

Copy Announcement Office

Re: Tamawood Incentive Share Plan

Dear to whom it may concern

The directors of Tamawood Limited have today approved a new employee share incentive plan.

The Tamawood Incentive share Plan Information booklet has been lodged with ASIC today. Tamawood will not accept applications for shares or complete the Offer of shares until 7 days after the date of the Offer Information Document.

The total number of Tamawood Shares offered is up to 995,000. The proposal offer price of these shares is the volume weighted average price during the one week period up to and including the issue date.

The proposed application for quotation of these shares will be 22<sup>nd</sup> December 2003

Regards

Geoff Acton  
Company Secretary

TAMAWOOD LTD  
1821 Ipswich Rd  
Rocklea QLD 4106  
[www.tamawood.com.au](http://www.tamawood.com.au)

*Version No 1 (clean)*  
27/11/03

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## Offer Letter

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Date: 27 November 2003

To **[name of employee]**,

On behalf of the Board, we are delighted to offer you this opportunity to become a shareholder of Tamawood. You are offered **[number of Tamawood shares]** on the terms of the Plan as summarised in the accompanying Offer Information Booklet.

If you are offered 20,000 shares or more, then the Plan's competitive restraints apply to you, meaning that by accepting the offer, you are also accepting the Plan's competitive restraints – see section 12 of the Offer Information Booklet.

The Board recognises that you are an integral part of Tamawood's success. We ask you to consider this opportunity to become a shareholder in the company and share in Tamawood's continued growth and ongoing success.

Since listing in August 2000, the company has paid out 43 cents including franking credits per 50 cent share and during this time our share price has risen from its issue price of 50 cents to around \$1.70.

The Plan has been designed so that you are protected from loss, but you only receive the full benefit of any further increase in Tamawood's share price if you remain with Tamawood for 5 years, or in effect a pro rata benefit if you leave within 2 to 5 years, after the shares are issued to you. This is explained in the accompanying Offer Information Booklet.

The total offer to employees is 995,000 shares at a price to be determined in accordance with the Tamawood Incentive Share Plan (being the average trading price over the week up to and including the issue date).

To participate in this offer, you will need to return this form **before 12 December 2003** to the Plan administrator, Pitcher Partner Registries (Share Plan) Pty Ltd at Level 22 300 Queen Street, Brisbane QLD 4000, or fax 07 3221 3149. If you have any questions about the Tamawood Incentive Share Plan or if you need assistance, please contact the Plan administrator on ph 07 3228 4260.

We are excited about the future prospects of Tamawood, especially given our anticipated market share gains in South East Queensland and our planned geographic expansion through franchising.

We urge you to read the accompanying Offer Information Booklet in its entirety and join us in developing the largest building franchise in Australia.

Yours sincerely,

Director

Director

TAMAWOOD LTD  
1821 Ipswich Rd  
Rocklea QLD 4106  
[www.tamawood.com.au](http://www.tamawood.com.au)

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# **Tamawood Limited**

ACN 010 954 499

## **Tamawood Incentive Share Plan**

### **Offer Information Booklet**

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TAMAWOOD LTD  
1821 Ipswich Rd  
Rocklea QLD 4106  
[www.tamawood.com.au](http://www.tamawood.com.au)

*Version No 1 (clean)*  
27/11/03

## **Disclaimer**

This booklet is an Offer Information Statement within the meaning of the Corporations Act. It is dated 27 November 2003 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Offer Information Statement or the merits of the investment to which this Offer Information Statement relates. No Shares will be allotted, issued or sold on the basis of this Offer Information Statement later than 13 months after the date of this Offer Information Statement. Tamawood will not accept applications for shares or complete the Offer of Shares until 7 days after the date of the Offer Information Statement or such later date as is notified in writing to Tamawood by ASIC (being no later than 14 days after the date of this Offer Information Statement). No preference will be given to applications received during this exposure period.

This document is an Offer Information Statement and not a prospectus and, accordingly, has a lower level of disclosure requirements than a prospectus. It is important that you read this Offer Information Statement in its entirety before deciding to invest in Tamawood. You should carefully consider the risk factors that could affect the financial performance of Tamawood in light of your personal circumstances (including financial and taxation issues). Advice contained in this document and any advice given in connection with the Tamawood Incentive Share Plan is general advice only, and you should seek professional financial product advice from your accountant, stockbroker, solicitor or other independent professional adviser licensed by ASIC to give such advice, before deciding whether to invest.

The Offer Information Statement does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the shares or the offer, or otherwise to permit a public offering of shares, in any jurisdiction outside Australia. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Offer Information Statement is provided for the exclusive use of the management and employees of Tamawood Limited and its subsidiaries for the purposes of the Tamawood Incentive Share Plan. Any other party wishing to obtain a copy of this document (whether in paper form or electronically), or to make any use thereof, must first obtain Brash Consulting Pty Limited's written consent. Any unauthorised downloading or use may result in legal action. This document is protected by the laws of copyright and confidentiality and actions will be taken to remedy any breach.

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**TAMAWOOD INCENTIVE SHARE PLAN**  
**OFFER INFORMATION STATEMENT**

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## **PART 1: OVERVIEW**

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## 1. Overview of this Booklet

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The purpose of this booklet is to:

- explain the key terms and conditions upon which you are being offered shares in Tamawood Limited ('Tamawood') and a loan under the Tamawood Incentive Share Plan ('Tamawood ISP' or 'the Plan'),
- provide you with a summary of the key features of the Plan, and
- provide you with financial and other information regarding Tamawood.

Accompanying this booklet is the offer letter in which the Board of Tamawood invites you to apply for a prescribed number of shares in Tamawood, and offers you a loan to fund the acquisition of the shares (the 'Plan loan').

You can accept this offer by filling out the [Application Form](#) on page 78 of this booklet.

Offers under the Plan are made pursuant to the Tamawood ISP [Plan Rules](#). Broadly speaking, most of what you need to know about this offer is contained in this booklet. The Plan Rules provide the remaining legal framework for your participation in the Plan. A copy of the Plan Rules is available upon request and without charge from the Plan administrator.

To find out about particular aspects of Tamawood and the Plan, follow the links in the table below.

To find out about...	Go to pages...
<b>Details of the Offer</b> – a summary of the current offer being made to employees of Tamawood.	3 to 5
<b>Offer</b> – a summary of the terms of issue of shares	6 to 18
<b>Company Information</b> - information about Tamawood's business, the proposed use of funds raised, investment overview, risk analysis and financials.	19 to 58
<b>General ESOP Information</b> – Plan objectives and answers to key questions.	60 to 63
<b>Consolidated Case Study</b> – an example of the financial implications of the Plan for a sample participant.	64 to 67
<b>Tax Summary</b> – a summary of the tax obligations that may arise from your participation in the Plan.	68 to 70
<b>Definitions</b> – a guide to technical terms	72 to 75

*You will need to satisfy yourself of the risks and benefits of investing in shares in Tamawood and if you consider it appropriate, seek your own professional advice. All assumptions and figures used in the booklet are hypothetical and should not be taken as indicating future expected performance levels of Tamawood.*

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## 2. Details of the Offer

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### 2.1 How will the Plan Work?

Shares will be issued direct to employees in their own names and at market value, and the full subscription price will be funded by a loan from Tamawood to employees with a similar interest rate and similar loss protection as applies under Tamawood's existing employee share plan – ie:

- an interest rate equal to the current variable home loan rate, and
- loss protection where the market value of the employee's shares are less than the employee's outstanding loan.

The shares will carry voting rights, dividend rights and other shareholder benefits, and dividends paid on the shares will be applied against the principal of the loan outstanding.

There are two main differences compared with the current Plan:

- employees will acquire all shares up-front in their own names (rather than through a trustee),
- but the shares will be subject to 'vesting rules' - ie:
  - γ employees cannot sell the shares until they vest,
  - γ at the end of each year for 5 years from issue of the shares (except for the first year), a percentage of the shares issued to each employee will vest, meaning that subject to paying off the loan, the employee will be free to hold, sell or transfer the shares, and
  - γ if the employee leaves Tamawood during the 5-year vesting period, those shares not vested will be forfeited according to the following scale.

### 2.2 Vesting & Forfeiture Scale

Shares offered to employees under the Plan will vest over a pre-determined vesting period to ensure that employees are appropriately rewarded for their loyalty to the Company. The vesting/forfeiture scale is as follows:

Employee leaves Tamawood during year...	% Vested	% Forfeited
1	0%	100%
2	10%	90%
3	25%	75%
4	45%	55%
5	70%	30%
6 +	100%	0%

### 2.3 Indicative Timetable

The proposed timetable is as follows:

- application opening date: 10 December 2003
- application closing date: 19 December 2003, and
- share issue date: 22 December 2003.

All dates are subject to change and are indicative only. Tamawood reserves the right to close the offer before 19 December 2003 or to extend the offer beyond 22 December 2003 without prior notice.

### 2.4 Key Offer Statistics

Key statistics are as follows:

Total number of Tamawood shares offered	995,000
Total expected ordinary shares on issue after completion of the offer (if full take-up)	29,625,392
Offer price per share	Volume-weighted average price during the one-week period up to and including the issue date.

### 2.5 Risks

Applicants are urged to consult their professional advisers before making an investment decision. There are a number of specific risks in undertaking this investment. These risks are discussed in section 7 of this booklet.

### 2.6 Taxation

As explained in Section 12, no tax should be payable by you when you receive your shares. In general terms, tax should not be payable until dividends are paid on your shares, or if and when you sell your shares for a gain.

### 2.7 How to Apply & Issue of Shares

If you wish to participate in the Plan:

- Read this booklet to familiarise yourself with the basic features of the Plan. You are encouraged also to familiarise yourself with the Plan Rules, which provides the legal framework for the Plan. A copy can be obtained from the Plan administrator.
- If you are in agreement with the terms proposed, complete the Application Form and the 2 Share Transfer Forms in Part 6 at page 59 of the booklet, in accordance with the instructions set out on page 77. Applications for shares can only be made on the Application Form contained at the back of this booklet.
- If you have any queries on the Plan, how to complete the Application Form or Share Transfer

Forms, or if you require additional copies of this booklet, you should contact the Plan administrator, Pitcher Partner Registries (Share Plan) Pty Ltd or your adviser.

- The completed and signed Application Form and the 2 Share Transfer Forms must be received by the Plan administrator, Pitcher Partner Registries (Share Plan) Pty Ltd, by no later than 5:00 pm on 19 December 2003, subject to Tamawood's right to change the application closing date without prior notice. Late applications generally will not be accepted. If you are late due to special circumstances (for instance, if you were overseas and had not been notified of the offer), you should contact the Plan administrator as soon as possible.

You can either mail the documents to:

**Share Registry**

Pitcher Partner Registries (Share Plan) Pty Ltd  
Level 22  
300 Queen Street  
BRISBANE QLD 4000

or you can fax them to 07 3221 3149.

- The Board of Tamawood will then consider your application, and resolve in its absolute discretion to either:
  - γ accept your application in full,
  - γ accept your application in part, or
  - γ reject your application.
- Upon acceptance of your application, whether in full or in part, as soon as practicable after the closing date of the offer, the Board will make arrangements for:
  - γ shares in Tamawood to be acquired in your name (note: it is upon the allotment of your shares that you gain any rights and become entitled to participate in the Plan, not upon completion of the Application Form, and except for the special rights and restrictions set out in this booklet or the Plan Rules, your shares in Tamawood will carry the same shareholder rights as other ordinary shares in Tamawood, including rights to dividends declared by the Board of Tamawood from time to time subject to dividends being applied towards the loan – see section 3.5 below),
  - γ the necessary Plan loan funds to be advanced to you in accordance with the terms and conditions set out in this booklet,
  - γ details of your shares to be entered in the register of shareholders in your name (note: shares acquired under the Plan can only be registered in your name), and
  - γ a statement of holding which complies with Tamawood's Constitution and all other applicable law in respect of the shares to be despatched to you within 14 days of allotment.

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## **PART 2: OFFER**

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## 3. Offer

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### 3.1 The Plan

The Tamawood Incentive Share Plan ('the Plan') was approved by the Board of Tamawood Limited on 26 November 2003. The Plan is constituted by a set of rules ('the Plan Rules'), governing the provision of shares in Tamawood Limited to employees of Tamawood Services Pty Ltd, which is 100%-owned by Tamawood Limited.

In this booklet, **Tamawood** refers to both Tamawood Services Pty Ltd and Tamawood Limited.

A copy of the Plan Rules is available on request from the Plan administrator, being Pitcher Partners Registries (Share Plan) Pty Ltd. Subject to applicable law, the Board has the power to make such amendments to the Plan Rules as the Board thinks fit and, unless otherwise stipulated by the Board, any such amendment shall apply both to existing participants and to any participant joining the Plan after the date of the amendment.

In this booklet, **Plan administrator** refers to Pitcher Partners Registries (Share Plan) Pty Ltd or any other person or entity appointed by the Board as Plan administrator. The Plan administrator should be the initial point of contact for all queries in relation to the Plan, and is contactable on 07 3228 4260 or by mail (see section 2.7 above) or fax on 07-3221 3149.

### 3.2 Your Offer

You are invited to participate in the Tamawood Incentive Share Plan ('the Plan') on the following terms and subject to the Plan Rules ('the Plan Rules') approved by the Board of Tamawood on 26 November 2003, as amended from time to time.

In this booklet, **you** means the person named in the accompanying offer letter dated 27 November 2003.

### 3.3 Overview

The key features of your offer are as follows:

- Shares will be issued direct to you at a price equal to the market value of the shares on issue for tax purposes – ie the one-week weighted average price of the shares up to and including the date of issue.
- The full subscription price will be funded by a loan from Tamawood.
- The loan will have an interest rate of 6.55% (being the current benchmark bank housing loan interest rate – see section 3.5 below) fixed for 5 years and to be updated or varied by the Board thereafter.
- The shares will attract voting rights, dividends rights and other shareholder benefits (except that dividends paid on the shares will be applied against the principal of the loan outstanding).
- Although you will acquire your shares up-front in your own name, your shares will be forfeited if

you leave Tamawood during the first 5 years after issue in accordance with the forfeiture scale in section 2.2 above, unless the Board determines otherwise (say on the basis that you are a 'good leaver').

- Your shares may be sold or transferred once you have remained employed with the Tamawood group for the requisite period according to the scale in section 2.2 above.

### 3.4 Why Employees Benefit from an ESOP

By participating in the Plan, you are able to:

- purchase shares in Tamawood Limited;
- receive certain information about the affairs of Tamawood, including receipt of Tamawood's annual report;
- attend and vote at shareholder meetings on key issues affecting the affairs of Tamawood; and
- earn rewards in the form of dividends and an increase in share value if/when Tamawood's shares perform well on the market.

#### **Example 1: Benefits of Participation**

Assume:

- John acquires 100 shares in Tamawood for \$1.70 each (being the one-week weighted average price of a Tamawood share up to and including the date of issue),
- John remains employed for the full five-year share vesting period,
- Tamawood shares have a dividend yield of 5% per annum, and
- Tamawood shares increase in value by 10% per annum<sup>1</sup>.

The table below shows John's net position at the end of each year.

	Year 1	Year 2	Year 3	Year 4	Year 5
Realisable value	\$1.870	\$2.057	\$2.263	\$2.489	\$2.738
Less loan outstanding (see section 3.5 below)	(1.730)	(1.734)	(1.770)	(1.776)	(1.772)
<b>Net position (before tax) per share</b>	<b>\$0.140</b>	<b>\$0.303</b>	<b>\$0.493</b>	<b>\$0.713</b>	<b>\$0.966</b>
Vested % (see section 2.2)	10%	25%	45%	70%	100%
Net position (before tax) - John's vested shares	1.400	7.575	22.185	49.910	96.600
Net position (before tax) - John's unvested shares	12.600	22.725	27.115	21.390	-
<b>Total potential position (before tax) – vested and unvested shares</b>	<b>\$14.000</b>	<b>\$30.300</b>	<b>\$49.300</b>	<b>\$71.300</b>	<b>\$96.600</b>

<sup>1</sup> This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

### 3.5 Loan

If your application for shares is successful, Tamawood will lend you the subscription price of your shares, at an interest rate of 6.55% (being the current benchmark bank housing loan interest rate – explained further below) which will be added to the loan. The Plan loan will be advanced to you by Tamawood for the sole purpose of providing funding to you for the acquisition of the shares you are being offered.

The loan (including accrued interest) is repayable by:

- the automatic application of dividends paid on the shares (and note: you cannot participate in Tamawood’s dividend reinvestment plan while your loan is outstanding), and
- the application of the proceeds on a sale of shares – and where only some of your shares are sold, only a corresponding proportion of the loan needs to be repaid (ie corresponding to the proportion which the number of shares sold bears to the number of all shares held that were acquired using the Plan loan).

#### **Example 2: Loan Position**

In the example above (see section 3.4), John’s outstanding loan on a per-share basis over a 5-year period will be as follows:

<b>Loan position</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Loan outstanding @ beginning of year	\$1.700	\$1.730	\$1.754	\$1.770	\$1.776
Add interest (@ 6.55%)	0.115	0.117	0.119	0.120	0.120
Less dividend applied against loan (assume @ end of year)	(0.085)	(0.094)	(0.103)	(0.113)	(0.124)
<b>Loan outstanding @ end of year</b>	<b>\$1.730</b>	<b>\$1.754</b>	<b>\$1.770</b>	<b>\$1.776</b>	<b>\$1.772</b>

If you wish to pay off the loan earlier (say, in order to eliminate ongoing interest costs, or in order to sell the shares once vesting periods have expired), you can make a one-off cash payment of the full outstanding loan amount, or you could simply request that any vested shares be sold on your behalf by the Plan administrator who will sell the shares and use the sale proceeds to repay the loan, forwarding any left-over amount to you (see section 3.8 below).

The interest rate on your Plan loan is 6.55% for the first 5 years, which is the current ‘Indicator Lending Rates – Bank variable housing loans interest rate’ as published by the Reserve Bank of Australia (which is the RBA’s standard variable rate used by banks to determine their home loan rates). After 5 years, the Board can update or vary the interest rate from time to time, subject to notifying you. For information on the current rate, you can visit the Reserve Bank of Australia’s website, located at <http://www.rba.gov.au/Statistics/Bulletin/F05hist.xls>. Your Plan loan will be interest-free as from 30 days after cessation of employment, as this is the time when the Plan administrator is entitled to effect repayment of your loan via a sale of your shares (see section 3.8) if your loan has not yet been repaid in full.

### 3.6 Security

The Plan loan, interest thereon and other obligations under the Plan will be secured by such method as determined by the Board or the Plan administrator from time to time (whether before or after shares are acquired). In particular, unless otherwise determined by the Board, the Plan administrator may execute a transfer of your shares on your behalf, and may use such other procedures and conditions as the Plan administrator deems appropriate, to enforce or discharge any of your obligations under the Plan.

### 3.7 Vesting & Forfeiture

The Plan is designed to reward loyalty, in that you will only receive the benefit of any increase in Tamawood's share price if you remain employed for at least one year after shares are issued, and the longer you remain employed thereafter during the first five years, the greater the proportion of the total benefit you will receive.

In particular, your shares will vest or forfeit according to the following scale:

**Example 3: How Vesting & Forfeiture Works**

CESSATION OF EMPLOYMENT: If, after your shares are issued, you leave Tamawood... <sup>1</sup>	FORFEITURE OF SHARES: Of your shares acquired under this offer, you will <i>forfeit</i> the following %:	VESTING OF SHARES: Of your shares acquired under this offer, you may <i>retain or sell</i> the following %:
During year 1	100%	0%
During year 2	90%	10%
During year 3	75%	25%
During year 4	55%	45%
During year 5	30%	70%
After year 5	0%	100%

<sup>1</sup> Note: An anniversary of the issue date is counted as part of the following year.

To facilitate these forfeiture restrictions:

- there will be a sale restriction on your shares preventing any sale, which to the extent of repayment of the Plan loan, would be partially released by the Plan administrator at the end of each year, or at the time you initiate a sale or transfer transaction,
- you are required to pre-sign transfer forms for your shares to ensure that if you leave Tamawood during the first 5 years after issue of your shares, an applicable number of shares (as per the table above) will be automatically transferred to Tamawood or the Plan administrator,
- forfeited shares will be either transferred to Tamawood or the Plan administrator,
- the price payable to you will be equal to, and offset against, your loan outstanding, so that in practice nothing will be payable by or to you, and
- Tamawood or the Plan administrator will subsequently cancel or sell the shares, with any proceeds either returned to Tamawood or applied at its direction, or used to benefit employees or charities at its direction.

### 3.8 Selling your Shares

Once your shares are vested (see section 3.7 above), you can sell them in one of two ways:

- you can request the Plan administrator to arrange a sale of your shares on the ASX through the Plan broker ('a Plan sale') – in this case, the Plan administrator will use the sale proceeds to pay off your loan outstanding and pay any surplus to you, or
- you first pay off your loan and then arrange a sale outside the Plan ('an independent sale').

#### **Example 4: Plan Sale**

Assume now that after 5 years the realisable value of the shares is \$2.74 each after allowing for brokerage (see section 3.4 above) and after interest has been added and dividends have been applied against the loan, John's outstanding loan is \$1.77 (see section 3.5 above)<sup>1</sup>. John elects to sell his shares on-market through the Plan administrator and the Plan broker. The Plan broker sells the shares for \$2.74 each (after deducting brokerage), and pays this to Tamawood Limited to apply \$1.77 per share towards John's loan and the balance of \$0.97 per share to John. John's position will be as follows:

Sale proceeds	\$2.74
Loan outstanding	(1.77)
<b>Surplus paid to John</b>	<b>\$0.97</b>

<sup>1</sup> This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

#### **Example 5: Independent Sale**

Assume again that after 5 years the realisable value of the shares is \$2.74 each after allowing for brokerage (see section 3.4 above) and after interest has been added and after dividends have been paid against the loan, John's outstanding loan remains at \$1.77 per share (see section 3.5 above)<sup>1</sup>. John decides to pay off his loan first from his own pocket and then dispose of his shares through a transaction independent of the Plan - eg using his own broker.

Loan repayment by John to Tamawood	(1.77)
Sale proceeds paid to John	\$2.74
<b>Gain</b>	<b>\$0.97</b>

<sup>1</sup> This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

In addition, at any time from 30 days after cessation of your employment with Tamawood, the Plan administrator can initiate a sale or transfer of your shares to the extent necessary to repay your loan (see Example 7 in section 3.9 below).

### 3.9 Loss Protection

Shares you acquire under the Plan will be loss-protected in that your outstanding loan balance will be capped at the realisable value of the shares.

Hence, if there is a decline in the value of shares you have acquired, you will not be required to repay the original amount of the loan, but only an amount equal to the realisable market value of your shares under the Plan. Also, if you are in a loss situation and your loan is due when you leave Tamawood, you can leave it to the Plan administrator to arrange a sale of your shares to repay your loan – ie you don't need to make any payment yourself if you don't want to.

This is best explained by reference to the 3 main ways you can access loss protection under the Plan:

- voluntary forfeiture during employment,
- loan repayment on cessation of employment, and
- arranging a Plan sale through the Plan administrator.

#### **Example 6: Voluntary Forfeiture during Employment**

John acquired his shares for \$1.70 each (see section 3.4 above). After nearly 2 years, now assume the market value of the shares has fallen to \$1.00 each but after interest has been added and after dividends have been paid against the loan, John's outstanding loan is then \$1.75 (see section 3.5 above). At that time, John elects to voluntarily forfeit 10% of his shares (ie the vested portion – see section 3.7 above), effectively 'handing them back' in full and final satisfaction of the loan, to take advantage of the Plan's loss protection feature. The Plan administrator elects to have the shares transferred to the Plan administrator for an amount equal to the loan outstanding.

Price payable by Plan administrator for transfer	\$1.00
Loan outstanding	(1.00) <sup>1</sup>
<b>Gain/loss</b>	

<sup>1</sup> Prior to the transfer, John's loan outstanding was \$1.80, but upon completion of the transfer, John's loan outstanding is in fact \$1.00 and the Plan administrator remits or credits Tamawood with the transfer price (\$1.00) to repay John's loan outstanding of the same amount (\$1.00), so that no amount will be payable to or by John. In short, John 'walks away' with no gain or loss.

### **Example 7: Loan Repayment on Cessation of Employment**

In practice, there is no real advantage in John 'handing the shares back' during employment, since John would lose the benefit of any later increase in Tamawood's share price. Suppose now that John continues to hold the shares until cessation of employment at the end of year 5, but Tamawood's share price has not recovered. The market value of the shares is still \$1.00 each and after interest has been added and after dividends have been paid against the loan, John's outstanding loan is then \$1.77. In this case, the loan is due for repayment 30 days after cessation of employment, but John knows he is in a loss situation and wants to take advantage of the Plan's loss protection feature. So he just leaves it to the Plan administrator to procure a transfer or arrange a sale of all his shares on the ASX in full and final satisfaction of his loan – ie John's loan outstanding would be limited to the net sale proceeds, as follows:

Net sale proceeds payable to John	\$1.00
Loan outstanding	(1.00) <sup>1</sup>
Gain/loss	-

<sup>1</sup> Prior to the sale, John's loan outstanding was \$1.77, but upon completion of the sale, John's loan outstanding is in fact \$1.00 and the Plan administrator remits or credits Tamawood with the net sale proceeds (\$1.00) to repay John's loan outstanding of the same amount (\$1.00), so that no amount will be payable to or by John. In short, John again 'walks away' with no gain or loss.

### **Example 8: Loss Protection under the Plan Sale Method**

Assume now that after nearly 2 years, the market value of the shares is \$1.80 each and after interest has been added and after dividends have been paid against the loan, the loan remains at \$1.75 (see section 3.5 above)<sup>1</sup>. At that time John elects to sell 10% of his shares (ie the vested portion – see section 3.7 above) via the Plan administrator – ie using the Plan broker. However, by the time the sale is processed, the market value of the shares has fallen to \$1.70. In this scenario, John will still be loss-protected.

Price payable by Plan administrator for transfer	\$1.70
Loan outstanding	(1.70) <sup>2</sup>
Gain/loss	-

<sup>1</sup> This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

<sup>2</sup> Prior to the sale, John's loan outstanding was \$1.75, but upon completion of the sale, John's loan outstanding is in fact \$1.70 and the Plan administrator remits or credits Tamawood with the sale price (\$1.70) to repay John's loan outstanding of the same amount (\$1.70), so that no amount will be payable to or by John. In short, John again 'walks away' with no gain or loss.

This also applies if the shares are sold by the Plan administrator on cessation of employment to repay your loan, in Example 7 above.

However, there is no loss protection if you choose to undertake a disposal via an independent sale.

**Example 9: No Loss Protection under the Independent Transaction Method**

Assume the same facts as for Example 8 above<sup>1</sup>. This time however, rather than electing to sell his shares via the Plan administrator, John decides to pay off his loan from his own pocket and dispose of his shares through a transaction independent of the Plan – eg using his own broker. In this case there is no loss protection, and John must wear the \$0.05 loss.

Loan repayment by John to Tamawood	(1.75)
Sale proceeds paid to John	\$1.70
<b>Loss</b>	<b>\$0.05</b>

<sup>1</sup> This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

**3.10 Competitive Restraints**

This section applies only if, according to the accompanying offer letter, you are being offered 20,000 shares or more. By accepting the offer, you are also accepting the Plan's competitive restraints with regard to competing with Tamawood, Intellectual Property and Confidential Information, as set out in the following table.

**Restraints of Trade**

<p><b>1. After you leave Tamawood, how will you be restricted in dealings with Tamawood's employees, contractors, customers or suppliers?</b></p>	<p>During the period of 12 months after cessation of your employment, unless otherwise permitted by the Board, you shall not, directly or indirectly and in any manner or capacity persuade, canvass, solicit or counsel:</p> <ul style="list-style-type: none"> <li>(a) any employee or contractor of the Tamawood group to terminate their employment or contract with the Tamawood group; or</li> <li>(b) any person who is then, or has been during the time of your employment, a customer or supplier of the Tamawood group to cease to be a customer or supplier.</li> </ul>
<p><b>2. After you leave Tamawood, how will you be restricted from competing with Tamawood?</b></p>	<p>During the period of 12 months after cessation of employment, unless otherwise permitted by the Board, you shall not in any location directly or indirectly carry on in any manner or capacity or otherwise be concerned or interested in any business or enterprise which is the same or substantially similar to a business of the Tamawood group as carried on at the time your employment ceased.</p>
<p><b>3. In what circumstances could the period or ambit of the above restraints change?</b></p>	<p>The restraints in paragraphs 1 and 2 above operate and are to be construed as separate and severable restraints, and:</p> <ul style="list-style-type: none"> <li>(a) if any such restraint would be held to be void or unenforceable: <ul style="list-style-type: none"> <li>(i) by reason of the length of the period of restraint, then the reference in paragraphs 1 and 2 (as applicable) to "12 months" shall be taken to mean "6 months" or, if the restraint so interpreted would also be held to be void or unenforceable, then that reference shall be taken to mean "3 months"; and</li> <li>(ii) by reason of the reference in paragraph 2 to "in any location", then that reference shall be taken to mean "any location in which the Tamawood group operates as at the time of cessation of your employment"; and</li> </ul> </li> <li>(b) if, despite sub-paragraph (a), any such restraint would still be held to be void or unenforceable, then the restraint shall be taken to be severed from these terms, and the voidness or unenforceability would not affect the validity and enforceability of any other such restraint.</li> </ul>

	<b>Confidential Information</b>	<b>Intellectual Property</b>
<p><b>4. What is Confidential Information and Intellectual Property?</b></p>	<p>Confidential Information means information:</p> <ul style="list-style-type: none"> <li>(a) concerning the business or affairs of Tamawood or a related body corporate;</li> <li>(b) made or received or acquired by you or another person as a direct or indirect result of your employment;</li> <li>(c) of a confidential or proprietary nature concerning the practice, business, dealings or affairs of Tamawood; and</li> <li>(d) not in the public domain,</li> </ul> <p>and includes (without limitation):</p> <ul style="list-style-type: none"> <li>(e) financial affairs and accounting information;</li> <li>(f) customer and supplier lists and details;</li> <li>(g) strategic plans, business plans and sales and marketing information;</li> <li>(h) research and development, product specifications, technological innovations and new product details;</li> <li>(i) remuneration packaging of employees, consultants or directors of Tamawood;</li> <li>(j) price policies and methods of costing of Tamawood products or services;</li> <li>(k) information technology and systems; and</li> <li>(l) financial arrangements and terms of business between Tamawood and other entities,</li> </ul> <p>but does not include:</p> <ul style="list-style-type: none"> <li>(m) information known to you prior to obtaining it from Tamawood; or</li> <li>(n) information in the public domain at the time of disclosure by you.</li> </ul>	<p>Intellectual Property means:</p> <ul style="list-style-type: none"> <li>(a) any invention, discovery, process, concept, technology, improvement, design, know-how, electronic file (including object and source code), document, draft or note including any addition to, deletion from, or alteration or revision thereof, any copyright and all possible copyright registrations, patents, moral rights or rights of "droit moral", trademarks, and any other intellectual property relating to Tamawood's or a related body corporate's business (whether or not registrable, and whether existing in equity, at common law or otherwise); and</li> <li>(b) which you or another person, either individually or jointly with others, makes, discovers, or develops while Employed and in connection with a business of Tamawood or a related body corporate.</li> </ul>

	<b>Confidential Information</b>	<b>Intellectual Property</b>
<b>5. Who owns it?</b>	Tamawood shall be considered the author an owner of any such Confidential Information or Intellectual Property.	
<b>6. To secure Tamawood's ownership:</b>	At Tamawood's request and cost:	
<b>(a) what might you be required to do?</b>	(a) you agree to do all such acts and things, and sign all such documents as may be considered reasonable, to secure Tamawood's ownership or registration rights of any Confidential Information or Intellectual Property, including (without limitation) any applications for, or renewals of, any such rights, and	
<b>(b) what could Tamawood do on your behalf?</b>	(b) in the event that Tamawood is unable for any reason, after reasonable effort to secure your signature on any document needed in connection with the actions specified above, you appoints Tamawood and/or its duly authorised officers and agents as your agents to act on your behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to protect Tamawood's rights in relation to the Confidential Information and Intellectual Property with the same legal force and effect as if done by you.	
<b>7. Can you disclose it?</b>	At Tamawood's request and cost:	
	(a) during and after your employment, you must use your best endeavours to prevent any unauthorised disclosure of, any information or documentation that relates to, or may be described as, Confidential Information or Intellectual Property, either directly or indirectly, except in the proper course of your duties, or unless prior written approval is given to you by your supervising officer; and	
	(b) any new Confidential Information or Intellectual Property arising or created in the course of your employment must immediately and confidentially be disclosed to your supervising officer.	

	<b>Confidential Information</b>	<b>Intellectual Property</b>
<b>8. Have you brought any Confidential Information or Intellectual Property from a third party?</b>	You acknowledge that you have not brought and will not bring to Tamawood, or use in the performance of services for Tamawood, any Confidential Information or Intellectual Property from or pertaining to a third party, including any Confidential Information or Intellectual Property of a former or current employer (which for purposes of this Agreement, shall include persons, firms, corporations and any other entities for which you has acted as an employee, independent contractor or consultant), that is not generally available to the public, unless you first obtains express written authorisation from any such third party for the possession and use of Confidential Information or Intellectual Property.	
<b>9. On cessation of your employment...</b>	You must surrender to their supervising officer, return or leave behind all Confidential Information or Intellectual Property.	

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## **PART 3: COMPANY INFORMATION**

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## **4. Tamawood's Business**

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### **4.1 Market Reach**

Tamawood commenced operations in July 1989 with four staff, five affiliated builders licensed to build Tamawood designs, and one sales consultant. The Company sold 80 homes in its first year. In the 2003 financial year, over 1,300 homes were sold, about 40% of which were built by affiliated builders and the remainder by Tamawood itself. In 15 years Tamawood has become the first to create architect-inspired and designed homes using a replicable, profitable, deliverable and marketable system. In doing this, the company transformed an industry.

Together, Lev Mizikovsky (Managing Director) and Aretha Garlick (Non-executive Director) have been largely responsible for making Tamawood a "systems company", not simply a home building company. Today, Aretha Garlick devotes considerable time to helping Tamawood's growing number of franchisees improve their businesses by aligning their systems and procedures to those of Tamawood Limited.

### **4.2 Two Distinct Revenue Streams**

Tamawood has two distinct revenue streams underpinning its business.

- Licensing and franchising - the Company earns approximately half its net profit from fees charged to affiliated and franchised builders for licensing and franchising to them the use of its systems and services - sales, soil tests, surveys, drafting, costing, purchasing and project management.
- Contract construction - the other half of the Company's net profit is earned from direct contract construction of homes. The Company does not build speculative homes. With the exception of display homes, every home is pre-sold before it is commenced.

These distinct revenue streams enable Tamawood to balance its business in a cyclical industry. Generally speaking, production can be moved in either direction to accommodate increases or decreases in customer demand and capacity to produce.

### **4.3 Tamawood's Science**

Tamawood has developed unique systems. These systems drive the business using smart technology to manage processes such as sales, estimating, drafting, building, maintenance, accounting, business administration and human resources, down to the most minute detail. The systems have been refined by research and experience, and this process continues.

The sales and customer service system for example, is designed to generate leads and manage each prospect through the needs evaluation, product selection, building, and post-completion satisfaction stages. This is where many traditional building companies destroy goodwill, turning customers who might have become word-of-mouth advocates into ardent critics.

Sensitive customer management has seen Tamawood become a lifelong partner for many Australians, from buying their first home, through their family's development to seeing off their children on their own home-owning journey.

#### **4.4 Growth and Reach**

Tamawood is highly skilled in operating and leveraging its affiliated licensed builder network. It is an important strategic operation for the Company. Through this network, Tamawood extends its marketing and production reach through smaller builders who have important local relationships. It is a smart system, a communication-driven business.

The affiliated licensed builder system, pioneered by Tamawood, enables smaller builders to access the Company's marketing services, product range, drafting and estimating services, buying power and its suite of business systems. Affiliated licensed builders contract directly with each of their customers and are contractually bound through specifications and plans to adhere to Tamawood's own high construction standards.

Affiliated licensed builders today account for about 40% of Tamawood's production. To manage growth driven by its effective marketing systems, the Company has developed its own highly efficient systems-driven contracting capacity, which now accounts for the other 60% of its production.

#### **4.5 The Brands**

From humble beginnings in 1989, Tamawood has assembled a portfolio of high profile product brands spanning most price segments of the Australian detached dwelling market.

Dixon Homes was acquired in December 2000 to add a top-end product range and brand to the Tamawood Homes and Cut Price Homes brands and product ranges. Recently a further brand, Remington Steel Homes, has been added to the portfolio.

The company uses established advertising and promotional strategies to build its brands and to generate demand. The highly trained sales and customer service team, supported by refined systems, ensure high levels of customer satisfaction, repeat and referral business.

#### **4.6 Product Development and Systems Innovation**

A driver of Tamawood's extraordinary success is its investment in product research and development. Recently the Company invested further by adding a dedicated product development team of qualified professionals in architecture, law and information technology. These professionals are focussed on delivering new value in function and appeal, and in developing better ways to build Tamawood products.

Tamawood has invested more than \$4 million to date in the development of a project management system which provides support for staff, supervisors, franchisees and suppliers. The significant savings in time and cost generated from this system have enabled Tamawood to remain at the cutting edge in efficiency, speed and customer satisfaction. The company intends to continue this development program, and to maintain its pre-eminent position in project housing.

#### **4.7 The Future**

Tamawood expects to increase the proportion of building work constructed by Tamawood directly and yet continue to build on its excellent relationship with affiliated builders. Current information technologies play a significant part in Tamawood's cost minimisation strategies and Tamawood will continue to investigate and implement emerging technologies to capitalise on existing market advantages.

Tamawood also expects to increase its market share through a process of continual operational improvement. Tamawood also intends to franchise operations to local builders throughout Australia and New Zealand.

The next major expansionary drive for Tamawood is franchising using a unique system approach developed by its wholly owned franchising Company, Dixon Systems Pty Ltd. Having developed industry-leading systems, the Company is steadily making these available to existing and new franchisees. Tamawood franchisees and licensees are operating as far north as Cairns and as far south as Sydney. Plans are under way for further significant expansion of the Tamawood franchisee network throughout other parts of Australia in financial year 2004 and beyond.

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## **5. Proposed Use of Funds Raised**

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### **5.1 Amount of Funds Raised**

If all offerees take up the offer, the total amount raised will be equal to the aggregate number of shares issued, 995,000, multiplied by the issue price. As the issue price is based on a weighted average of trading prices over the one-week period up to and including the issue date, the precise dollar amount is not yet known. However, based on an issue price equal to the market price of Tamawood ordinary shares at the time this booklet was prepared (\$1.64), the maximum aggregate of funds raised by this offer would be \$1,631,800 (995,000 x \$1.64).

### **5.2 Proposed Use of Funds Raised**

Tamawood will not receive any funds from employees on issue of the shares, since 100% of the total subscription price for all employees will be funded by a Tamawood-provided loan. However, Tamawood will receive funds as and when loans are repaid (see section 5.3 below).

The Board of Tamawood proposes to use these future funds, as when they are received by Tamawood (see below), to assist in meeting Tamawood's general working capital requirements.

### **5.3 Timing of Fund Raising**

Tamawood will receive funds as and when loans are repaid – ie principally:

- dividends on employees' shares that otherwise would be paid out, will be retained within Tamawood and applied towards repayment of employees' loans, and
- prior to or upon employees selling shares, the balance of loans outstanding will be repaid – ie by the Plan administrator applying the sale proceeds towards repaying the loan, or employees first paying off the loan to facilitate an independent transaction (see section 3.8 above).

In the event that shares are forfeited (see section 2.2 above), if the shares are subsequently sold on the ASX, then Tamawood may experience:

- a further cash inflow if the shares' market value exceeds the employee's loan outstanding (since on forfeiture, the Plan administrator must hold the shares on trust for Tamawood's benefit to the extent permitted by law – alternatively, for the benefit of employees or charities as directed by Tamawood's Board), or
- a negative cash impact if the market value is less than the employee's loan outstanding (since the amount raised on selling the shares on the ASX is less than the loan outstanding which Tamawood expected to receive, or where the forfeited shares are bought back and cancelled for an amount equal to the employee's loan outstanding, although in this case Tamawood shareholders would benefit because the cancellation of the employee's shares would correspondingly increase their equity).

Similarly, if the Plan administrator sells the employee's shares on the ASX in order to facilitate repayment of the employee's loan following cessation of employment (see section 3.7 above), Tamawood will have a cash inflow equal to the amount of the loan outstanding deducted from the sale proceeds, however the loan outstanding could be a reduced amount if there has been a fall in

Tamawood's share price, and this could also arise in the case of a Plan sale requested by the employee (see section 3.9 above).

In general terms, if there is a drop in Tamawood's share price, the loss protection features of the Plan may result in a lower net aggregate amount being raised than stated in section 5.1 above.

#### **5.4 No Minimum Subscription**

Under this offer, there is no minimum subscription, meaning that the offer will proceed regardless of how many employees apply to participate. If there is only a partial take-up, this will reduce the aggregate amount of funds raised by the offer to a lower aggregate amount than stated in section 5.1 above. However, given that the funds raised are to be used by Tamawood in a general way to assist in meeting Tamawood's ongoing working capital requirements, rather than for a specific purpose, it is not expected that a partial take-up would adversely affect Tamawood finances or operations.

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## 6. Investment Overview

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### 6.1 Investment Highlights

- Operating since July 1989, Tamawood has established itself as Queensland's leader in sales of residential dwellings, constructed both by Tamawood and by builders affiliated with Tamawood.
- The current management of Tamawood has grown the business from 80 home sales per annum to over 1,300 annual home sales (including sales by our affiliated builders and franchisees) in 14 years and simultaneously funded research and development expenditure of over \$3 million.
- Tamawood currently has no external financing.
- Tamawood's proven 14-year history of operating profits includes an operating profit after tax of \$3.572 million in the financial year ending 30 June 2003.
- Tamawood's current market share is estimated at 10% of the Queensland detached dwelling market.

<b>Financial year</b>	<b>2003</b> (\$000)	<b>2002</b> (\$000)	<b>2001</b> (\$000)	<b>2000</b> (\$000)
<b>Revenue</b>	81,540	65,007	30,620	15,256
<b>Net profit before tax</b>	5,165	4,772	1,679	2,106
<b>Net profit after tax</b>	3,572	3,381	1,149	1,288
<b>Market share (Qld)</b>	9.5%	8%	7%	4%

The summary of financial information shown above is based on the audited financial results for the past 4 years.

### 6.2 Dividend Policy

The Directors have established a dividend reinvestment plan and given normal trading conditions, expect the dividend payout ratio to be in the range of approximately 80% - 90% of distributable profits. The cash distributed will depend on the extent to which shareholders decide to participate in the dividend reinvestment plan.

Neither Tamawood nor its Directors can give any assurances regarding the future dividend policy of Tamawood because dividends are dependent on various factors including earnings, taxation and profitability of the Company.

### 6.3 Key Ratios

The ratios below are based on the actual results for the financial year ending 30 June 2003.

<b>Ratios based on 2002/2003 Financial Results</b>	
Earnings per share	12.80 cents
Price earnings ratio based on market price on 21 November 2003	12.8%
Dividend yield based on market price on 21 November 2003	6.71% fully franked

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## **7. Risk Factors**

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### **7.1 Introduction**

The business activities of Tamawood are subject to risks. Some of these risks are outside the control of Tamawood while other risks may be mitigated by Tamawood through the use of safeguards and appropriate systems and controls. There are more general risks associated with any investment in shares such as the state of the economy, movements in interest rates and currency and changes to the stock market. This section identifies the areas that the Directors regard as the major risks associated with an investment in Tamawood. These risks are not all inclusive.

You should consider these risk factors before deciding to invest in Tamawood and seek appropriate advice from your advisers.

### **7.2 Competition**

The building industry is a highly competitive industry. There are a large number of licensed builders throughout Queensland.

### **7.3 Lack of Customers**

The purchase of Tamawood homes by individual customers is critical to the success of Tamawood. Tamawood cannot predict with accuracy the number of customers who will purchase a Tamawood home. Factors which may affect housing demand include changes in the demand for rental properties, long-term trends towards fewer people per household and changes to interest rates, changes to Queensland's population growth (including interstate and overseas migration). There is also a risk that substitute products (such as townhouses and units) will impact the number of customers.

### **7.4 Relationships with Suppliers and Affiliated Builders**

Breakdowns in Tamawood's relationships with its suppliers and affiliated builders could impact on Tamawood's performance. Some of the suppliers are major suppliers of a number of key materials (such as concrete, bricks, timber and roofing materials).

### **7.5 Regulatory Regime**

The building industry is a highly regulated industry. Recent changes to the laws dealing with domestic residential building contracts and Workcover may impact the financial performance of Tamawood.

### **7.6 Economic Factors and Possible Volatility of the Share Price**

There are risks associated with any investment in the stock market. The value of listed shares may rise and fall depending on many factors which are beyond the control of Tamawood. These factors include changes to interest rates, inflation, foreign exchange rates, government policy and regulatory regimes.

Economic factors will have an impact on Tamawood. Any downward economic pressure or adverse trend may affect Tamawood's financial position, and any significant downturn in property

markets is likely to negatively impact on the value of Tamawood shares (however this could simultaneously provide Tamawood with possible expansion opportunities).

Also, if recently mooted modifications to the negative gearing tax regime eventuate, this is likely to reduce contraction activity, which may have a corresponding impact on Tamawood's share price.

#### **7.7 Reliance on Key Personnel**

Tamawood's success depends on identifying, hiring, training and retaining qualified key personnel. Tamawood has entered into contracts with its key personnel. However, as a practical matter, these contracts cannot prevent any employee from terminating his or her employment with Tamawood. The loss of key personnel or the inability to recruit, hire and retain high calibre staff to manage the future growth and maintain customer service to a high standard could have a material adverse effect on the Tamawood group and its prospects.

#### **7.8 Risk of Liabilities for Affiliated Builders' Work**

Primary responsibility to customers for Tamawood homes built by our affiliated builders rests with the builders. The affiliated builders replace the need for Tamawood's construction manager in relation to Tamawood homes constructed by them. Nevertheless, Tamawood by specifying particular product and building techniques, ensures such homes are built to our own high standards. Depending on the particular arrangement with a customer, if the affiliated builder fails to perform according to the contract with the customer, Tamawood undertakes to set in place a new contract for the balance of unfinished work to ensure the contract with the customer is fulfilled upon original conditions. Builders' defects are subject to statutory insurance.

#### **7.9 Intellectual Property Rights**

An essential part of Tamawood's business consists of the designs and housing plans produced to construct Tamawood homes, which construction is done either by Tamawood's construction manager or its affiliated builders. Tamawood considers its designs and housing plans as crucial to its success in the residential housing market. Tamawood relies on a combination of copyright laws, third party non-disclosure agreements, duties of confidence and licence agreements with third parties to protect its intellectual property rights.

Although Tamawood uses and will use its reasonable endeavours to protect its intellectual property rights, there may be instances when those intellectual property rights may be used or disclosed in breach of these laws or agreements. If that occurs, there may be an adverse effect on the operating and financial performance of Tamawood. However, as Tamawood has a large number and range of designs and housing plans, Tamawood considers that isolated instances of breach of copyright or unauthorised disclosure by third parties will have an immaterial impact on Tamawood's business.

#### **7.10 Intellectual Property Claims by Third Parties**

Tamawood may be sued by third parties claiming Tamawood has infringed their copyright or other intellectual property rights. Current and future claims, with or without merit, could damage Tamawood's business or financial performance in the sense that such litigation may result in significant cost both financially and as a drain on management time and resources. Such litigation may result in Tamawood having to change its designs or pay compensation to a third party.

## 8. Financials for Year Ended June 30, 2003

### 8.1 Statements of Financial Position

As at 30 June 2003					
		CONSOLIDATED		PARENT	
	NOTE	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>					
Cash	7	3,058	2,488	319	1,978
Receivables	8	3,863	4,833	23	1,638
Inventories	9	8,728	6,019	-	-
<b>Total Current Assets</b>		<b>15,649</b>	<b>12,340</b>	<b>342</b>	<b>3,616</b>
<b>Non-Current Assets</b>					
Receivables	8	552	226	552	463
Property, plant and equipment	10	6,358	6,046	1,665	1,327
Deferred tax assets	11	790	307	171	227
Investments	12	-	-	4,906	4,406
Intangibles	13	333	434	-	-
<b>Total Non-Current Assets</b>		<b>8,033</b>	<b>7,013</b>	<b>7,294</b>	<b>6,423</b>
<b>Total Assets</b>		<b>23,682</b>	<b>19,353</b>	<b>7,636</b>	<b>10,039</b>
<b>Current Liabilities</b>					
Payables	14	9,023	7,783	246	827
Current tax liabilities	15	63	(42)	(975)	(164)
Provisions	16	442	588	100	548
Other	17	237	299	-	-
<b>Total Current Liabilities</b>		<b>9,765</b>	<b>8,628</b>	<b>(629)</b>	<b>1,211</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	18	2,240	1,536	1	8
Provisions	16	507	28	200	10
Other	17	-	-	2,391	-
<b>Total Non-Current Liabilities</b>		<b>2,747</b>	<b>1,564</b>	<b>2,592</b>	<b>18</b>
<b>Total Liabilities</b>		<b>12,512</b>	<b>10,192</b>	<b>1,963</b>	<b>1,229</b>
<b>Net Assets</b>		<b>11,170</b>	<b>9,161</b>	<b>5,673</b>	<b>8,810</b>
<b>Equity</b>					
Contributed equity	19	6,930	5,412	6,930	5,412
Retained profits	20	3,033	2,542	(1,276)	3,379
Reserves	21	1,207	1,207	19	19
<b>Total Equity</b>		<b>11,170</b>	<b>9,161</b>	<b>5,673</b>	<b>8,810</b>

The Statements of Financial Position should be read in conjunction with the accompanying notes

## 8.2 Statements of Financial Performance

For the year ended 30 June 2003

	NOTE	CONSOLIDATED		PARENT	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities	2	81,540	65,007	1,155	29,507
Cost of sales		(66,109)	(51,097)	(356)	(18,517)
Advertising		(1,357)	(1,783)	-	(590)
Depreciation and amortisation		(529)	(428)	(373)	(237)
Employee benefits expenses		(4,604)	(4,011)	(725)	(3,322)
Consultants		(396)	(337)	(2)	(185)
Administration expenses		(2,964)	(2,183)	(825)	(2,117)
Other expenses		(446)	(486)	(14)	-
Profit from ordinary activities before income tax expense	3	5,165	4,772	(1,140)	4,539
Income tax (expense) / benefit	4	(1,593)	(1,391)	(435)	54
Net profit attributable to members of Tamawood Limited	20	3,572	3,381	(1,575)	4,593
Net increase / (decrease) in asset revaluation reserve	21	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		3,572	3,381	(1,575)	4,593
		GENTS	GENTS		
Basic earnings per share	33	12.80	13.12		
Diluted earnings per share	33	12.80	13.12		

The Statements of Financial Performance should be read in conjunction with the accompanying notes

### 8.3 Statements of Cash Flows

For the year ended 30 June 2003

	NOTE	CONSOLIDATED		PARENT	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
		Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)
<b>Cash Flows from Operating Activities</b>					
Receipts from customers (GST inclusive)		91,741	67,440	1,423	24,244
Payments to suppliers and employees (GST inclusive)		(87,395)	(63,920)	(3,030)	(26,872)
Interest received		122	42	110	37
Income taxes paid		(1,262)	(541)	(1,197)	(518)
Net operating cash flows	29	3,206	3,021	(2,694)	(3,110)
<b>Cash Flows from Investing Activities</b>					
Payment for property, plant and equipment		(856)	(715)	(775)	(666)
Repayment of loans by controlled entities		-	-	3,632	5,876
Repayment of loans by related parties		197	134	197	-
Proceeds from sale of property, plant and equipment		107	109	66	24
Net investing cash flows		(532)	(472)	3,120	5,234
<b>Cash Flows from Financing Activities</b>					
Proceeds from issuing shares		-	-	-	-
Dividends paid		(2,085)	(541)	(2,085)	(541)
Net financing cash flows		(2,085)	(541)	(2,085)	(541)
Net increase / (decrease) in cash held		569	2,008	(1,659)	1,583
Cash at the beginning of the year		2,489	481	1,978	395
Cash at the end of the year	7	3,058	2,489	319	1,978

The Statements of Cash Flows should be read in conjunction with the accompanying notes

## 8.4 Notes to the Financial Statements

### note 1: summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared in accordance with the historical cost convention except for certain assets which, as noted, are at valuation.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of the financial statements:

#### (a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tamawood Limited as at 30 June 2003 and the results of all controlled entities for the year then ended. Tamawood Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

#### (b) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributed to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

A liability for restructuring costs is recognised as at the date of acquisition of an entity when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

#### (c) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amount of non-current assets are not discounted to their present values.

#### (d) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement within normal trading terms of 30 days or in accordance with contractual terms. The ability to collect trade debtors is reviewed on an ongoing basis. Unrecoverable debts are written off and a provision is made where the ability to collect is uncertain.

## note 1: summary of significant accounting policies (continued)

### (e) Inventories—Construction Work in Progress

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under Other Liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the consolidated entity's construction activities in general.

### (f) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in net profit or loss in the year of disposal.

### (g) Depreciation

Operating assets such as motor vehicles and other equipment are depreciated from the time the asset is held ready for use on a prime cost or diminishing value basis so as to write off the net costs or revalued amount against revenue over their expected useful lives to the consolidated entity. The expected useful lives are as follows:

Office furniture and equipment	10 - 15 years
Motor vehicles	4 - 5 years
Computer hardware	2 - 3 years

### (h) Brands and Designs, and Franchise Systems

Significant costs associated with brands and designs, and franchise systems are deferred and amortised on a straight line basis over the period of their expected benefit.

### (i) Income Tax

The company has adopted the liability method of tax-effect accounting whereby the income tax expense shown in the statements of financial performance is based on the accounting profit or loss adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit or loss and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with conditions of deductibility imposed by the law.

### (j) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## note 1: summary of significant accounting policies (continued)

### (k) Employee Entitlements

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered to reporting date. Employee entitlements expected to be settled within one year together with entitlement arising from salaries and wages and annual leave which will be settled after one year, have been measured at the amount expected to be paid when the liabilities are settled.

Contributions are made by the consolidated entity to any employee superannuation fund and are charged as expenses when incurred.

### (l) Revenue Recognition

Revenue from building design and preliminary project management services and the sale of display homes is brought to account upon completion of relevant contractual terms.

Contract construction revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

### (m) Research and Development Costs

Research and development costs are charged against net profit or loss as incurred.

### (n) Cash

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

## note 1: summary of significant accounting policies (continued)

### (o) Revaluation of Non-Current Assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and building does not differ materially from its fair value at reporting date. Annual assessments are made by the Directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land and buildings exceeding their recoverable amount.

### (p) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the year but not distributed at reporting date.

### (q) Provision for Warranty

The cost of rectification work undertaken during construction is charged as an expense in the year in which it is incurred. A provision for warranty work in respect of completed homes is determined having regard to the three year rolling aggregate of hand overs and the level of rectification work performed during that period.

### (r) Investments

Interests in controlled entities are brought to account at cost.

### (s) Earnings per Share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (t) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## note 2: revenue

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities:				
Contract construction revenue	70,149	51,845	494	19,781
Building design and preliminary project				
Management fees	9,018	10,502	-	9,578
Franchise revenue	365	332	-	12
	<u>79,532</u>	<u>62,679</u>	<u>494</u>	<u>29,371</u>
Revenue from outside the operating activities:				
Sale of display homes	846	1,804	-	-
Sub-lease rentals	196	215	-	-
Interest non-related parties	122	27	108	23
Interest related parties	-	14	-	14
Dividends received from controlled entities	-	-	145	-
Other items	844	268	408	99
	<u>2,008</u>	<u>2,328</u>	<u>661</u>	<u>136</u>
Revenue from ordinary activities	<u>81,540</u>	<u>65,007</u>	<u>1,155</u>	<u>29,507</u>

## note 3: profit from ordinary activities

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before income tax includes the following specific net gains and expenses:				
Net gains:				
Net gain / (loss) on disposal of:				
Property, plant and equipment	(2)	8	9	4
Expenses:				
Depreciation of:				
Buildings and improvements	5	5	5	5
Motor vehicles, office furniture and equipment	422	380	368	232
	<u>427</u>	<u>385</u>	<u>373</u>	<u>237</u>
Amortisation of:				
Brands and designs	65	31	-	-
Franchise system	36	11	-	-
Other	-	-	-	-
	<u>101</u>	<u>42</u>	<u>-</u>	<u>-</u>
Other provisions:				
Employee entitlements	34	160	(258)	152
Warranty	300	260	-	260
	<u>334</u>	<u>420</u>	<u>(258)</u>	<u>392</u>
Rental expense relating to property leases	192	171	9	20
Research and development	200	-	-	240
Interest paid to Director related entity	-	11	-	8

## note 4: income tax

	CONSOLIDATED		PARENT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
The income tax expense for the year differs from the prima facie amount calculated on the accounting profit / (loss). The differences are reconciled as follows:				
Profit before income tax expense	5,165	4,772	(1,140)	4,539
Income tax expense calculated at 30%	1,549	1,432	(342)	1,361
Tax effect of permanent differences:				
Entertainment	-	1	-	1
Amortisation	-	13	-	-
Gross-up of franked dividends	-	-	19	-
Losses transferred out/(in)	-	-	413	(1,386)
Other	84	(8)	(10)	-
Income tax expense / (benefit) adjusted for permanent differences	1,633	1,438	80	(24)
Adjustment to opening balances of future income tax benefit and deferred tax liability	(47)	(13)	-	(18)
Under / (over) provision in previous year	7	(34)	355	(12)
Income tax expense / (benefit) attributable to operating profit / (loss)	1,593	1,391	435	(54)
Income tax expense / (benefit) attributable to operating profit comprises:				
Income tax paid	995	708	991	674
Current year tax payable / (refundable)	105	(170)	(991)	(249)
Movement in provision for deferred income tax	704	1,012	(7)	(331)
Movement in future income tax benefit	(483)	(155)	56	(157)
Under / (over) provision in previous year	272	(4)	386	9
	1,593	1,391	435	(54)

## note 5: dividends

	PARENT	
	2003	2002
	\$'000	\$'000
Interim dividend of 4.5 cents (fully franked at 30%) per fully paid share paid on 30 April 2002 out of 30 June 2002 profits	-	1,178
Final dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 November 2002 out of 30 June 2002 profits	1,532	-
Interim dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 April 2003	1,549	-
Total dividends provided for or paid (note 20)	<u>3,081</u>	<u>1,178</u>
Subsequent to year-end, a final dividend of 5.5 cents (fully franked at 30%) per fully paid share has been declared by the Directors, payable on 30 November 2003	1,576	-
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the years ended 30 June 2003 and 2002 were as follows:		
Paid in cash	2,086	541
Satisfied by issue of shares	995	1,876
	<u>3,081</u>	<u>2,417</u>
Franking credits available for use in subsequent year	-	-

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability as at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

## note 6: segment information

### Business Segments

The consolidated entity is organised on a national basis into the following business segments:

#### Contract Construction

The construction of residential dwellings primarily in South-East Queensland.

#### Project management fees

The fees charged to affiliated builders to facilitate the project including soil tests, surveys, drafting and full costing of plans and sales commissions.

#### Franchises

The consolidated entity has franchise operations in provincial Queensland and licensees in various locations in New South Wales.

## note 6: segment information (continued)

### Other

These activities constitute a minor element to the revenue of the consolidated entity and include sublease of various parts of the building, finance and realty commissions.

### Geographical Segments

Although the consolidated entity's business segments are managed on a national basis they operate in two main geographical areas:

#### Queensland

The principal operations are contract construction and project management services. The main operating entity and parent entity reside in Brisbane, Queensland. There are also franchise operations in regional Queensland.

#### New South Wales

Comprises 5 licensee operations in various locations in New South Wales.

## primary reporting - business segments

2003	construction	project management	franchise	other	inter-segment eliminations/ unallocated	consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales revenue	70,149	9,018	365	896	-	80,428
Intersegment sales revenue	-	14,526	-	-	(14,526)	-
<b>Total sales revenue</b>	<b>70,149</b>	<b>23,544</b>	<b>365</b>	<b>896</b>	<b>(14,526)</b>	<b>80,428</b>
Other revenue	1,238	7	3	9	(145)	1,112
<b>Total segment revenue</b>	<b>71,387</b>	<b>23,551</b>	<b>368</b>	<b>905</b>	<b>(14,671)</b>	<b>81,540</b>
<b>Segment result</b>	<b>2,900</b>	<b>2,536</b>	<b>213</b>	<b>189</b>	<b>(145)</b>	<b>5,693</b>
Unallocated revenue less unallocated expenses						(528)
<b>Profit from ordinary activities before income tax expense</b>						<b>5,165</b>
Income tax expense						(1,593)
<b>Net profit</b>						<b>3,572</b>
<b>Segment assets</b>	<b>19,989</b>	<b>420</b>	<b>166</b>	<b>533</b>	<b>(4,574)</b>	<b>16,534</b>
Unallocated assets (d)						7,148
<b>Total assets</b>						<b>23,682</b>
<b>Segment liabilities</b>	<b>7,545</b>	<b>2,620</b>	<b>10</b>	<b>35</b>	<b>-</b>	<b>10,210</b>
Unallocated liabilities (e)						2,302
<b>Total liabilities</b>						<b>12,512</b>
Acquisitions of property, plant and equipment	-	-	-	-	-	963
Depreciation and amortisation expense	-	-	-	-	-	528
Other non-cash expenses	-	-	-	-	-	-

## note 6: segment information (continued)

2002	construction	project management	franchise	other	inter-segment eliminations/ unallocated	consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales revenue	51,845	12,306	332	343	-	64,826
Intersegment sales revenue	-	17,902	-	240	(18,142)	-
Total sales revenue	51,845	30,208	332	583	(18,142)	64,826
Other revenue	37	24	1	110	-	191
Total segment revenue	51,882	30,232	333	702	(18,142)	65,007
Segment result	2,330	2,551	199	120	-	5,200
Unallocated revenue less unallocated expenses						(428)
Profit from ordinary activities before income tax expense						4,772
Income tax expense						(1,391)
Net profit						3,381
Segment assets	15,063	1,476	190	276	(4,005)	13,000
Unallocated assets (d)						6,353
Total assets						19,353
Segment liabilities	6,639	1,699	-	85	(33)	8,390
Unallocated liabilities (e)						1,802
Total liabilities						10,192
Acquisitions of property, plant and equipment	-	-	-	-	699	699
Depreciation and amortisation expense	-	-	-	-	428	428
Other non-cash expenses	-	-	-	-	-	-

### Secondary Reporting - Geographical Segments

	Segment revenues from sales to external customers		Segment Assets		Acquisitions of property plant & equipment	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Queensland	79,789	64,160	23,682	19,353	963	699
New South Wales	699	666	-	-	-	-
	80,428	64,826	23,682	19,353	963	699

## note 6: segment information (continued)

Notes to and forming part of the segment information

### (a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard, AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivable, inventories, property, plant and equipment, and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions. Segment assets and liabilities do not include income taxes.

### (b) Inter-segment transfers

Segment revenues, expenses and results included transfer between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

### (c) Other segments

These activities do not generate more than 5% of total revenue and include rental of premises, finance and realty commissions.

### (d) Unallocated assets

The consolidated entity owns its own premises which are used by all segments to derive revenue. The allocation of building, plant and equipment across the segments, would be an arbitrary basis.

### (e) Unallocated liabilities

The consolidated entity's tax liabilities including provisions and deferrals have not been allocated across the segments.

## note 7: cash

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	430	482	319	(28)
Deposits at call	2,605	2,001	-	2,001
Moneys held in trust	23	5	-	5
	<u>3,058</u>	<u>2,488</u>	<u>319</u>	<u>1,978</u>

## note 8: receivables

Current				
Trade debtors	614	840	28	44
Less provision for doubtful debts	(60)	(60)	(17)	(17)
	<u>554</u>	<u>780</u>	<u>11</u>	<u>27</u>
Contract debtors	3,038	3,431	-	-
Unsecured loans	-	-	-	1,500
Other debtors	271	622	12	111
	<u>3,863</u>	<u>4,833</u>	<u>23</u>	<u>1,638</u>
Non-current				
Receivables (note 31)	552	226	552	-
Unsecured loans	-	-	-	463
	<u>552</u>	<u>226</u>	<u>552</u>	<u>463</u>

## note 9: inventories

Construction work in progress				
(Amount due from customers for contract work)				
Contract costs incurred and recognised profits less recognised losses less claims invoiced	8,308	4,764	-	-
Add un-invoiced costs	282	20	-	-
Display land	138	235	-	-
	<u>8,728</u>	<u>5,019</u>	<u>-</u>	<u>-</u>

## note 10: property, plant and equipment

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Freehold land - at cost	-	-	-	-
Freehold land - at Directors' valuation 2001	1,090	1,090	90	90
	<u>1,090</u>	<u>1,090</u>	<u>90</u>	<u>90</u>
Buildings and improvements - at Directors' valuation 2001	3,884	3,884	233	233
Less accumulated depreciation	(69)	(64)	(18)	(13)
	<u>3,815</u>	<u>3,820</u>	<u>215</u>	<u>220</u>
Total land and buildings	<u>4,905</u>	<u>4,910</u>	<u>305</u>	<u>310</u>
Office furniture and equipment - at cost	1,527	1,214	1,443	1,005
Less accumulated depreciation	(909)	(860)	(884)	(709)
	<u>618</u>	<u>354</u>	<u>559</u>	<u>296</u>
Motor vehicles - at cost	1,249	1,152	1,196	1,073
Less accumulated depreciation	(414)	(370)	(395)	(352)
	<u>835</u>	<u>782</u>	<u>801</u>	<u>721</u>
	<u>6,358</u>	<u>6,046</u>	<u>1,665</u>	<u>1,327</u>

### Valuations of land and buildings

The basis of valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on prices in an active market for similar properties in the same location and condition. The 2001 revaluations were made by the Directors based on independent assessments by a member of the Australian Property Institute.

### Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below.

## note 10: property, plant and equipment (continued)

Parent	freehold land	building	office furniture and equipment	motor vehicles
	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount				
Balance at 30 June 2002	90	233	1,005	1,073
Additions	-	-	438	301
Disposals	-	-	-	(178)
Acquisitions of businesses	-	-	-	-
Net revaluation increments	-	-	-	-
Balance at 30 June 2003	90	233	1,443	1,196
Accumulated Depreciation				
Balance at 30 June 2002	-	(13)	(709)	(352)
Disposals	-	-	-	121
Depreciation expense	-	(5)	(175)	(164)
Balance at 30 June 2003	-	(18)	(884)	(395)
Net Book Value				
As at 30 June 2002	90	220	296	721
As at 30 June 2003	90	215	559	801
Consolidated				
	freehold land	building	office furniture and equipment	motor vehicles
	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount				
Balance at 30 June 2002	1,090	3,884	1,214	1,152
Additions	-	-	483	301
Disposals	-	-	(170)	(204)
Acquisitions of businesses	-	-	-	-
Net revaluation increments	-	-	-	-
Balance at 30 June 2003	1,090	3,884	1,527	1,249
Accumulated Depreciation				
Balance at 30 June 2002	-	(64)	(860)	(370)
Disposals	-	-	137	128
Depreciation expense	-	(5)	(186)	(172)
Balance at 30 June 2003	-	(69)	(909)	(414)
Net Book Value				
As at 30 June 2002	1,090	3,820	354	782
As at 30 June 2003	1,090	3,815	618	835

## note 11: deferred tax assets

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Future income tax benefit	790	307	171	227

## note 12: investments

Investment in controlled entities - at cost (note 28)	-	-	4,906	4,406
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## note 13: intangibles

Brands and designs	373	373	-	-
Less accumulated amortisation	(114)	(49)	-	-
	259	324	-	-
Franchise system	128	128	-	-
Less accumulated amortisation	(54)	(18)	-	-
	74	110	-	-
	333	434	-	-

## note 14: payables

Trade creditors	6,729	5,858	(13)	328
Other creditors	2,294	1,925	259	499
	9,023	7,783	246	827

## note 15: current tax liabilities

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Income tax	63	(42)	(975)	(164)

## note 16: provisions

Current				
Provision for employee entitlements (note 26)	342	288	-	248
Provision for warranty	100	300	100	300
	<u>442</u>	<u>588</u>	<u>100</u>	<u>548</u>
Non-current				
Provision for employee entitlements (note 26)	7	28	-	10
Provision for warranty	500	-	200	-
	<u>507</u>	<u>28</u>	<u>200</u>	<u>10</u>

## note 17: other liabilities

Current				
Income in advance	237	299	-	-
	<u>237</u>	<u>299</u>	<u>-</u>	<u>-</u>
Non-current				
Unsecured loans	-	-	2,391	-
	<u>-</u>	<u>-</u>	<u>2,391</u>	<u>-</u>

## note 18: deferred tax liabilities

Provision for deferred income tax	2,240	1,536	1	8
	<u>2,240</u>	<u>1,536</u>	<u>1</u>	<u>8</u>

## note 19: contributed equity

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>(a) Share capital</b>				
28,660,386 ordinary shares fully paid (2002 - 27,186,392)	6,930	5,412	6,930	5,412
<b>(b) Movements in ordinary shares</b>				
Share capital opening balance			5,412	3,429
During the year the following movements in share capital occurred:				
(i) issue of 10,000 ordinary shares at 45 cents to an employee of Tamawood Limited			-	4
(ii) issue of 147,000 ordinary shares at 70 cents each as part of the offer to employees of Tamawood Limited			-	103
(iii) issue of 1,239,990 shares under the Dividend Reinvestment Plan for unfranked dividend paid in November 2001			-	977
(iv) issue of 1,014,415 shares under the Dividend Reinvestment Plan for the fully franked interim dividend paid in April 2002			-	899
(v) Issue of 670,000 ordinary shares at 78 cents as part of the offer to employees of Tamawood Limited			522	-
(vi) Issue of 285,894 shares under the Dividend Reinvestment Plan for fully franked final dividend paid in November 2002			291	-
(vii) Issue of 518,100 shares under the Dividend Reinvestment Plan for the fully franked interim dividend paid in April 2003			705	-
Share capital closing balance			6,930	5,412

### (c) Ordinary shares:

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

### (d) Dividend Reinvestment Plan:

The company has established a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash.

Shares are issued under the plan at a 3% discount to the weighted average ex-dividend quoted market price for the five business days following ex-dividend quotation.

## note 20: retained profits

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year	2,542	339	3,379	(36)
Net profit attributed to members of Tamawood Limited	3,872	3,381	(1,575)	4,593
Dividends provided for or paid	(3,081)	(1,178)	(3,080)	(1,178)
Retained profits at the end of the financial year	3,033	2,542	(1,276)	3,379

## note 21: reserves

Asset revaluation reserve	1,207	1,207	19	19
(a) Movements in asset revaluation reserve				
Balance at beginning of the year	1,207	1,207	19	19
Increment on revaluation of freehold land and buildings	-	-	-	-
Balance at end of the year	1,207	1,207	19	19

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(c). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

## note 22: remuneration of directors

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$	\$	\$	\$
Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	400,322	367,986	400,322	367,986

The numbers of parent entity Directors whose total income during the year from the parent entity or related parties was within the specified bands are as follows:

\$	2003	2002
20,000 - 29,999	2	2
30,000 - 39,999	-	-
50,000 - 59,999	1	1
80,000 - 89,999	1	2
90,000 - 99,999	1	1
100,000 - 109,999	1	-

## note 23: remuneration of executives

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian-based executive officers (including directors) whose remuneration was at least \$100,000:				
Executive officers of the parent entity	106,321	-	-	-

## note 24: remuneration of auditors

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
Auditors of parent entity:				
Parent entity	34,000	37,500	34,000	37,500
Controlled entities	-	14,000	-	-
	<u>34,000</u>	<u>51,500</u>	<u>34,000</u>	<u>37,500</u>
Remuneration for other services by the auditors of the parent entity, being taxation compliance and share registry:	44,688	43,062	44,688	37,822

## note 25: commitments for expenditure

### (a) Remuneration commitments:

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
Not later than one year	-	199	-	199
Later than one year but not later than 5 years	-	-	-	-
	<u>-</u>	<u>199</u>	<u>-</u>	<u>199</u>

### (b) Operating leases:

Commitment in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
Not later than one year	152	127	12	14
Later than one year but not later than 5 years	15	22	-	12
Later than 5 years	-	-	-	-
	<u>167</u>	<u>149</u>	<u>12</u>	<u>26</u>

## note 26: employee entitlements

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Provision for employee entitlements				
Current (note 16)	342	288	-	248
Non-Current (note 16)	7	28	-	10
	<u>349</u>	<u>316</u>	<u>-</u>	<u>258</u>
	Number	Number	Number	Number
Number of employees at end of the financial year	97	88	-	81

## note 27: related parties

### Directors

The names of persons who were Directors of Tamawood Limited at any time during the year are as follows:

L Mizikovsky	KJ Daly
A Garlick	LJ Litzow
GB Acton	JC Lyons

All of these persons were also Directors during the year ended 30 June 2002.

### Remuneration of Directors

Information on remuneration of Directors is disclosed in note 22.

	CONSOLIDATED AND PARENT	
	2003	2002
	Number	Number
Related Party Disclosures		
Directors' Equity Holdings		
Aggregate number of shares purchased and sold by Directors and director related entities (subject to listing on August 14, 2000)	760,459	2,189,961
Held as at the reporting date by Directors and their Director related entities	22,587,555	22,077,244

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$	\$	\$	\$
Other Transactions				
Interest on loan to Director related entity included in the determination of operating profit	-	14,397	-	14,397
Rental payments to Poltrick Pty Ltd (Director related entity) for operating display premises	-	49,600	-	49,600
Interest on loan from Director related entity included in the determination of operating profit	-	10,968	-	7,847

## note 27: related parties (continued)

### 2003 TRANSACTIONS

#### Construction Contracts

Levanian Pty Ltd (Director related entity) entered into 50 residential construction contracts totalling \$4,377,895 with TADC Pty Ltd under normal residential construction arrangements and commercial terms.

### 2002 TRANSACTIONS

#### Construction Contracts

Levanian Pty Ltd (Director related entity) entered into 8 residential construction contracts totalling \$533,163 with Tamawood Construction Pty Ltd under normal residential construction arrangements and commercial terms.

#### Construction Contracts

Lev Mizikovsky (Managing Director) entered into a residential construction contract totalling \$231,890 with Tamawood Construction Pty Ltd under normal residential construction arrangements and commercial terms.

#### Loan

Levanian Pty Ltd (a Director related entity) provided a loan of \$350,000 to Tamawood Limited and \$125,000 to Dixon Projects Pty Ltd under normal commercial arrangements in September 2001. The monies were repaid in full by March 2002. Interest was calculated at 8%. Interest expense amounted to \$10,968.

#### Display Homes

Dixon Homes lease premises from Poltick Pty Ltd (a Director related entity) under normal display home leaseback arrangements. Total rent expense paid to Poltick Pty Ltd for the year was \$49,600.

## note 28: investment in controlled entities

Entity	country of incorporation	class of shares	equity holding 2003	equity holding 2002
Tamawood Realty Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Research & Development Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Commercial Property Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Finance Pty Ltd	Australia	Ordinary	100%	100%
Tamawood SEQ Franchise Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Share Scheme Pty Ltd	Australia	Ordinary	100%	100%
TADC Pty Ltd	Australia	Ordinary	100%	100%
Dixon Projects Pty Ltd	Australia	Ordinary	100%	100%
Marvelbowl Pty Ltd	Australia	Ordinary	100%	100%
High Level Marketing Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Equipment Leasing Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Drafting and Design Pty Ltd	Australia	Ordinary	100%	100%
Tamawood Services Pty Ltd	Australia	Ordinary	100%	100%
TI Distributions Pty Ltd	Australia	Ordinary	100%	-
Dixon Systems Pty Ltd	Australia	Ordinary	100%	-

### Acquisitions in 2003

Tamawood acquired TI Distributions Pty Ltd on 28 April 2003 for \$100 and Dixon Systems Pty Ltd on 26 September 2002 for \$500,000 representing the entity's share capital.

### Acquisitions in 2002

Tamawood acquired Tamawood Equipment Leasing Pty Ltd, Tamawood SEQ Franchise Pty Ltd, Tamawood Drafting and Design Pty Ltd and Tamawood Services Pty Ltd for \$1 each. Tamawood Drafting and Design Pty Ltd, Tamawood Services Pty Ltd and Tamawood Equipment Leasing Pty Ltd had not commenced operations at 30 June 2002.

On 25 June 2002 Tamawood acquired 100% of the issued capital of High Level Marketing Pty Ltd for \$30. The total net identifiable assets of the company were \$4,317.

## note 29: reconciliation of net profit to net cash inflow/(outflow) from operating activities

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Net profit	3,572	3,381	(1,574)	4,593
Management fee	-	-	-	(8,339)
Depreciation and amortisation	536	427	373	237
Provision for warranty	300	260	-	250
Provision for doubtful debts	-	43	-	-
Net (gain) / loss on sale of non-current assets	2	(8)	(8)	(4)
Change in operating assets and liabilities:				
Decrease / (increase) in trade and contract debtors	619	(3,895)	16	247
Decrease / (increase) in inventories	(3,710)	(2,217)	-	1,986
Decrease / (increase) in future income tax benefit	(483)	(165)	56	(157)
Decrease / (increase) in other assets	358	(215)	99	282
Increase / (decrease) in trade creditors	671	3,234	(302)	(1,455)
Increase / (decrease) in income in advance	(52)	220	-	(79)
Increase / (decrease) in other liabilities	381	842	(278)	(347)
Increase / (decrease) in provision for income tax	105	(6)	(811)	(85)
Increase / (decrease) in provision for deferred tax	703	1,012	(7)	(331)
Increase / (decrease) in other provisions	34	98	(258)	132
	<u>3,206</u>	<u>3,021</u>	<u>(2,694)</u>	<u>(3,110)</u>

### Non-cash Financing and Investing Activities

#### 2003

(i) Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan totalled \$994,778.

#### 2002

(i) Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan totalled \$1,876,071.

## note 30: financial instruments

### Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. Exposure arises predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2003 Consolidated	Note	Floating interest rate	Fixed interest rate			Non-Interest bearing	Total
			1 year or less	Over 1 to 5 years	Over 5 years		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash and deposits	7	3,058	-	-	-	-	3,058
Receivables	8	552	-	-	-	3,863	4,416
		<u>3,610</u>	-	-	-	<u>3,863</u>	<u>7,473</u>
Weighted average interest rate		-	-	-	-	-	-
<b>Financial Liabilities</b>							
Trade and other creditors	14	-	-	-	-	9,023	9,023
		-	-	-	-	<u>9,023</u>	<u>9,023</u>
Weighted average interest rate		-	-	-	-	-	-
<b>Net financial assets / (liabilities)</b>		<u>3,610</u>	-	-	-	<u>(5,160)</u>	<u>(1,550)</u>

2002 Consolidated	Note	Floating interest rate	Fixed interest rate			Non-Interest bearing	Total
			1 year or less	Over 1 to 5 years	Over 5 years		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash and deposits	7	2,488	-	-	-	-	2,488
Receivables	8	226	-	-	-	4,833	5,059
		<u>2,714</u>	-	-	-	<u>4,833</u>	<u>7,547</u>
Weighted average interest rate		-	-	-	-	-	-
<b>Financial Liabilities</b>							
Trade and other creditors	14	-	-	-	-	7,783	7,783
		-	-	-	-	<u>7,783</u>	<u>7,783</u>
Weighted average interest rate		-	-	-	-	-	-
<b>Net financial assets / (liabilities)</b>		<u>2,714</u>	-	-	-	<u>(2,950)</u>	<u>(236)</u>

### Credit rate exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

## note 31: employee share scheme

All Australian resident permanent employees (including Executive Directors) who have been continuously employed by the consolidated entity for a period of at least one year are eligible to participate in the scheme.

Under the scheme, eligible employees may be offered a number of fully-paid ordinary shares in Tamawood Limited at the discretion of the Board pursuant to the Share Scheme Rules which allows the company to provide loans to the employees to take up the shares. Interest expense is charged and dividends are utilised as repayments. The total amount owing from employees as at 30 June 2003 was \$552,150 (2002: \$226,409). The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as share capital and as part of employee benefit costs. The amount so recognised in the year ended 30 June 2003 in both the consolidated and parent entity financial reports was \$522,500 (2002: \$102,900).

Offers under the scheme are at the discretion of the Board of Directors. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment with the consolidated entity. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

The number of shares offered and accepted by participants in the scheme are issued at the price approved by the Directors and is at a discount to the price the company's shares are traded on the Australian Stock Exchange on the day the offer is approved by the Directors.

	CONSOLIDATED		PARENT	
	2003 Number	2002 Number	2003 Number	2002 Number
Shares issued under the plan to participating employees	670,000	147,000	670,000	147,000

## note 32: post balance date events

There have been no matters or circumstances, that have arisen since the end of the year, that has significantly affected, or may affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## note 33: earnings per share

	CONSOLIDATED	
	2003 cents	2002 cents
Basic earnings per share	12.80	13.12
Diluted earnings per share	12.80	13.12
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share	27,892,380	25,765,305

## note 34: contingent liabilities

The main litigation involving Tamawood is an action commenced in the Federal Court by Henley Arch Pty Ltd and Henley Properties (Qld) Pty Ltd against Tamawood, Lev Mizikovsky and one of our customers. The claim concerns an alleged breach of copyright of Henley Arch designs by Tamawood, Lev Mizikovsky and our customer. Tamawood is counter-claiming for damages in relation to adverse statements made to prospective customers of Tamawood by 3 Henley representatives. Tamawood has agreed to indemnify its customer for all liability (including costs) arising from this litigation. Tamawood is defending the claims made by Henley Arch Pty Ltd and Henley Properties (Qld) Pty Ltd.

Justice Spender delivered judgment in the Henley Arch Federal Court proceedings on 2 May 2003 and this judgment has been appealed by Tamawood. The question of the costs of the proceeding has been adjourned and is likely to be determined following the outcome of the appeal. In the event an order is made by the Court that Tamawood pay the standard costs of Henley Arch, these costs may be reduced on the basis they were not necessarily and / or reasonably incurred by Henley Arch.

## 8.5 Auditors Report

**TAMAWOOD LIMITED**  
(ABN 56 010 854 499)

### **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TAMAWOOD LIMITED**

#### **Scope**

##### *The financial report and Directors' responsibility*

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Tamawood Limited (the Company) and Tamawood group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the Company and the entities it controlled during that year.

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

##### *Audit approach*

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

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

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

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

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 Tamawood Limited is in accordance with:

- a) The Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

**DOUGLAS HECK & BURRELL**  
Chartered Accountants



R G Brown  
Partner

Brisbane, 9 September 2003

E&S 260803

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## **PART 4: ESOP INFORMATION**

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## 9. Objectives of the Plan

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### 9.1 Why Tamawood has an ESOP

By offering employees equity participation via its ESOP, Tamawood hopes to:

- *Create an Ownership Culture:* participants own part of the business, which is likely to raise their level of interest in, and commitment to, the success of the business.
- *Reward Performing Employees:* employees who contribute to the success of the business are able to be recognised/rewarded by being offered participation in the business's equity, and hence its profits.
- *Attract Employees:* potential recruits are more likely to join Tamawood if they are offered equity up-front, or the promise of equity in the future.
- *Retain Employees:* existing employees are more inclined to stay at Tamawood if they hold an equity interest in the business - for example, because rival businesses may not offer direct equity participation and access to business profits.
- *Equality and Fairness:* create a fairer and more enjoyable way of doing business in society that gives everyone a more equal opportunity.

### 9.2 Why was a new Plan needed?

Tamawood's main objective in introducing the Tamawood Incentive Share Plan is to reward long-term employee loyalty to the Company.

Under the Plan's predecessor, the *Tamawood Limited Employee Share Scheme*, there was no ability to impose forfeiture conditions for early departure when allocating shares to employees. Hence, there was no ability to discourage Tamawood employee-shareholders from leaving the Company, and taking with them the experience and know-how they gained during their time at Tamawood.

The new Plan will impose forfeiture conditions for early departure, and should therefore be a practical tool in retaining key staff, and will avoid a dilution in shareholder wealth in favour of departing employees.

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## 10. Answers to Key Questions

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### 10.1 What happens if I leave Tamawood during Year 3?

According to the scale set out in section 2.2 above, by leaving Tamawood during year 3, only 25% of your shares acquired under this offer will have vested (meaning that you cannot be dispossessed of those shares), and the remaining 75% will be forfeited.

In particular, this means:

- To forfeit the shares, the relevant share transfer form will be completed by Tamawood or the Plan administrator, depending on which is to be the transferee of the forfeited shares (note: you will have already pre-signed these forms at the time of applying for the shares – see section 2.7 above), and the relevant form will be processed by Tamawood’s share registry thereby effecting a transfer of the shares from your name to Tamawood’s or the Plan administrator’s name, and the amount payable for your forfeited shares will equal 75% of your loan outstanding but this amount will be applied directly towards repayment of your loan so that no money will in fact change hands.
- For the 25% of your vested shares, the balance of your loan outstanding – ie 25% after the forfeiture price has been applied against the loan – will be payable by you within 30 days after cessation of employment, and upon repayment of your loan outstanding, the Plan administrator will lift the sale restriction on those shares so that you can sell them at any time thereafter (note: if the value of the shares has fallen such that you want to ‘walk away’, then do nothing and the Plan administrator will in effect forfeit those shares, in which case the same procedure will apply as above).

### 10.2 What happens if Tamawood’s share price falls to 10 cents?

The Plan includes loss protection, in that you can ‘voluntarily’ forfeit your shares once they have vested (according to the forfeiture/vesting scale in section 2.2 above). Even if you have voluntarily made an early repayment on your loan, when your shares are voluntarily forfeited, you will receive a refund of your early repayment.

So, if Tamawood’s share price falls to 10 cents, there is no need to panic! If the shares are still subject to a forfeiture restriction, you have no choice but to wait anyway – and even if the shares have vested, you can voluntarily forfeit the shares, but you are probably better just to retain the shares because, at worst, when your loan becomes repayable on leaving Tamawood, the loan outstanding will be capped at the market value of the shares so you will incur no loss.

In this way, the Plan has been designed to encourage employees to retain their shares through difficult times, because there is always upside without any downside – ie if you hold on to the shares, you will incur no loss, but you will stand to take advantage of any later increase in the share price.

### 10.3 Will I be taxed on dividends even when they are applied against my loan outstanding?

Yes. You will be taxed on your dividends in the same way (see section 12.3 below) whether the dividends are applied against your loan outstanding or (once the loan is been repaid) you receive them in cash.

One advantage of having dividends applied against the loan is that, by reducing the loan outstanding, you will pay less interest. Also, when the shares are sold, a lower portion of the sale proceeds will be used to repay the loan, leaving more money for you – in effect, it is as if you receive the cash equivalent of the dividends on a delayed basis when you sell the shares.

#### 10.4 Can I lose out financially under the Plan?

Generally, no. There are two minor ways in which you could lose:

- You could incur a loss if you choose to repay your loan to facilitate an independent transaction and then the price falls before the shares are sold (see section 11.7(d) below).
- If you forfeit the shares after dividends have been applied against your loan, you will not receive any 'refund' for tax previously paid by you on the dividends. However, this tax cost should be offset by the benefit of interest deductions and/or a capital loss on sale (as the offsetting of dividends against the loan reduces the forfeiture price – see section 12.5 below). You could incur a relatively small net cost under the Plan if the capital loss cannot be applied against a capital gain in the same or any subsequent year – however this cost could only arise if you leave Tamawood within five years after being issued shares under the Plan.

If you are being offered 20,000 shares or more, you should take special note of the competitive restraints which will apply in your case (see section 3.10 above).

#### 10.5 What happens if I pay out my loan early?

The Plan allows you to voluntarily repay your loan early if you wish. Two reasons why you might choose to do this are:

- to enable you to independently sell your shares – eg through your own broker – once the shares have vested (see section 3.8 above), or
- to retain the shares but eliminate ongoing interest costs - even though interest accrues on the loan and does not need to be paid by you out-of-pocket, the accrued interest will dilute the amount of any gain otherwise payable to you when you sell the shares.

To keep the Plan simple, you are able to repay the loan at any time - but it must be a 100% repayment, not a part-payment.

#### 10.6 Can I sell shares once they vest in me from Year 2 onwards?

Yes. You can use either of the Plan's main sale methods:

- *Plan sale:* you can request the Plan administrator to sell a designated number of your shares (not exceeding the number of your vested shares), and the Plan administrator will then sell the shares on the ASX through the Plan broker, use the sale proceeds to repay the applicable portion of your loan, and pay any surplus to you, or
- *Independent sale:* in this case, you must first repay the applicable portion of your loan corresponding to the number of shares you wish to sell (not exceeding the number of your vested shares), and the Plan administrator will then lift the sale restriction of those shares, thereby enabling you to independently arrange a sale or transfer of those shares.

In both cases, you are only obliged to repay the 'applicable proportion' of your loan outstanding corresponding to the number of shares that you wish to sell. For example, suppose you hold 100 shares at a cost \$1.70 per share - ie a total cost of \$170 - of which, after a full three years, 45 shares have vested (according to the forfeiture/vesting scale in section 2.2 above). Suppose you wish to sell 30 of your 45 vested shares, and your loan outstanding is then \$100. In this case, whether you are using the Plan sale or independent transaction methods, the applicable proportion of your loan which must be repaid equals 30% of your loan outstanding - ie \$30 (30% x \$100) since the sale involves 30% of your total holding (30% x 100).

**10.7 How will the acquisition price of my shares be determined?**

The acquisition price of shares under the Plan will be the volume-weighted average price over the one-week period up to and including the date of issue of your shares.

**10.8 What is the current market value of Tamawood Limited shares?**

As at the time of preparing this document, 24 November 2003, the market price of Tamawood Limited shares was \$1.64 per share. If you want to obtain an up-to-date market value figure, contact the Plan broker on 07-3229 5177 (who will tell you this figure, or will promptly email it to you) or alternatively, the Tamawood Limited share price on the Australian Stock Exchange can be accessed via the website at [www.asx.com.au](http://www.asx.com.au).

## 11. Case Studies

Each section of the case study below is included in context throughout the booklet, and all sections of the case study are reproduced here in one place to enable you to read them through from start to finish. You will need to satisfy yourself of the risks and benefits of investing in shares in Tamawood and if you consider it appropriate, seek your own professional advice. All assumptions and figures used in these case studies are hypothetical and should not be taken as indicating future expected performance levels of Tamawood. In particular, the dividend yield and/or share value growth rate could be more or less than stated below.

### 11.1 Background

John's participation is based on the following key assumptions:

- John acquires shares in Tamawood for \$1.70 each, being the volume-weighted average price over the one-week period up to and including the date of issue,
- interest applies on John's total outstanding loan at the rate of 6.55% accumulated daily,
- Tamawood shares have a dividend yield of 5% per annum, and
- Tamawood shares increase in value by 10% per annum.

This assumed performance level is hypothetical and is significantly less than Tamawood's past performance.

### 11.2 Benefits of Participation

Assume also that John acquires a total of 100 shares under the Plan, and that he remains employed for the full five-year share vesting period – the table below shows his net position at the end of each year.

	Year 1	Year 2	Year 3	Year 4	Year 5
Realisable value	\$1,870	\$2,057	\$2,263	\$2,489	\$2,738
Less loan outstanding (see section 3.5 above)	(1,730)	(1,754)	(1,770)	(1,776)	(1,772)
<b>Net position (before tax) per share</b>	<b>\$0.140</b>	<b>\$0.303</b>	<b>\$0.493</b>	<b>\$0.713</b>	<b>\$0.966</b>
Vested % (see section 2.2)	10%	25%	45%	70%	100%
Net position (before tax) - John's vested shares	1,400	7,575	22,185	49,910	96,600
Net position (before tax) - John's unvested shares	12,600	22,725	27,115	21,390	-
<b>Total potential position (before tax) – vested and unvested shares</b>	<b>\$14,000</b>	<b>\$30,300</b>	<b>\$49,300</b>	<b>\$71,300</b>	<b>\$96,600</b>

### 11.3 Loan

John's outstanding loan on a per-share basis over a 5-year period will be as follows:

Loan position	Year 1	Year 2	Year 3	Year 4	Year 5
Loan outstanding @ beginning of year	\$1.700	\$1.730	\$1.754	\$1.770	\$1.776
Add interest (@ 6.55%)	0.115	0.117	0.119	0.120	0.120
Less dividend applied against loan (assume @ end of year)	(0.085)	(0.094)	(0.103)	(0.113)	(0.124)
<b>Loan outstanding @ end of year</b>	<b>\$1.730</b>	<b>\$1.754</b>	<b>\$1.770</b>	<b>\$1.776</b>	<b>\$1.772</b>

### 11.4 Forfeiture

Assume that under the Plan, John acquires 100 shares in Tamawood Limited. If John leaves Tamawood within the first 5 years after acquisition of his shares, John will forfeit some or all of his shares as follows:

If John ceases employment...	Of his 100 shares, John will forfeit...	Of his 100 shares, John may retain or sell...
During year 1	100%	0%
During year 2	90%	10%
During year 3	75%	25%
During year 4	55%	45%
During year 5	30%	70%
After year 5	0%	100%

Forfeited shares will be either bought back and cancelled by Tamawood Limited, or purchased by the Plan administrator.

### 11.5 Plan Sale

Assume now that after 5 years the realisable value of the shares is \$2.74 each after allowing for brokerage (see section 11.2 above) and after interest has been added and dividends have been applied against the loan, John's outstanding loan is \$1.77 (see section 11.3 above). John elects to sell his shares on-market through the Plan administrator and the Plan broker. The Plan broker sells the shares for \$2.74 each (after deducting brokerage), and pays this to Tamawood Limited to apply \$1.77 per share towards John's loan and the balance of \$0.97 per share to John. John's position will be as follows:

Sale proceeds	\$2.74
Loan outstanding	(1.77)
<b>Surplus paid to John</b>	<b>\$0.97</b>

### 11.6 Independent Sale

Assume again that after 5 years the realisable value of the shares is \$2.74 each after allowing for brokerage (see section 11.2 above) and after interest has been added and after dividends have been paid against the loan, John's outstanding loan remains at \$1.77 per share (see section 11.3 above).

John decides to pay off his loan first from his own pocket and then dispose of his shares through a transaction independent of the Plan – eg using his own broker.

Loan repayment by John to Tamawood	(1.77)
Sale proceeds paid to John	\$2.74
<b>Gain</b>	<b>\$0.97</b>

## 11.7 Loss Protection

### (a) Voluntary forfeiture during employment

John acquired his shares for \$1.70 each (see section 10.1 above). After nearly 2 years, now assume the market value of the shares has fallen to \$1.00 each but after interest has been added and after dividends have been paid against the loan, John's outstanding loan is then \$1.75 (see section 11.3 above). At that time, John elects to voluntarily forfeit 10% of his shares (ie the vested portion – see section 11.4 above), effectively 'handing them back' in full and final satisfaction of the loan, to take advantage of the Plan's loss protection feature. The Plan administrator elects to have the shares transferred to the Plan administrator for an amount equal to the loan outstanding.

Price payable by Plan administrator for transfer	\$1.00
Loan outstanding	(1.00) <sup>1</sup>
<b>Gain/loss</b>	<b>-</b>

<sup>1</sup> Prior to the transfer, John's loan outstanding was \$1.80, but upon completion of the transfer, John's loan outstanding is in fact \$1.00 and the Plan administrator remits or credits Tamawood with the transfer price (\$1.00) to repay John's loan outstanding of the same amount (\$1.00), so that no amount will be payable to or by John. In short, John 'walks away' with no gain or loss.

### (b) Loan repayment on cessation of employment

In practice, there is no real advantage in John 'handing the shares back' during employment, since John would lose the benefit of any later increase in Tamawood's share price. Suppose now that John continues to hold the shares until cessation of employment at the end of year 5, but Tamawood's share price has not recovered. The market value of the shares is still \$1.00 each and after interest has been added and after dividends have been paid against the loan, John's outstanding loan is then \$1.77. In this case, the loan is due for repayment 30 days after cessation of employment, but John knows he is in a loss situation and wants to take advantage of the Plan's loss protection feature. So he just leaves it to the Plan administrator to arrange a sale of all his shares on the ASX in full and final satisfaction of his loan – ie John's loan outstanding would be limited to the net sale proceeds, as follows

Net sale proceeds payable to John	\$1.00
Loan outstanding	(1.00) <sup>2</sup>
<b>Gain/loss</b>	<b>-</b>

<sup>2</sup> Prior to the sale, John's loan outstanding was \$1.77, but upon completion of the sale, John's loan outstanding is in fact \$1.00 and the Plan administrator remits or credits Tamawood with the net sale proceeds (\$1.00) to repay John's loan outstanding of the same amount (\$1.00), so that no amount will be payable to or by John. In short, John again 'walks away' with no gain or loss.

**(c) Loss protection under the Plan sale method**

Assume now that after nearly 2 years, the market value of the shares is \$1.80 each and, after interest has been added and after dividends have been paid against the loan, the loan remains at \$1.75 (see section 11.3 above). At that time John elects to sell 10% of his shares (ie the vested portion – see section 11.4 above) via the Plan administrator – ie using the Plan broker – hoping to cash in on a \$0.05 gain. However, by the time the sale is processed, the market value of the shares has fallen to \$1.70. In this scenario, John will still be loss-protected.

Price payable by Plan administrator for transfer	\$1.70
Loan outstanding	(1.70) <sup>3</sup>
<b>Gain/loss</b>	<b>-</b>

<sup>3</sup> Prior to the sale, John's loan outstanding was \$1.75, but upon completion of the sale, John's loan outstanding is in fact \$1.70 and the Plan administrator remits or credits Tamawood with the sale price (\$1.70) to repay John's loan outstanding of the same amount (\$1.70), so that no amount will be payable to or by John. In short, John again 'walks away' with no gain or loss.

This also applies if the shares are sold by the Plan administrator on cessation of employment to repay your loan, as in (b) above.

**(d) No loss protection where there is a disposal via an independent sale**

However, there is no loss protection if you choose to undertake a disposal via an independent sale. Assume the same facts as for (c) above. This time however, rather than electing to sell his shares via the Plan administrator, John decides to pay off his loan from his own pocket and dispose of his shares through a transaction independent of the Plan – eg using his own broker. In this case there is no loss protection, and John must wear the \$0.05 loss.

Loan repayment by John to Tamawood	(1.75)
Sale proceeds paid to John	\$1.70
<b>Loss</b>	<b>-\$0.05</b>

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## **12. Tax Summary**

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A general guide to the tax implications of participating in the Plan is set out below. This summary is only applicable to employees of the Tamawood group who are Australian residents for tax purposes. This summary does not cover all circumstances or all potential tax implications, and the tax implications may vary according to an employee's particular circumstances and prevailing tax laws and interpretation, which are subject to frequent change. No responsibility is accepted for an employee's taxation situation and where you are uncertain about your personal situation, you should seek the advice of a qualified tax adviser.

### **12.1 Tax on Acquisition of Shares**

There should be no tax exposure for you as a result of acquiring shares under the Plan, as you acquire the shares at market value at the time of acquisition (market value for tax purposes being the weighted average price of Tamawood shares over the week up to and including the date of issue).

You are treated as giving the acquisition price as consideration for the shares, notwithstanding that funds are provided by way of Plan loan from Tamawood.

The whole of any gain in value realised on sale of the shares is assessed under CGT (with the benefit of the 50% concession if the shares are held for, and are not agreed to be sold during, 12 months after acquisition and if you have no offsetting capital losses in the year of sale, and as the gain is assessed to an individual).

### **12.2 Tax on Loan**

There should be no tax exposure for you as a result of being granted a Plan loan under the Plan. You should be able to claim interest each year as a deduction against other income even if interest exceeds dividend income in a particular year, and even though interest accrues on the loan and you are not required to make specific interest payments.

### **12.3 Tax on Dividends**

Generally, the assessability of any dividends on your shares is not affected by whether it is paid in the form of cash, shares or some other form, or whether part or all of that amount is applied to your outstanding Plan loan.

Thus, the amount of the dividend, grossed up for any imputation credit if the dividend is franked, must be included in your assessable income, and you would be able to claim any such imputation credit as a rebate against tax payable.

### **12.4 Tax on Bonus Shares**

In the event of a bonus issue, Tamawood would advise shareholders of the applicable tax treatment.

### **12.5 Tax on Forfeiture of Shares**

When shares are forfeited under the Plan, the consideration for the resulting transfer to Tamawood or the Plan administrator is an amount equal to your loan outstanding. This will result in a capital gain if your outstanding loan *exceeds* the shares' cost base (eg if accrued

interest exceeds the accumulated dividends applied against the loan), and the 50% concession is unlikely to be available as the forfeiture occurs under the original agreement thereby defeating the 12-month holding requirement. Alternatively, a forfeiture of shares will result in a capital loss if your outstanding loan is less than the shares' cost base (eg if accrued interest is *less* than the accumulated dividends applied against the loan). However in both cases, the tax impact will be mirrored by the net tax impact of the dividends and interest in the years they were derived/incurred.

## 12.6 Tax on Sale of Shares

### (a) Where you sell shares at a profit

If a gain is realised on selling your shares, you will generally be subject to capital gains tax. The gain will usually be the shares' net sale proceeds less their issue price.

The calculation of the capital gain will depend on whether you have held the shares for 12 months or more. The 12-month period will commence from the date the shares are issued to you.

If you hold the shares for *less than 12 months* (note: this is unlikely to arise under this Plan, as without Board permission shares cannot be sold within 12 months other than by way of forfeiture), the gain included in your assessable income would generally be the excess, if any, of the amount for which the shares are sold, over the cost base of the shares.

If you hold the shares for *12 months or more* (and you do not sell the shares under an agreement reached during the 12-month period), this capital gain may be discounted so that only 50% of the capital gain is included in your assessable income. If, however, you have any capital losses to be offset against capital gains, the capital losses must be applied against the capital gain before applying the 50% CGT discount. Then only 50% of the remaining capital gain would be included in your assessable income (given that the gain is assessed to an individual), and it should make no difference whether the sale is arranged through or by the Plan administrator or independently, provided the sale is in the open market of the ASX and it cannot be said that the sale is 'under' an agreement entered into within 12 months after the shares are issued.

Any net capital gain would be included in your assessable income and taxed at your marginal tax rate in the year that you agree to sell the shares.

### (b) Where you sell shares at a loss

If shares are sold for less than the shares' cost base, you would be able to claim the shortfall as a capital loss. The capital loss could be offset only against any capital gains realised by you on other assets in the same or a subsequent year (ie the capital loss could not be offset against ordinary income).

## 12.7 Calculation of Capital Gain or Loss on a Sale of Shares

The table below illustrates the calculation required to determine the capital gain or loss on a sale of your shares.

### Where shares are sold at a profit

Consideration received	A\$
Cost base (= shares' issue price)	A\$
Capital gain	A\$
Offset available capital losses	A\$
Net capital gain in assessable income (where the sale occurs <i>within 12 months</i> , or occurs under an agreement reached within 12 months, after acquisition)	A\$
50% reduction of net capital gain (only applies where the sale occurs, and any sale agreement is reached, <i>12 months or more</i> after acquisition, and provided the gain is assessed to an individual, directly or through a trust)	x 50%
Net capital gain included in assessable income (where the sale occurs, and any sale agreement is reached, <i>12 months or more</i> after acquisition)	A\$

### Where shares are sold at a loss

Consideration received	A\$
Cost base (= shares' issue price)	A\$
Capital loss	A\$

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## **PART 5: INTERPRETATION**

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## 13. Definitions

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In these Plan Rules, the following definitions apply unless the context requires otherwise.

<b>acquisition price</b>	in respect of each share, means an amount equal to the shares' volume-weighted average price over the one-week period up to and including the date of issue of your shares, which must be paid by you to acquire the shares.
<b>application closing date</b>	means 5.00pm on 12 December 2003 or any other date determined by Tamawood without prior notice.
<b>ASX</b>	means Australian Stock Exchange Limited A.C.N 008 624 691.
<b>Board</b>	means all or some of the Directors of Tamawood acting as the Board of Tamawood Limited.
<b>cessation of employment</b>	means to cease employment with a member of the Tamawood group.
<b>Company</b>	means Tamawood, or in the event of the occurrence of a transaction described in paragraph (d) or (e) of the definition of <b>share</b> below, newco or newtrust, as the case may be.
<b>Confidential Information</b>	has the meaning defined in section 3.10.
<b>Constitution</b>	means the Constitution of Tamawood Limited A.C.N. 010 954 499.
<b>dividend</b>	means: <ul style="list-style-type: none"><li>(a) a dividend declared or paid with respect to shares which is payable in cash; or</li><li>(b) in the case of a dividend paid with respect to shares which is payable only partly in cash, that part of the dividend payable in cash,</li></ul> but in either case disregarding the impact of franking credits on the dividend.
<b>date of issue</b>	in respect of a share, means the date on which Tamawood allots the share to you pursuant to the Plan Rules.
<b>employee</b>	means a person who receives from Tamawood or a subsidiary of Tamawood salary or wages from which PAYG is deducted in accordance with Schedule 1 to the Taxation Administration Act 1953 and <b>employed</b> , <b>employment</b> and <b>employer</b> have corresponding meanings.
<b>forfeiture restriction</b>	in respect of shares, means a condition included in the shares' terms of issue that could result in you forfeiting ownership of the shares in accordance with the Plan Rules.
<b>Intellectual Property</b>	has the meaning defined in section 3.10.
<b>interest rate</b>	means the interest rate on your Plan loan.

<b>offer</b>	means the offer of shares to you under the Tamawood Incentive Share Plan.
<b>Plan or ESOP</b>	means the Tamawood Incentive Share Plan approved by the Board on 26 November 2003 constituted by the Plan Rules as amended from time to time in accordance with the Plan Rules.
<b>Plan administrator</b>	means Pitcher Partner Registries (Share Plan) Pty Ltd Limited or such other person or entity appointed by the Board to administer the Plan in accordance with the Plan Rules.
<b>Plan broker</b>	means the broker appointed by the Plan administrator to provide services in connection with the operation of the Plan.
<b>Plan loan</b>	means the loan to acquire shares provided to you upon acceptance of an application under the Plan (but does not include any other loan provided pursuant to the Plan).
<b>Plan Rules</b>	means the rules of the Tamawood Incentive Share Plan, as amended from time to time in accordance with the Plan Rules.
<b>sale restriction</b>	means a restriction referred to in the Plan Rules having the effect of preventing you from disposing of or in any way dealing with shares, to be enforced in any way determined by the Board or the Plan administrator.
<b>share</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) a share in the Company acquired upon acceptance of an application made under the Plan (but not a share acquired upon acceptance of another application made under the Plan);</li> <li>(b) a share acquired upon the exercise of any rights issued in respect of such a share; and</li> <li>(c) a share acquired pursuant to a bonus issue in respect of such a share,</li> </ul> <p>provided that if:</p> <ul style="list-style-type: none"> <li>(d) all or substantially all of the assets of or shares in the Company are transferred to a newly-organised corporation or other business entity ('newco'); or</li> <li>(e) any other arrangement, reconstruction, restructuring, reorganisation, recapitalisation or consolidation of the Company occurs resulting in a new trust ('newtrust') or a new company ('newco'),</li> </ul> <p>share means an equity security of newco or newtrust, as applicable, that corresponds to such shares in the Company.</p>
<b>subsidiary</b>	means a body corporate of which Tamawood is a holding company in terms of Division 6 of Part 1.2 of the Corporations Act approved for participation in this Plan by the Board.
<b>Tamawood or Tamawood Limited</b>	means Tamawood Limited or Tamawood Services Pty Ltd or, in the event of the occurrence of a transaction described in paragraph (d) or (e) of the definition of share, newco or newtrust, as the case may be.

**Tamawood group**

means:

- (a) Tamawood;
- (b) its subsidiaries; and
- (c) any other entity nominated by the Board as being a member of the Tamawood group for the purposes of this Plan, being an entity in which Tamawood or a subsidiary of Tamawood holds an interest which the Board considers to be significant from Tamawood's perspective,

or for the purposes of particular shares, such other range of entities as may be specified in the terms of issue.

**terms of issue**

the terms and conditions upon which shares are offered under this Plan, which are determined by the Board in its discretion and which are set out in this booklet, the accompanying offer letter dated 27 November 2003 and the Plan Rules.

**total subscription price**

means the total price of all shares acquired under this offer, being the number of shares acquired by you under the offer multiplied by the volume-weighted average price of a Tamawood Limited ordinary share over the one-week period up to and including the date of issue.

**you**

means the person named in the accompanying offer letter dated 27 November 2003.

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## 14. General Rules of Interpretation

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In this booklet, the following rules of interpretation apply unless the context requires otherwise.

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A gender includes all genders.
- (d) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (e) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (f) A reference to a paragraph is a reference to a paragraph of this booklet.
- (g) A reference to an agreement or document (including, without limitation, a reference to this booklet or the Plan Rules) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this booklet or the Plan Rules or that other agreement or document.
- (h) A reference to a person or entity includes the person's or entity's successors, permitted substitutes and assigns and, where applicable, the person's or entity's legal personal representative.
- (i) A reference to legislation or to stock exchange rules or to a provision thereof includes a modification or re-enactment of it, a provision substituted for it and a regulation, statutory instrument or rule issued under it, and any waiver under it.
- (j) A reference to conduct includes, without limitation, an omission, statement and undertaking, whether or not in writing.
- (k) A reference to a document includes any certificate, notice, instrument and document of any kind.
- (l) A reference to writing includes an e-mail, a facsimile transmission, and any other means of reproducing words in a tangible and lasting visible form.
- (m) A reference to dollars or \$ is to Australian currency.

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## **PART 6: HOW TO PARTICIPATE**

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## Instructions to Participate

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If you wish to participate in the Plan by accepting your offer as per the accompanying offer letter, you need to complete the following steps:

- **Step 1:** Complete the Plan Application Form on the following page – and in particular:
  - γ insert your bank account details under ‘step 3’ so that any moneys payable to you under the Plan (and in particular, dividends and sale proceeds after your loan has been repaid in full) can be remitted by electronic funds transfer direct to your account, and
  - γ insert your details under ‘step 4’ and sign and date the declaration under ‘step 5’ (note: you are only able to apply for the shares and loan in your name – ie in the name of the employee to whom the accompanying offer letter is addressed).
  
- **Step 2:** Complete both of the Share Transfer Forms on the two pages following the Plan Application Form (the purpose of this is to enable the Plan Administrator or Tamawood to enforce the forfeiture restriction if you cease employment with the Tamawood group within 5 years – see section 2.2 above) – and in particular:
  - γ print your full name in the ‘Transferor’ section of the forms, and
  - γ sign and date each form in the ‘Transferor’ section towards the bottom of each form.

Note: You do not need to specify the number of shares or the amount of loan you wish to obtain since, by completing the Plan Application Form, you are deemed to be applying for the particular number of shares offered to you in the accompanying offer letter (as stated under ‘Step 1’ of the form), and you are deemed to be applying for a loan equal to the Total Subscription Price for those shares (as stated under ‘Step 2’ of the form). In short, you are not able to make partial applications for shares and/or a loan.

**If you change your address details, please advise the Plan administrator in writing as soon as possible, so that all information regarding your holding can be forwarded to you.**

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## Plan Application Form

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### Step 1 – Offer Details

As per my offer dated 27 November 2003, I wish to apply under the Tamawood Incentive Share Plan for the number of shares in Tamawood Limited offered to me, at a price per share equal to the volume-weighted average price over the one-week period up to and including the date of issue (the total cost of all shares acquired by me being my 'total subscription price').

### Step 2 – Loan Details

I also wish to apply for a loan equal to the total subscription price to fund the acquisition of these shares, on the terms of the Tamawood Incentive Share Plan (including interest at 6.55% for the first five years) - see section 3.5 of this Booklet.

### Step 3 – Bank Account Details

Please remit any funds payable to me under the Plan (including dividends and sale proceeds after my loan has been repaid in full):

? via cheque, or

? via EFT into the following bank account:

Financial institution: \_\_\_\_\_

Address of financial institution: \_\_\_\_\_

Name in which account is held: \_\_\_\_\_

BSB (Branch no.) \_\_\_\_\_ Account no. \_\_\_\_\_  
(Must be 6 digits) (No more than 10 digits)

### Step 4 – Your Details

Full Name: \_\_\_\_\_ Employee Number: \_\_\_\_\_

Postal Address: \_\_\_\_\_

Suburb: \_\_\_\_\_ State: \_\_\_\_\_ Postcode: \_\_\_\_\_

Email: \_\_\_\_\_ Work Phone: \_\_\_\_\_ Home Phone: \_\_\_\_\_

Tax File Number or Applicable Exemption Category: \_\_\_\_\_

### Step 5 - Declaration

I hereby agree to adhere to the Plan Rules of the Tamawood Incentive Shares Plan and the Constitution of Tamawood Limited and in particular (without limitation), I acknowledge that I am giving my express authority:

- for the Plan administrator or Tamawood, in the event that I cease employment with Tamawood Limited during the first 5 years after issue of the shares, to insert into the applicable transfer form on the following pages the no. of shares I forfeit under the Plan Rules, the date of forfeiture, the consideration (equal to my loan outstanding), and to sign & date the form as transferee, and
- for the Plan broker or the Plan administrator, in the event that I undertake a Plan Sale (ie in the event that I request the Plan administrator to arrange for the Plan broker to sell all my shares on the ASX), to disburse the sale proceeds to Tamawood Limited, to be applied towards repayment of my loan with the balance (if any) to be paid to me.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Return this form **before 12 December 2003** to the Plan administrator, Pitcher Partner Registries (Share Plan) Pty Limited, Level 22, 300 Queen Street, Brisbane QLD 4000, or fax: 07 3221 3149. If you have any questions about the Tamawood Incentive Share Plan or if you need assistance, please contact the Plan administrator on ph: 07 3228 4260.

# Share Transfer Form - Tamawood Limited

For Non-Market Transactions

Affix Stamp Duty (if any) Here

Marking Stamp

<b>FULL NAME OF COMPANY OR CORPORATION</b>	TAMAWOOD LTD A.C.N. 010 954 499		
<b>DESCRIPTION OF SECURITIES</b>	Class	If not fully paid, paid to	Register
	ORDINARY FULLY PAID		QUEENSLAND
<b>QUANTITY</b>	Words	Figures	
<b>FULL NAME(S) OF TRANSFEROR(S) (SELLER[S])</b>	Surname(s)		Broker's Transfer Identification Number
	Christian Name(s)		
	----- PLEASE USE BLOCK LETTERS		
<b>CONSIDERATION</b>			Date of Purchase
<b>FULL NAME(S) OF TRANSFEREE(S) (BUYER[S])</b>	TAMAWOOD LTD A.C.N. 010 954 499		
	----- PLEASE USE BLOCK LETTERS		
<b>FULL ADDRESS OF TRANSFEREE(S) (BUYER[S])</b>	1821 IPSWICH ROAD		
	ROCKLEA 4106		
	State	QLD	
<b>REMOVAL REQUEST</b>	Please enter the above securities on the		REGISTER
<p>I/We the registered holder(s) and undersigned sellers(s) for the above consideration do hereby transfer to the above name(s) hereinafter called the Buyer(s) the securities as specified above standing in my/our name(s) in the books of the above-named Company, subject to the several conditions on which I/we held the same at the time of signing hereof and I/We the Buyer(s) do hereby agree to accept the said securities subject to the same conditions. I/We have not received any notice of revocation of the Power of Attorney by death of the grantor or otherwise, under which this transfer is signed.</p>			
<b>TRANSFEROR(S) (SELLER[S])</b> SIGN HERE			<b>FOR REGISTRAR USE</b>
<b>DATE SIGNED</b>			
<b>TRANSFEREE(S) (BUYER[S])</b> SIGN HERE	Signed by the Company Secretary of Tamawood Limited, duly authorised to sign on behalf of the Transferee:		
<b>DATE SIGNED</b>			

**Share Transfer Form -  
Pitcher Partners Registries (Share Plan) Pty Ltd**

For Non-Market Transactions

Affix Stamp Duty (if any) Here

Marking Stamp

FULL NAME OF COMPANY OR CORPORATION	TAMAWOOD LTD A.C.N. 010 954 499		
DESCRIPTION OF SECURITIES	ORDINARY FULLY PAID	Class	If not fully paid, paid to
QUANTITY		Words	Figures
FULL NAME(S) OF TRANSFEROR(S) (SELLER[S])	Surname(s)		Broker's Transfer Identification Number
	Christian Name(s)		
	----- PLEASE USE BLOCK LETTERS		
CONSIDERATION			Date of Purchase
FULL NAME(S) OF TRANSFEREE(S) (BUYER[S])	PITCHER PARTNERS REGISTRIES (SHARE PLAN) PTY LTD A.C.N. 094 377 849		
	----- PLEASE USE BLOCK LETTERS		
FULL ADDRESS OF TRANSFEREE(S) (BUYER[S])	LEVEL 22, 300 QUEEN STREET		
	BRISBANE 4000		
		State	QLD
REMOVAL REQUEST	Please enter the above securities on the		REGISTER
<p>I/We the registered holder(s) and undersigned sellers(s) for the above consideration do hereby transfer to the above name(s) hereinafter called the Buyer(s) the securities as specified above standing in my/our name(s) in the books of the above-named Company, subject to the several conditions on which I/we held the same at the time of signing hereof and I/We the Buyer(s) do hereby agree to accept the said securities subject to the same conditions. I/We have not received any notice of revocation of the Power of Attorney by death of the grantor or otherwise, under which this transfer is signed.</p>			
TRANSFEROR(S) (SELLER[S]) SIGN HERE	----- ----- -----		<b>FOR REGISTRAR USE</b>
DATE SIGNED			
TRANSFEREE(S) (BUYER[S]) SIGN HERE	Signed by the Company Secretary of Pitcher Partners Registries (Share Plan) Pty Limited, duly authorised to sign on behalf of the Transferee:		
DATE SIGNED			