $26,261 (2003: $26,261) to be paid to J & R Management. The amount paid was $314,592 (2003: $315,132) to 30 June 2004.

The variation approved by shareholders on 26 June 2003 included a clause to pay J & R Management Pty Ltd 50% of the management fee payable to the Company by Boas Gardens Estate Pty Ltd. This fee payable to J & R Management totalled $48,684 (2003:$163,496). The grand total of commission plus fees payable to J & R Management was $930,002 (2003:$868,804).

The Company received rental income and reimbursement of outgoings from J & R Management for the use of office space within the offices at 15 Labouchere Road, South Perth.

Other than as outlined above, the terms and conditions of the transactions with Directors and Director related entities were no more favourable than those available, or which might be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The value of transactions during the year with Directors and their Director-related entities were as follows:

Director	Director-related entity	2004 $	2003 $
Mr J Chan and Mr R Rimington	J & R Management Pty Ltd - Management fee paid	930,002	868,804
	- Rent and outgoings received	(20,830)	(17,263)

Amounts payable to and receivable from Directors and their Director-related entities at balance date arising from these transactions were as follows:

Current receivables

J & R Management Pty Ltd	22,912	12,926

Current liabilities

J & R Management Pty Ltd	363,736	252,319

Non-director related parties

The classes of non-Director related parties are:

- Joint venture entities; and
- Directors of related parties and their director-related entities.

Joint Ventures

The Company has entered into the following joint venture entities with Wembley Lakes Estates Pty Ltd:

- Rivervale Concepts Pty Ltd
- 78 Terrace Road Joint Venture Pty Ltd
- 175 Hay Street Joint Venture Pty Ltd
- Hamersley Road Joint Venture Pty Ltd
- 132 Terrace Road Joint Venture Pty Ltd
- 188 Adelaide Terrace Joint Venture Pty Ltd

Richard Rimington is a director of Wembley Lakes Estates Pty Ltd.

Both Richard Rimington and John Chan have interests in, but not control of, Wembley Lakes Estates Pty Ltd.

Transactions

All transactions with non-Director related parties are on normal terms and conditions.

	2004 $	2003 $
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-Director related parties are:		
Management fee revenue		
Joint Venture entities	97,367	170,758
The aggregate amounts receivable from non-Director related entities are:		
Receivables		
Current		
Loans to joint venture entities	10,457,132	3,290,000
Non-current		
Loans to joint venture entities	6,404,499	11,679,631

24. NOTES TO STATEMENT OF CASH FLOW

(i) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes:

(i) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) Investments in money market instruments with less than 14 days to maturity.

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

Cash	1,023,494	9,152,996

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after income tax	4,474,948	3,141,396
Items classified as investing/financing activities		
Profit/(loss) on sale of non-current assets	628	(358,431)
Non-cash items in operating profit		
Depreciation and amortisation	42,427	44,392
Income from joint ventures equity accounted	(4,148,310)	(1,864,288)

	2004 $	2003 $
Net cash provided by operating activities before change in assets and liabilities	368,693	5,357,035
Changes in assets and liabilities		
Increase/(decrease) in income taxation payable	(646,113)	(345,443)
(Decrease)/increase in deferred taxes payable	235,063	(164,082)
(Increase)/decrease in settlement and other debtors	(3,074,521)	(640,408)
(Increase)/decrease in other assets	(1,197)	7,637
Decrease/(increase) in inventory	596,519	5,169,166
(Decrease)/increase in trade creditors and accruals	(257,482)	795,601
(Increase)/decrease in deferred tax assets	(159,744)	4,036
Cash flows from operating activities	(2,937,782)	7,070,392

25. FINANCING ARRANGEMENTS

The Company has access to the following lines of credit:

Total facilities available		
Standby facility	700,000	700,000
Commercial bills	-	840,000
	700,000	1,540,000
Facilities utilised at balance date:		
Standby facility	700,000	-
Commercial bills	-	840,000
	700,000	840,000
Facilities not utilised at balance date:		
Standby facility	-	700,000
Commercial bills	-	-
	-	700,000

Standby facility

The standby facility is secured by registered first mortgage over office, land and buildings of the Company. The carrying amount of these land and buildings at 30 June 2004 was $743,929 (2003:$763,869).

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

Interest rate risk exposures

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

2004	Fixed int. rate $	Floating int. rate $	Non-interest bearing $	Total carrying Amount $	Weighted avg effective int. %
Financial Assets					
Cash	-	1,023,494	-	1,023,494	5.1%
Receivables	-	-	24,166,701	24,166,701	-
Total	-	1,023,494	24,166,701	25,190,195	
Financial Liabilities					
Trade creditors	-	-	193,804	193,804	
Other creditors and					
accruals	-	-	919,755	919,755	
Commercial bills	-	700,000	-	700,000	7.3%
Total	-	700,000	1,113,559	1,813,559	

2003	Fixed int. rate $	Floating int. rate $	Non-interest bearing $	Total carrying Amount $	Weighted avg effective int. %
Financial Assets					
Cash	-	9,152,996	-	9,152,996	4.80
Receivables	-	-	16,255,178	16,255,178	
Total	-	9,152,996	16,255,178	25,408,174	
Financial Liabilities					
Trade creditors	-	-	22,364	22,364	
Other creditors and					
accruals	-	-	1,348,677	1,348,677	
Commercial bills	-	840,000	-	840,000	6.50
Total	-	840,000	1,371,041	2,211,041	

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

(c) Net fair value of financial assets and liabilities

Net fair value of financial assets and liabilities are determined by the Company on the following basis:

The net fair value of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by the value of contractual or expected future cash flows on amounts due from customers or associated entities (reduced for expected credit losses) or due to suppliers. The carrying amounts of cash receivables and payables approximate net fair value.

27. EVENTS SUBSEQUENT TO BALANCE DATE

International Financial Reporting Standards

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

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Company's financial reports in the future.

The potential impacts on the Company's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Company has not precisely quantified the effects of IFRS, however management believes the key potential implications of the conversion to IFRS include:

- Joint venture entities: under IFRS, entities can adopt either the equity accounting or proportional consolidated method for accounting for joint venture entities;
- Financial instruments: under IFRS, financial instruments will generally be recognised on the statement of financial position at fair value;
- Borrowing costs: under IFRS, borrowing costs in respect of qualifying assets may be expensed rather than capitalised into the value of assets; and
- Taxation: under IFRS, tax assets and liabilities are recognised using the balance sheet approach rather than an income statement approach. In addition, tax assets are recognised when recovery is probable rather than assured beyond a reasonable doubt and/or virtually certain.

directors' declaration

In the opinion of the Directors of Finbar International Limited:

(a) The financial statements and notes, set out on pages 9 to 37, are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of the financial position of the Company as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

J Chan - Managing Director
Dated at Perth this 13th day of August 2004.

INDEPENDENT AUDIT REPORT

to members of Finbar International Limited

KPMG

Scope

The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for Finbar International Limited (the "Company"), for the year ended 30 June 2004.

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

Audit approach

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

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

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

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

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

Independence

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

Audit opinion

In our opinion, the financial report of Finbar International Limited is in accordance with:

a) The *Corporations Act 2001*, including:

  i Giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the financial year ended on that date; and

  ii Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) Other mandatory professional reporting requirements in Australia.

KPMG

KPMG

BC Fullarton

B C FULLARTON
Partner

Perth
13 August 2004

The number of shares held by the substantial shareholders as at 30th June 2004 were:

Name	Shares	%
Chuan Hup Holdings	23,553,996	26.25
Apex Equity Holdings Berhad	13,977,746	15.58
Hamlet Management Limited	8,248,098	9.19
Blair Park Pty Ltd	6,074,823	6.77

Distribution of Shareholders (as at 30th June 2004):

Range	Holders	Units
1-1000	48	22,000
1,001-5,000	74	230,711
5,001-10,000	48	412,750
10,001-100,000	96	2,996,187
1000,001- over	36	86,074,928
	302	89,736,576

Twenty Largest Shareholders as at 30th June 2004:

	Number of Ordinary Shares Held	%
Chuan Hup Holdings	23,553,996	26.25
Apex Equity Holdings Berhad	13,977,746	15.58
Hamlet Management Limited	8,248,098	9.19
Blair Park Pty Ltd	6,074,823	6.77
Charldon Inc	2,721,932	3.03
Onsui Pty Ltd	2,676,832	2.98
Mr Ah Hwa Lim	2,499,320	2.79
Baguio International Limited	2,400,000	2.67
Apex Investments Pty Ltd	2,246,922	2.50
Onsui Pty Ltd	2,023,051	2.25
Phoenix Properties Pty Ltd	2,000,000	2.23
Fastlink International Limited	1,960,000	2.18
Dynamic Corporation Pty Ltd	1,917,379	2.14
Maju Makmur Nominees	1,800,000	2.01
Mr Guan Seng Chan	1,496,000	1.67
Mr Wan Soon Chan	1,409,500	1.57
Mr Wan Kah Chan & Mrs Mui Tee Chan (Chan Family S/F A/C)	1,095,175	1.22
Nefco Nominees Pty Ltd	1,045,200	1.16
Forward International Pty Ltd	1,008,896	1.12
Mr Toru Fujii	959,136	1.07
Top 20	81,114,007	90.38

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