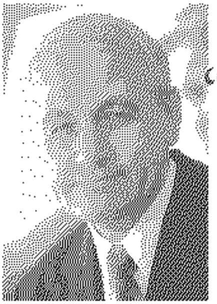
tamawood limited half year report

Half Year Ended December 31 2003

ABN 56 010 954 499



John C Lyons
CHAIRMAN

> "We define marketing quite simply as creating outstanding value and being famous for it"
>
> – **Marketing without Money**
> John Lyons and Edward de Bono

the brands

Dixon Homes

Multi-award winning Dixon Homes has invested millions of dollars with architects, engineers and interior designers in producing a superior home product. The result has been admired since 1959.

Tamawood Homes

Tamawood Limited delivers a home, land or finance every hour. The company openly leads the industry with more plans, more options, more value and more service.

Cut Price Homes

Built to the same high standards as any home in the Tamawood suite, Cut Price Homes are an exceptional value for money range. Cut Price Homes provides access to no deposit finance and low cost land, streamlining the purchase decision and process.

Remington Steel Homes

Architect inspired, these homes are precision engineered and feature BHP steel frames. The designs deliver a timeless look with uncluttered shapes and the All-Steel frame reduces maintenance costs.

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letter to our shareholders

On behalf of the Board, we are delighted to report a 57% increase in post-tax earnings for the half year to December 2003 compared with the previous corresponding six months. The first half earnings have been achieved on revenue of $50.27 million, up 20%.

For the full financial year to June 2003, Tamawood earned a post-tax profit of $3.57 million, and paid a fully franked dividend of 11 cents per share.

The December 2003 half-year result represents earnings per share of 12.4 cents, and the Tamawood Board has declared a fully franked interim dividend of 8 cents per share, payable 30 April 2004.

Tamawood is Queensland's largest home builder, currently commanding 9.6% of that market, and is franchising its highly successful building systems to building companies in other states of Australia. A recent Housing Industry Association research report ranked Tamawood among Australia's top-ten building companies.

The significant efficiencies generated by our unique building systems and processes, our buying power, and our debt-free status gives us great confidence in our ability to cope profitably with the inevitable fluctuations in our industry.

Tamawood's results are likey to continue their strong positive trend despite housing industry corrections. Forecasts by respected economic and building industry analyst, BIS Shrapnel, indicate Queensland will continue to dominate growth in interstate migration with the State's estimated net growth exceeding 30,000 people per annum over the next few years.

On behalf of the Board and the whole Tamawood team, we express our thanks to you, our valued Shareholders, for your continued support.

Yours sincerely

John Lyons
CHAIRMAN

Lev Mizikovsky
MANAGING DIRECTOR

	June 2001 $'000 Half Year	Dec 2001 $'000 Half Year	June 2002 $'000 Half Year	Dec 2002 $'000 Half Year	June 2003 $'000 Half Year	Dec 2003 $'000 Half Year
Revenue	21,305	26,076	38,931	41,855	39,685	50,277
Net profit before tax	1,450	1,943	2,829	3,266	1,899	5,220
Net profit after tax	964	1,369	2,011	2,277	1,295	3,574
Market Share	7%	8%	8%	9%	9.5%	9.6%

directors' report

Your Directors present their report on the consolidated entity consisting of Tamawood Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2003.

Directors

The following persons were directors of Tamawood Limited during the whole of the half-year and up to the date of this report:

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

Principal activities

During the half-year the principal continuing activities of the consolidated entity consisted of:

(a) home design and project management services provided to other building companies;

(b) home contract construction activities in selected markets; and

(c) franchising operations within regional Queensland and New South Wales.

Operating result and review of operations

The consolidated net profit after income tax for the half-year ended 31 December 2003 was $3,573,961 (2002:$2,277,496).

Tamawood's market share was 9.6% as at 31 December 2003. Only one competitor holds a market share greater than 5% as at 31 December 2003.

The Directors took a decision to write off all remaining intangibles in the company's balance sheet as at December 2003. An amount of $332,000 represented intangibles in relation to the Dixon Homes acquisition in December 2000.

Dividends paid or recommended

Tamawood's dividend policy is to distribute up to 80% of its after tax profits to shareholders and to pay interim and final dividends.

The Board has declared a fully franked interim dividend of 8 cents representing 68% of after tax profits payable as at 30 April 2004.

The Tamawood Dividend Reinvestment Plan will continue in operation to provide the Group with funds to focus on asset growth without relying on external debt facilities.

This report is made in accordance with a resolution of the Board of Directors.

John Lyons

J C Lyons
CHAIRMAN

Brisbane, 27 February 2004

independent review report to the members of tamawood limited

Scope

The Financial Report and Directors' responsibilities

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for the Tamawood Limited group ("the consolidated entity") for the half-year ended 31 December 2003. The consolidated entity comprises Tamawood Limited ("the company") and the entities it controlled at the end of, or during, the half-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 estimates inherent in the financial report.

Review Approach

We have conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with the Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and the Corporations Act 2001, a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review procedures were limited to:

- Inquiries of the Company's personnel of certain internal controls, transactions, significant accounting estimates and individual items; and
- Analytical procedures applied to financial data.

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

The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

independent review report to the members of tamawood limited cont.

Independence

In conducting our review, we followed applicable independence requirements of Australian Professional ethical pronouncements and the Corporations Act 2001.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the Tamawood Limited group is not in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Pitcher Partners

R C Brown
PARTNER

Brisbane, 27 February 2004

directors' declaration

The Directors' declare that the financial statements and notes set out on pages 8 to 15:

(a) comply with Accounting Standards, the Corporations Act 2001 and Regulations thereto and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Tamawood Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

J C Lyons
CHAIRMAN

Brisbane, 27 February 2004

consolidated statement of financial position

as at 31 December 2003

	31 December 2003	30 June 2003
Current Assets	**$'000**	**$'000**
Cash	3,342	3,058
Receivables	4,362	3,863
Inventories	9,984	8,728
Total Current Assets	**17,688**	**15,649**
Non-Current Assets		
Receivables	1,985	552
Property, plant and equipment	6,247	6,358
Deferred tax assets	683	790
Intangible assets	-	333
Total Non-Current Assets	**8,915**	**8,033**
Total Assets	**26,603**	**23,682**
Current Liabilities		
Payables	5,934	9,023
Current tax liabilities	756	63
Provisions	369	442
Other	269	237
Total Current Liabilities	**7,328**	**9,765**
Non-Current Liabilities		
Deferred tax liabilities	2,922	2,240
Provisions	519	507
Total Non-Current Liabilities	**3,441**	**2,747**
Total Liabilities	**10,769**	**12,512**
Net Assets	**15,834**	**11,170**
Equity		
Contributed equity	9,597	6,930
Retained profits	5,030	3,033
Reserves	1,207	1,207
Total Equity	**15,834**	**11,170**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

consolidated statement of financial performance

for the half-year ended 31 December 2003

	Note	Half-year 2003 $'000	Half-year 2002 $'000
Revenue from ordinary activities	2	50,277	41,855
Cost of sales, marketing and appliances		(39,949)	(33,844)
Advertising		(649)	(841)
Depreciation and amortisation		(565)	(224)
Employee benefits expenses		(2,266)	(2,244)
Consultants		(158)	(122)
Administration expenses		(1,299)	(1,255)
Other expenses		(171)	(59)
Profit from ordinary activities before income tax expense		5,220	3,266
Income tax expense		(1,646)	(989)
Net profit attributable to members of Tamawood Limited		3,574	2,277
Net increase / (decrease) in asset revaluation reserve		-	-
Total changes in equity other than those resulting from transactions with owners as owners		3,574	2,277
		cents	cents
Basic earnings per share		12.40	8.29
Diluted earnings per share		12.40	8.29

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

consolidated statement of cash flows

for the half-year ended 31 December 2003

	Half-year 2003	Half-year 2002
	$'000	$'000
	Inflows / (Outflows)	
Cash Flows from Operating Activities		
Receipts from customers	55,424	51,776
Payments to suppliers and employees	(54,664)	(48,818)
Interest received	149	66
Income taxes paid	(163)	(477)
Net operating cash flows	746	2,547
Cash Flows from Investing Activities		
Payment for property, plant and equipment	(122)	(332)
Net investing cash flows	(122)	(332)
Cash Flows from Financing Activities		
Proceeds from issuing shares	180	95
Dividends paid	(521)	(1,241)
Net financing cash flows	(341)	(1,146)
Net increase / (decrease) in cash held	283	1,069
Cash at the beginning of the half year	3,058	2,489
Cash at the end of the half year	3,341	3,558

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

notes to the consolidated financial statements

for the half-year ended 31 December 2003

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the half-year ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Tamawood Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year, including rounding of amounts in accordance with Class Order 98/0100, to the nearest thousand dollars.

Comparatives have been restated where necessary to ensure compatibility with the current reporting period.

	Half-year	
	2003	**2002**
	$'000	**$'000**
NOTE 2: REVENUE		
Revenue from operating activities:		
Building design and preliminary project management fees	5,725	4,456
Contract construction revenue	43,343	35,760
Franchise revenue	305	193
	49,373	40,409
Revenue from outside the operating activities:		
Sale of display homes	484	846
Sub-lease rentals	94	100
Interest non-related parties	131	66
Other items	195	434
	904	1,446
Revenue from ordinary activities	50,277	41,855

for the half-year ended 31 December 2003

	Half-year	
	2003	2002
	$'000	$'000
NOTE 3: DIVIDENDS		
Final dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 November 2002	-	1,532
Final dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 November 2003	1,576	-
Total dividends provided for or paid	1,576	1,532

Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the half-year were as follows:

Paid in cash	521	1,241
Satisfied by issue of shares	1,055	291
	1,576	1,532

Since the end of the half-year, the Directors have recommended the payment of a fully franked interim dividend of 8 cents per fully paid share payable April 2004 (5.5 cents fully franked April 2003)	2,421	1,548

NOTE 4: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the half-year were as follows:

Opening balance	6,930	5,412
(i) 670,000 ordinary shares were issued at $0.78 under the Employee Share Scheme.	-	523
(ii) issue of 285,894 shares at $1.01 under the Dividend Reinvestment Plan for the dividend paid in November 2002.	-	291
(iii) issue of 641,211 shares at $1.65 under the Dividend Reinvestment Plan for the fully franked dividend paid in November 2003.	1,055	-
(iv) issue of 965 000 shares at $1.67 under the Employee Incentive Share Scheme.	1,612	-
	9,597	6,226

notes to the consolidated financial statements

for the half-year ended 31 December 2003

NOTE 5: POST BALANCE DATE EVENTS

There has not been any matter or circumstance, that has arisen since the end of the half-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 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 Cairns and various locations in New South Wales.

Other

These activities constitute a minor element to the revenue of the consolidated entity and include sublease of various parts of the building and 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 Queensland.

New South Wales

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

NOTE 6: SEGMENT INFORMATION

PRIMARY REPORTING – BUSINESS SEGMENTS

2003 $'000	Construction	Project Management	Franchise	Other	Inter-segment eliminations/ unallocated	Consolidated
External sales revenue	43,343	5,725	305	416	-	49,789
Intersegment sales revenue	-	7,780	-	-	(7,780)	-
Total sales revenue	43,343	13,505	305	416	(7,780)	49,789
Other revenue	484	-	4	-	-	488
Total segment revenue	43,827	13,505	309	416	(7,780)	50,277
Segment results	2,330	3,075	215	164	-	5,784
Unallocated revenue less unallocated expenses						(564)
Profit from ordinary activities before income tax expense						5,220
Income tax expense						(1,646)
Net profit						3,574

2002 $'000	Construction	Project Management	Franchise	Other	Inter-segment eliminations/ unallocated	Consolidated
External sales revenue	35,760	4,456	193	599	-	41,008
Intersegment sales revenue	-	7,855	-	-	(7,855)	-
Total sales revenue	35,760	12,311	193	599	(7,855)	41,008
Other revenue	846	-	2	-	-	848
Total segment revenue	36,606	12,311	193	599	(7,855)	41,856
Segment results	1,041	2,194	130	125	-	3,490
Unallocated revenue less unallocated expenses						(224)
Profit from ordinary activities before income tax expense						3,266
Income tax expense						(989)
Net profit						2,277

notes to the consolidated financial statements

for the half-year ended 31 December 2003

NOTE 7: RELATED PARTIES

During the 2003 half-year, Levarian Pty Ltd (director related entity) entered into 12 residential construction contracts totaling $1,018,145 with TADC Pty Ltd, a 100% owned subsidiary, under normal residential construction arrangements and commercial terms.

NOTE 8: CONTINGENT LIABILITIES

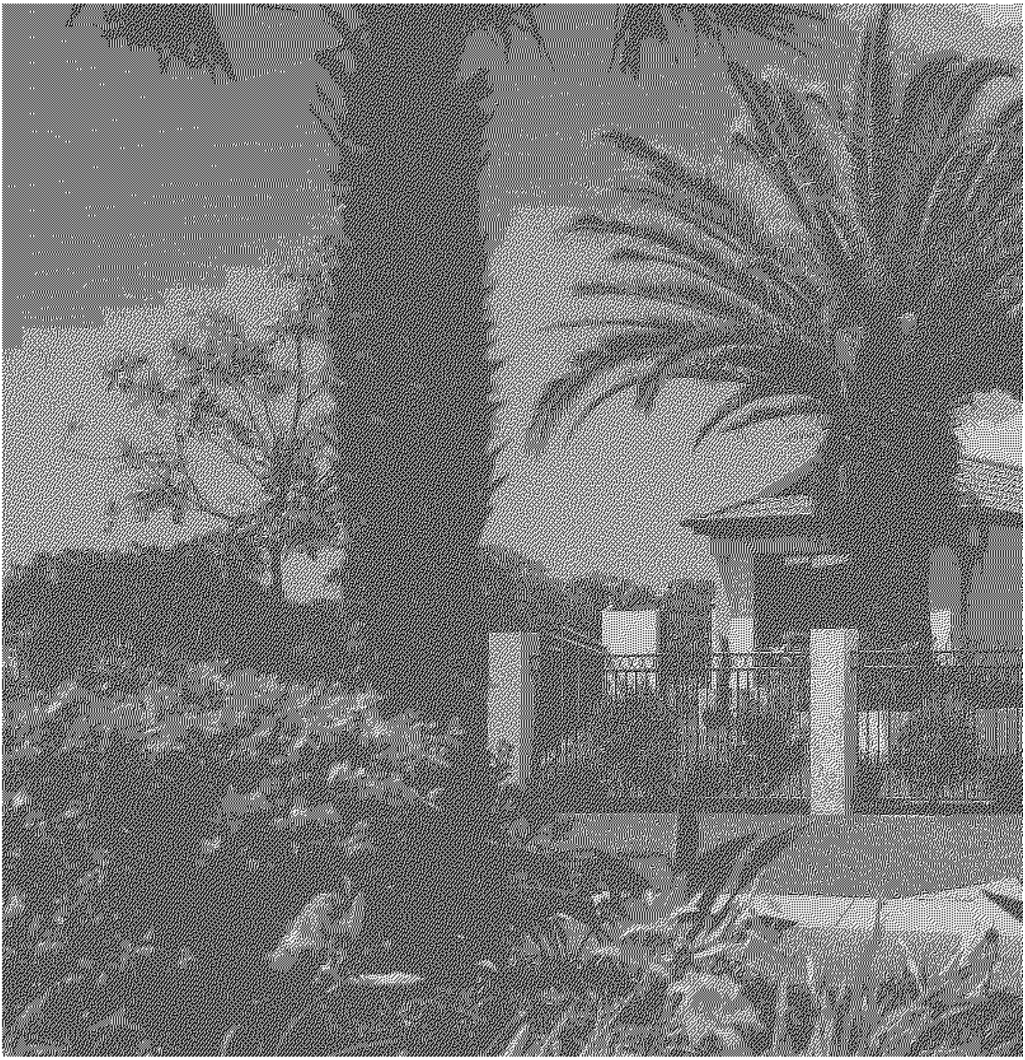
The main litigation involving Tamawood is an action commenced in the Federal Court by Henley Arch Pty Ltd and Henley Properties (Qld) Pty Ltd against Tamawood, Lev Mizikovsky and one of our customers. The claim concerns an alleged breach of copyright of Henley Arch designs by Tamawood, Lev Mizikovsky 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 had agreed to indemnify its customers 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 costs of the proceedings has been adjourned and is likely to be determined following the outcome of the appeal. In 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.

Tamawood commenced an action in the Federal Court against Hallmark Pty Ltd, concerning an alleged breach of copyright of a Dixon design by Hallmark Homes. Justice Cooper delivered judgement on 20th February 2004 and this judgement is to be reviewed by Tamawood with the view to appeal. The main exposure of Tamawood connected with this litigation is for legal expenses. At this time, Directors consider it reasonably likely for costs and legal expenses to have an immaterial impact on Tamawood's financial position.

St George Bankw No Deposit Finance

Tamawood Finance Pty Ltd, a 100% owned subsidiary, has a no deposit finance arrangement with St George Bank. Tamawood Finance Pty Ltd has granted a bank guarantee of $300,000 to St George Bank, secured over the building as part of this arrangement.



Registered Office

Tamawood Limited
1821 Ipswich Road
ROCKLEA QLD 4106

Auditor

Pitcher Partners
Level 21
300 Queen Street
BRISBANE QLD 4000

Share Registry

Pitcher Partners Registries
Level 22
300 Queen Street
BRISBANE QLD 4000

Solicitors

Mallesons Stephen Jaques
Level 30 Waterfront Place
1 Eagle Street
BRISBANE QLD 4000