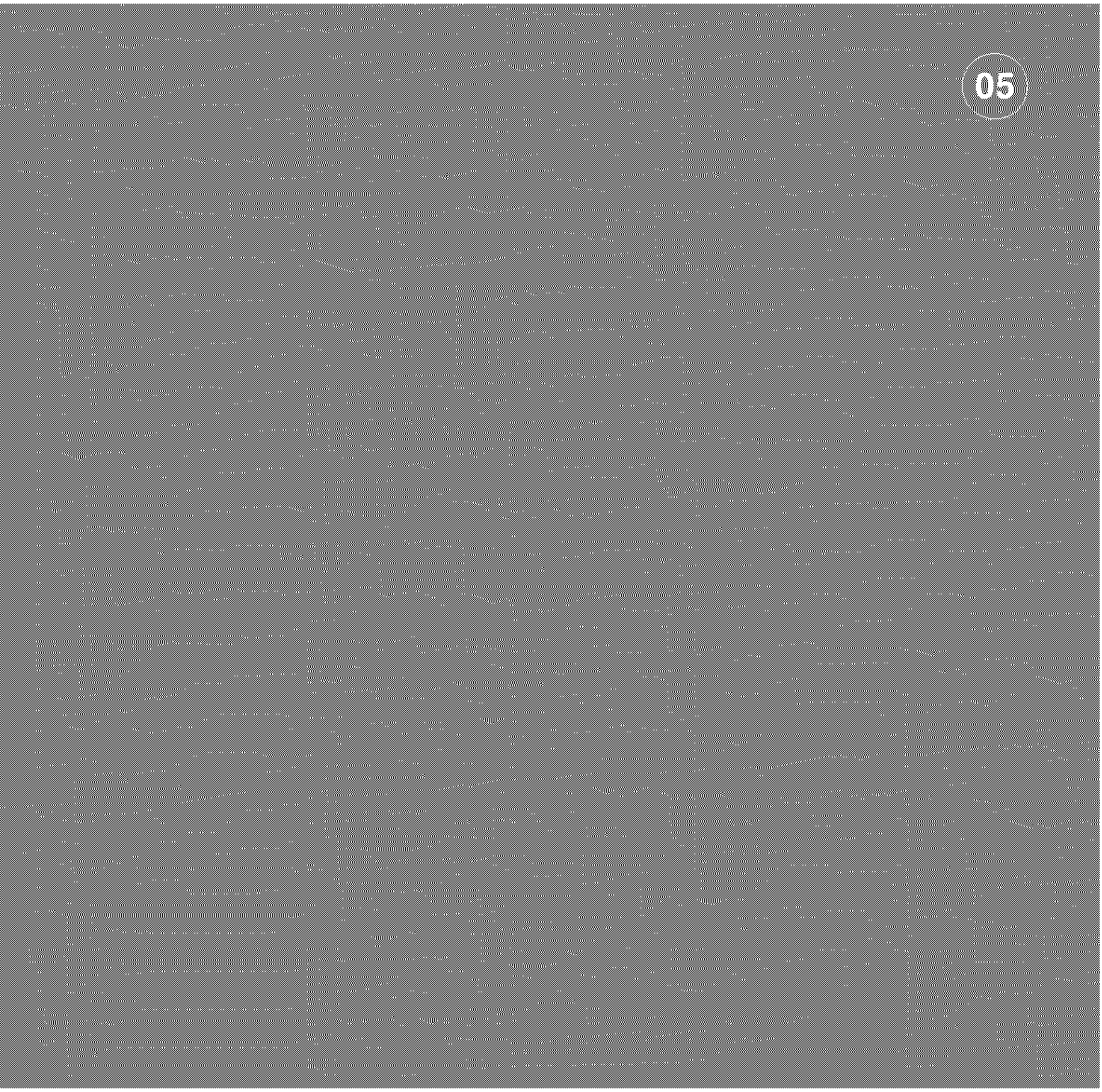
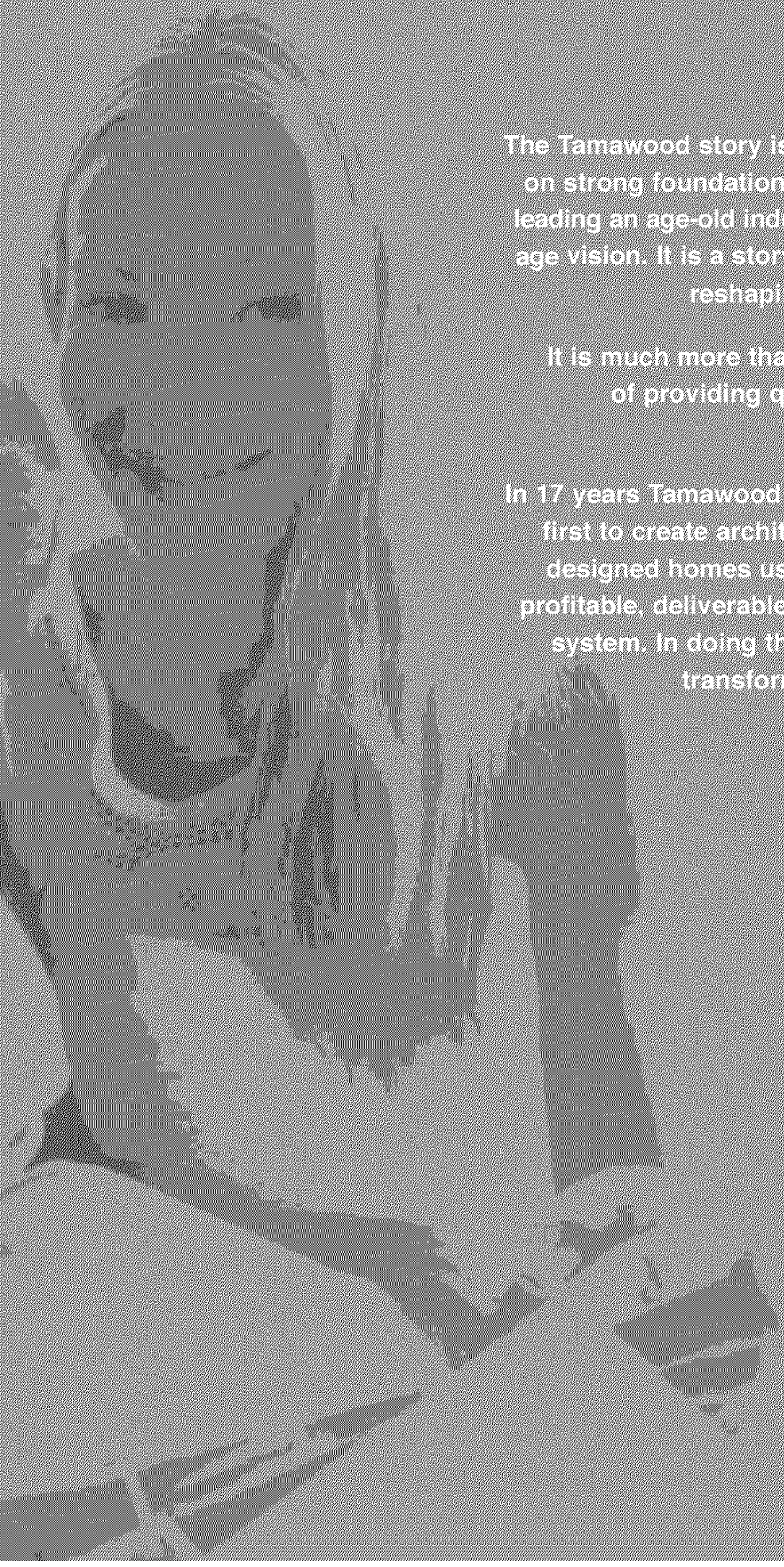


tamawood limited annual report

FOR YEAR ENDED JUNE 2005

ABN 56 010 954 499



The Tamawood story is one of building on strong foundations. It is a story of leading an age-old industry with a new-age vision. It is a story of consistently reshaping expectations.

It is much more than a simple story of providing quality homes for Australians.

In 17 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.

contents

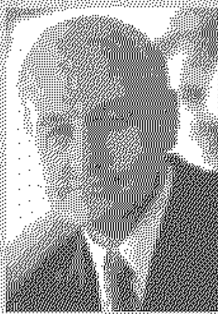
ABN 56 010 954 499

highlights

- After-tax earnings have increased 6% to $4.245 million, representing 13.73 cents per share.
- Fully franked final dividend of 8 cents per share payable 28 October 2005. This represents a total dividend for the year of 13 cents per share.
- Tamawood's balance sheet remains debt free, with $5.3 million in the bank.
- 65% earnings contribution from systems licensing/ franchising.
- Market capitalisation has grown from $11 million to approximately $50 million since listing in August 2000.
- Franchisees' and licensees' operations extend from Darwin to Northern Rivers with further geographic expansion planned for the 2006 financial year.
- Mr Tim Reid, partner with Minter Ellison Lawyers joined the Tamawood Board in November 2004.

Financial year	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
Revenue	67,833	86,533	81,540	65,007	30,620
Net profit before tax	6,216	5,954	5,165	4,772	1,679
Net profit after tax	4,245	4,000	3,572	3,381	1,149
Market share (Qld)	8.6%	9.6%	9.5%	8.0%	7.0%

chairman's and managing director's review



John C Lyons
Chairman

Lev Mizikovsky
Managing Director

To our Shareholders

Tamawood has maintained its earnings growth momentum and posted a fifth successive record financial result.

Improving margins, efficient working capital management and lower operating costs have enabled Tamawood to post a net profit result of $4.24 million for the 2005 financial year. This profit is up 6% on last year's result.

The year's profit represents earnings per share of 13.73 cents. Directors have declared a fully franked final dividend of 8 cents a share, taking the annual dividend to 13 cents.

In line with the decline in housing demand in South East Queensland, gross revenue from operating activities fell by 22% to $66.3 million. This decline has been largely off-set by lower operating costs (-16%), higher margins and increasing fee income from the growing number of franchisees and affiliated builder networks, now comprising 17% of revenues compared to 13% in the 2004 financial year.

The Company's balance sheet remains debt-free, with $5.3 million in the bank at 30 June 2005.

Tamawood has established several merchandising businesses with the objective of securing the Company's supply chain and reducing input costs. These businesses are in the formative stages.

Tamawood's industry-leading investment in technology-enabled systems and training is designed to enable it to cope efficiently and profitably with fluctuations in demand. The Company is well adapted to maintaining profitability in conditions of cyclical market expansion and contraction common in the building industry.

The on-going roll-out of Tamawood's franchisee business model and the direct importation of merchandise should see the current earnings momentum continue into the 2006 financial year.

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

John C Lyons
Chairman

Lev Mizikovsky
Managing Director

ABN 56 010 954 499

the tamawood story

The Story So Far

The Tamawood story is one of building on strong foundations. It is a story of leading an age-old industry with a new-age vision. It is a story of consistently reshaping expectations.

It is much more than a simple story of providing quality homes for Australians.

The Beginnings

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 2005 financial year, over 770 homes were sold, about 40% of which were built by affiliated builders and the remainder by Tamawood itself.

In 17 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.

The Challenges

The Tamawood story is also one of overcoming challenges.

The Company's founder, Mr. Lev Mizikovsky, was unable to raise external start-up funding and learned the valuable lesson of how to succeed without it. As a result, growth has been funded out of profits ever since. Today, the Company's debt-free status, a rarity in the building industry, is a major contributing factor in its financial stability and sustained growth and profitability in a notoriously cyclical industry.

The Reach

Tamawood is a "systems company", not simply a home building company.

In a similar manner to companies like McDonald's, Flight Centre and Harvey Norman,Tamawood has entered a seemingly mature, fragmented industry, redefined and enhanced the value provided to customers, and has reconfigured the systems and processes by which that value is delivered ... efficiently and profitably.

Listing Success

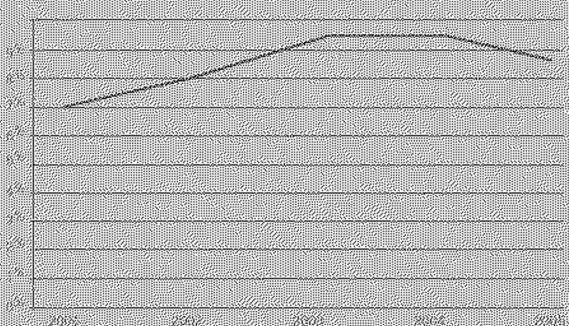
Five years have passed since Tamawood listed on the Australian Stock Exchange in August 2000, just a few months after the NASDAQ crash. In its typically convention challenging style, Tamawood's successful capital raising was not underwritten.

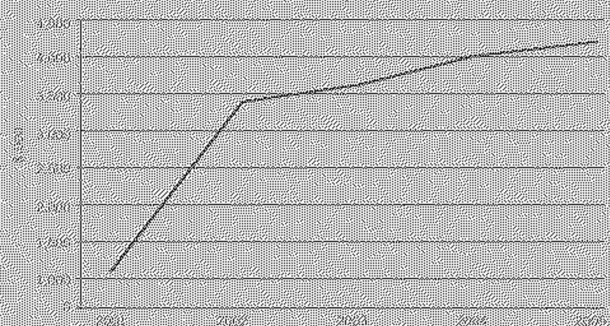
Since listing, the Company's impressive results internally and on the stock market, even in the 2001 post-GST-induced industry slump when the housing market dipped to a 20 year low, are ample evidence that its strategy of industry reinvention is working.

objective measures of tamawood's success over the five years since listing

Profit has more than doubled

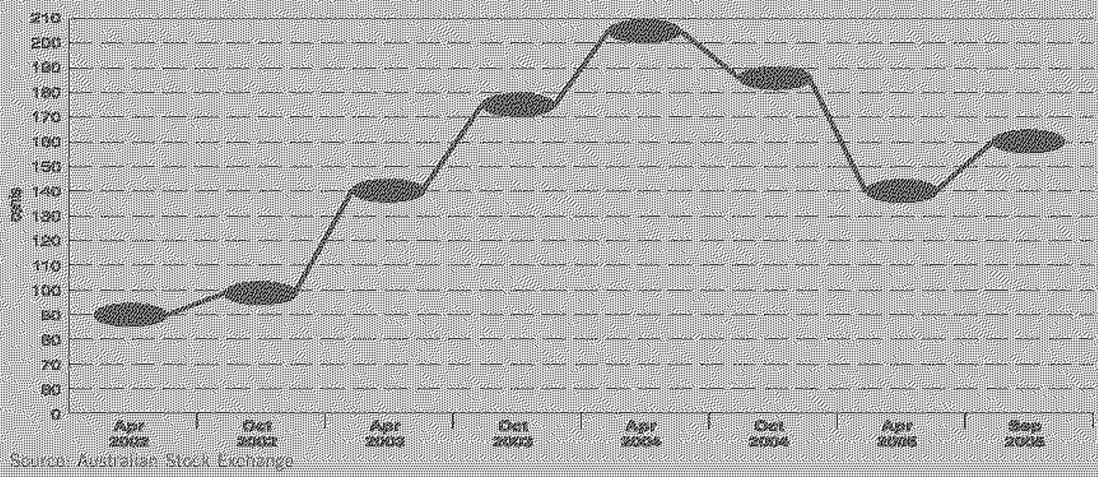
For the year to June 2005 after-tax earnings are up 6% to $4.245 million, representing 13.73 cents per share. The Company's balance sheet remains debt free.



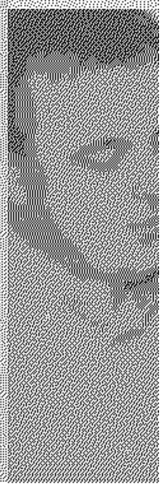


Share price and market capitalisation have more than tripled

Since listing on the Australian Stock Exchange in August 2000, Tamawood's share price has tripled from 50 cents to more that $1.50. During the same period, market capitalisation has grown from $11 million to approximately $50 million.



Source: Australian Stock Exchange



Outstanding return on investment

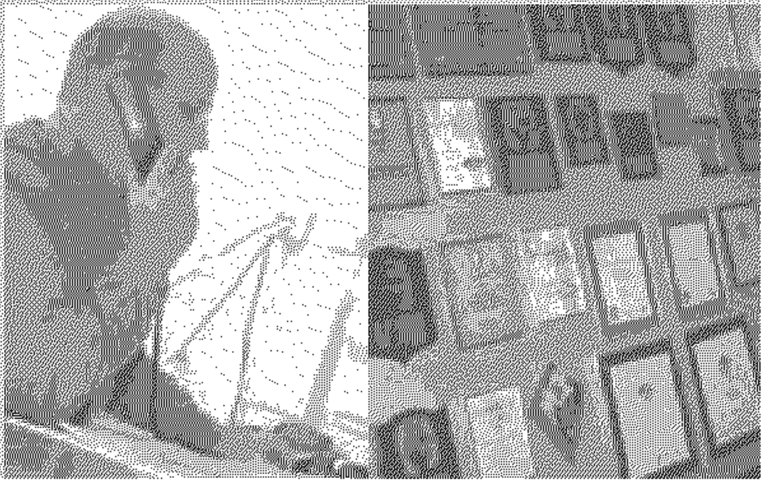
Since listing, Tamawood has declared dividends totalling 57.5 cents per share. Thus, a share purchased at listing for 50 cents has not only tripled in value, but has effectively also earned an additional 80 cents including franking credits.

Two distinct revenue streams

Tamawood has two distinct revenue streams underpinning its business.

1. **Licensing and franchising** - the Company earns approximately 50%-65% of 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, project management, and franchising.
2. **Contract construction** - the other 35%-50% 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.



the story of our science

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 has transformed an industry.

Simply, the Company has designed Australia's best home building system.

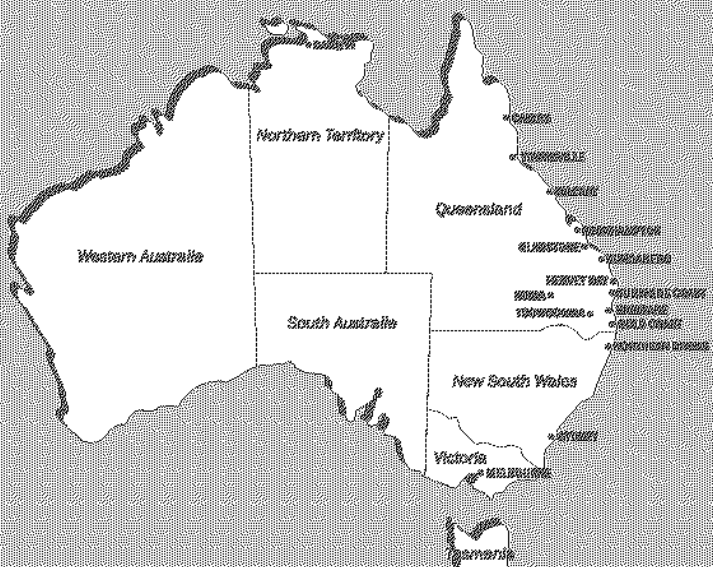
Tamawood's success is due to an unswerving commitment to "value for money" and a highly systematic approach, which enables the Company to deliver on its promise, profitably.

It has challenged long-established building industry norms, driving itself to become arguably the lowest-cost producer and marketer in the industry in Australia today.

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.

Attentive 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.



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.

the future

One of Tamawood Limited's major expansionary drives 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 away as Darwin and as far south as Northern Rivers. Plans are underway for further significant expansion of the Tamawood franchisee network throughout regional NSW and Victoria in financial year 2006 and beyond.

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 other brands have been added to the portfolio.

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

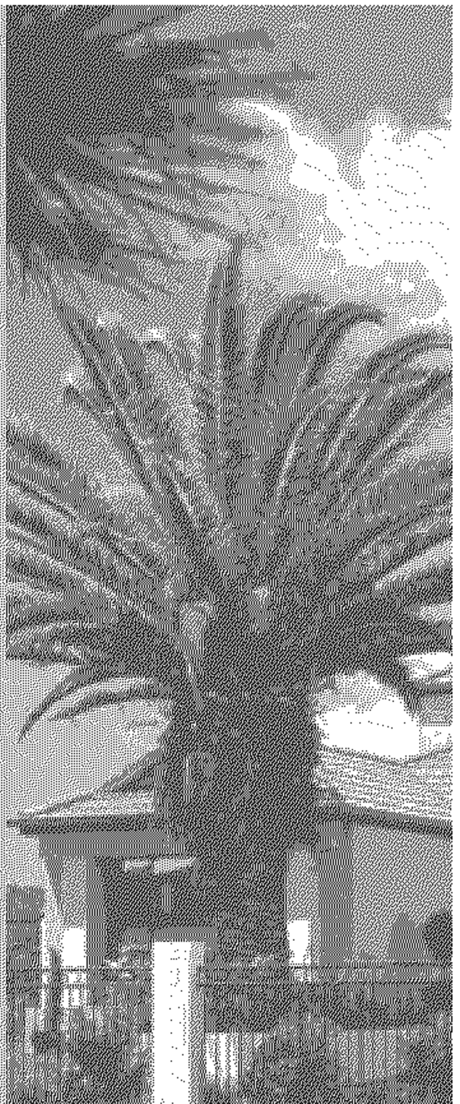
product development and systems innovation

A driver of Tamawood's extraordinary success is its investment in product research and development.

The Company continues to invest in skilled product and systems development professionals. These professionals are focused 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.



the designs

Dixon Homes

Dixon Homes has invested millions of dollars with architects, engineers, and interior designers to produce a superior product. Dixon has received over 100 industry awards, a just recognition of this investment. Dixon Homes is a prize for the discerning few.

Dixon Adventure Range Homes

A collection of cost efficient architecturally pleasing homes, often based on award winning Dixon Classic designs.

Carrington Homes

A range to suit tropical Australian climates, cost efficient, architecturally pleasing homes combining high efficiency and a variety of appealing layouts with external covered patio areas for extra living space.

Tamawood Homes

Mid-range upgrade homes, designed for second home buyers combining efficiency with a variety of appealing layouts and features. Tamawood gives you a better value home - without the hassle.

Cut Price Homes

Cut Price Homes offers an exceptional value-for-money range at a lower cost per m2, built to the same standards and sharing inclusions with the Tamawood range. Cut Price Homes cuts prices - not corners.

Remington Steel Homes

Designed for precision engineered steel frames, boasting an exceptional warranty and at a moderate extra cost over timber. Steel frames are also available with all other ranges of our homes.

effective, incentivised people

The Tamawood team, at all levels, performs with resourcefulness and dedication.

Like other highly successful systems companies, Tamawood recruits many young people,invests in their training, rewards them on results, and provides opportunity for personal growth.

All senior executives are significant shareholders in the Company. Its financial success and theirs are strongly aligned.

Many staff are also shareholders and as a result are committed to growth, profitability and constant improvement. The outstanding work ethic and customer focus of the Tamawood team resembles that which has driven companies like Flight Centre to great heights.

The future of Tamawood belongs to, and is dependent on, our team.

superior technology

Tamawood continues to refine its superior technology to enable further efficiencies in its construction process. This same technology will be utilised to expand its franchising operations into regional New South Wales and Victoria. Tamawood is currently developing three new businesses with the objective of diversifying its revenue streams.

Tamawood Limited Board (back row): Tim Reid, John Gaffney, John Lyons, Andrew Thomas;
(front row): Lawrie Litzow, Geoff Acton, Lev Mizikovsky, Kerry Daly.

leadership

Shareholder and general market confidence is a major priority at Tamawood.

The Company's board includes four independent Non-executive Directors who bring added breadth of experience and objectivity to governance and decision-making.

Mr. John C Lyons	Non-executive Chairman Chairman of Dixon Systems Pty Ltd
Mr. Kerry J Daly	Non-executive Director
Mr. John P Gaffney	Non-executive Director
Mr. Lawrie J Litzow	Non-executive Director Chairman of TI Distributions Pty Ltd Chairman of Solarpower Pty Ltd Chairman of Absolute Kit Homes Pty Ltd
Mr. Andrew Thomas	Non-executive Director
Mr. Tim Reid	Non-executive Director
Mr. Lev Mizikovsky	Managing Director
Mr. Geoff B Acton	Finance Director Company Secretary

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 year ended 30 June 2005.

Directors

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

JC Lyons

L Mizikovsky

GB Acton

KJ Daly

LJ Litzow

JP Gaffney

A Thomas

A Garlick resigned as Deputy Chairman of wholly owned subsidiary Dixon Systems Pty Ltd and as an Alternate Director of Tamawood Limited on 5 November 2004.

T Reid was appointed as a Non-executive Director on 5 November 2004.

E Mizikovsky was appointed as an Alternate Director to L Mizikovsky on 9 July 2004.

Principal activities

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

(a) home design and preliminary project management services and associated activities;

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

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

Operating result and review of operations

The consolidated group achieved a 6% increase in after tax profit to $4.245 million for the year ended 30 June 2005 despite a 22% drop in gross revenue. The significant result is due mainly to lower operating costs (-16%), higher margins, and increasing fee income from our growing number of franchisees and affiliated builders.

Dividends paid or recommended

An interim fully franked dividend of 5 cents per share, amounting to $1.528 million was paid on 29 April 2005.

Subsequent to year end, a final fully franked dividend of 8 cents per share, amounting to $2.539 million has been declared by the Directors. The dividend is payable on 28 October 2005.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Post balance date events

No matter or circumstance has arisen since the end of the year that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future years; or

(b) the results of those operations in future financial years; or

(c) the consolidated entity's state of affairs in future financial years.

directors' report (continued)

Information on Directors:

Director	Experience	Special responsibilities	Interest in Shares of Tamawood
Chairman - non-executive			
JC Lyons - Age 61 MBA, BBus, CPA, FAICD	Independent Non-executive Chairman for 3 years. Founder and former Executive Chairman of Marketshare Pty Ltd. Non-executive Chairman of Softlink International Limited. Director of Creditlink Services Limited.	Chairman. Chairman of Dixon Systems Pty Ltd. Chairman of Nomination Committee.	125,300
Executive Directors			
L Mizikovsky - Age 49 NZCD (ARCH), FAICD (DIP)	Executive Director for 18 years. Managing Director since April 2003.	Managing Director. Member of Risk Management and Remuneration Committees.	20,698,514
GB Acton - Age 34 B Com, ACA, GAICD	Executive Director for 5 years. Former Finance Manager of Guide Dogs for the Blind Association of Qld.	Finance Director. Company Secretary. Member of Risk Management Committee.	136,987
Non-executive Directors			
KJ Daly - Age 46 CPA	Independent Non-executive Director for 5 years. Executive Director of Grange Securities Limited. Previously Managing Director of The Rock Building Society Limited from 1987 to January 2001.	Chairman of Audit Committee. Member of Remuneration, Risk Management and Nomination Committees.	127,903
LJ Litzow - Age 71 FCA	Independent Non-executive Director for 5 years. Non-executive Director of Diatreme Resources Limited. Non-executive Director of Impact Capital Limited. Former Non-executive Director of Occupational & Medical Innovations Limited until resigned in November 2004.	Chairman of TI Distributions Pty Ltd. Chairman of Solarpower Pty Ltd. Chairman of Absolute Kit Homes Pty Ltd. Chairman of Remuneration Committee. Member of Audit, Nomination and Risk Management Committees.	4,000
JP Gaffney - Age 52	Non-executive Director since April 2004.	Member of Audit Committee. Licensee and Executive Director of Tamawood Realty Pty Ltd.	172,712
A Thomas - Age 39	Non executive Director since April 2004. Managing Director of Carrington Homes Pty Ltd for 8 years.	Member of Risk Management Committee. Director of Dixon Systems Pty Ltd.	419,000
T Reid - Age 38 B.Com LL.B Grad Cert Mgt	Independent Non executive Director since November 2004. Partner, Minter Ellison Lawyers.		-

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year, and the number of meetings attended by each Director were:

		Committees			
	Board	Audit	Remuneration	Risk Management	Nomination
Number of meetings held	11	4	1	1	2
Number of meetings attended by:					
JC Lyons	10	-	-	-	2
L Mizikovsky	10	-	1	1	2
GB Acton	11	4	-	1	-
KJ Daly	10	4	1	1	2
LJ Litzow	11	4	1	1	2
JP Gaffney	11	3	-	-	-
A Thomas	11	-	-	1	-
T Reid (6 meetings as a Director)	6	-	-	1	-

Retirement, Election and Continuation in Office of Director

Mr T Reid was appointed as Non-executive Director on 5 November 2004. In accordance with the constitution Mr T Reid retires as Director at the Annual General Meeting and being eligible offers himself for re-election.

Business strategy direction and future projects.

Tamawood continues to refine its superior technology to enable further efficiencies in its construction process. This same technology will be utilised to expand its franchising operations into regional New South Wales and Victoria. Tamawood is currently developing three new businesses with the objective of diversifying its revenue streams.

Remuneration Report

Principles used to determine the nature and amount of remuneration

Executive Remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management
- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- provides recognition for contribution

Principles used to determine the nature and amount of remuneration (continued)

Executive Remuneration (continued)

The executive pay and reward framework has 3 components.

- base pay and benefits
- other remuneration such as superannuation
- shares held under the Employee Incentive Share Scheme

Base pay and Benefits

Structured as a total employment cost package delivered as cash and prescribed non-financial benefits in the form of a company provided car.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Superannuation

Retirement benefits are delivered under the Tamawood Superannuation Fund. This Fund provides defined lump sum benefits based on years of service and final average salary.

Employee Incentive Share Scheme

Information on the Employee Incentive Share Scheme is set out in Note 31.

Non-executive Directors

Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussion relating to determination of his own remuneration. No Director receives share options.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at $250,000 per annum.

Details of remuneration

Details of the nature and amount of the emoluments of each Director of Tamawood Limited and each of the 5 officers receiving the highest emoluments for the year ended 30 June 2005 are set out in the following tables.

Directors of Tamawood 2005

	Primary		Post-employment	
Name	**Cash salary and fees $**	**Motor vehicle $**	**Superannuation $**	**Total $**
L Mizikovsky	75,231	15,000	6,300	96,531
G Acton	84,049	15,000	6,300	105,349
J C Lyons	53,766	-	-	53,766
K J Daly	27,400	-	2,600	30,000
L J Litzow	32,693	-	-	32,693
J P Gaffney	-	-	32,957	32,957
A Thomas	26,600	-	-	26,600
T Reid (part year)	15,000	-	-	15,000
Total	314,739	30,000	48,157	392,896

Principles used to determine the nature and amount of remuneration (continued)

Details of remuneration (continued)

Directors of Tamawood 2004

Name	Primary		Post-employment	
	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
L Mizikovsky	61,496	15,000	5,400	81,896
G Acton	69,281	15,000	5,798	90,079
J C Lyons	-	-	55,000	55,000
K J Daly	27,400	-	2,600	30,000
L J Litzow	5,000	-	25,000	30,000
J P Gaffney (part year)	-	-	9,166	9,166
A Thomas (part year)	12,000	-	-	12,000
Total	175,177	30,000	102,964	308,141

Other executives of the Tamawood Ltd Group 2005

Name	Primary		Post-employment	
	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
J May (Supervisor)	83,000	10,000	6,750	99,750
N Day (Supervisor)	77,465	10,000	6,750	94,215
O Heineman (Supervisor)	75,767	10,000	6,300	92,067
B Goodwin (Solicitor)	70,746	10,000	6,300	87,046
D Stehbens (Construction Manager)	65,737	10,000	5,850	81,587
Total	372,715	50,000	31,950	454,665

Other executives of the Tamawood Ltd Group 2004

Name	Primary		Post-employment	
	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
A Cohn (Architect)	79,872	10,000	6,961	96,833
J May (Supervisor)	75,260	10,000	6,058	91,318
O Heineman (Supervisor)	70,771	10,000	5,746	86,517
D Stehbens (Construction Manager)	70,706	10,000	6,183	86,889
B Goodwin (Solicitor)	70,039	10,000	6,299	86,338
Total	366,648	50,000	31,247	447,895

Service agreements

Remuneration and other terms of employment for the Managing Director and Finance Director are formalised in service agreements. Each of these agreements provides for car allowances and participation, when eligible, in the Tamawood Employee Incentive Share Scheme. Other major provisions of the agreement relating to remuneration are set out below.

Lev Mizikovsky, Managing Director

- Term of agreement - reviewed every 12 months by the remuneration committee
- Annual leave of 8 weeks per year

Geoff Acton, Finance Director

- Term of agreement - reviewed every 12 months by the remuneration committee
- Annual Leave of 6 weeks per year

Insurance of officers

During the year, Tamawood Limited paid a premium to insure the Directors, Secretary and Officers of the Company and its controlled entities. The liabilities insured exclude conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage. The contract prohibits the disclosure of the premium paid.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Legal proceedings

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

Environmental regulations

The consolidated entity is not subject to any significant environmental regulations under a Commonwealth, State or Territory law.

Financial position for the year

The consolidated entity remains in a strong financial position with $5.3 million in the bank and no external borrowings.

Auditor independence

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the company and/or the consolidated entity are important.

The following non-audit services were provided by the entity's auditor, Pitcher Partners. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Pitcher Partners received or are due the following amounts for the provision of non-audit services:
Tax compliance services: $31,710 Other services: $1,000

John Lyons

JC Lyons
Non-executive Chairman
Brisbane, 27 September 2005

PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 21
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Brisbane
Queensland 4000

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GPO Box 35
Brisbane Qld 4001
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Tel: 07 3228 4000
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info@pitcherqld.com.au

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

Auditor's Independence Declaration to the Directors of Tamawood Limited

In relation to our audit of the financial report of Tamawood Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there has been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PITCHER PARTNERS

R C Brown
Partner
Brisbane, 27 September 2005

corporate governance statement

The Board of Directors of Tamawood Limited ("the Company") is responsible for the corporate governance of the consolidated entity comprising Tamawood Limited and its controlled entities. The Board:

1. Guides and monitors the business and affairs of the Company on behalf of the Company's members to whom they are accountable.
2. Provides corporate strategy and guidance.
3. Reviews appropriate plans and annual budgets, including allocation of resources and capital expenditure.
4. Monitors financial performance.
5. Protects and enhances the Company's reputation.
6. Ensures compliance with regulatory and other requirements, and manages risks to the Company and its business.
7. Appoints the Managing Director and appraises his performance.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy is delegated to the Managing Director and the senior executives. The delegation policy is reviewed at least annually.

The Board has established the following guidelines to ensure the effective operation and discharge of its responsibilities.

Composition of the Board

The Board comprises at least eight Directors of whom at least four are independent Directors and the majority Non-executive. The Board comprises Directors with an appropriate blend of qualifications and expertise. The Board meets at least 10 times per year.

- One of the executive directors shall be the Managing Director. The Managing Director will not be the chairperson of the Board.
- The chairperson will be an independent director.
- The Board shall contain a blend of expertise in:
    - Accounting and finance.
    - Marketing and sales.
    - The building or related industries.
    - CEO - level experience.

The Board currently comprises two executive Directors and six Non-executive Directors, of which four are independent. The Chairman is an independent, non-executive Director. Details of each member of the Board, including their experience, qualifications, term of office and status of their respective shareholdings are set out in the Directors' Report.

The non-executive Directors meet at least twice annually without the presence of management, to discuss the operation of the Board and a range of relevant matters. Matters arising from these meetings are shared with the full Board.

The Board undertakes an annual review of the performance of the Board and the individual Directors and examines the appropriate mix of skills to ensure maximum effectiveness and contribution to the results of the Company's business.

Chairman and Managing Director

The Chairman is responsible for

1. Leading the Board,
2. Ensuring that all Board members are properly briefed on all relevant matters,
3. Facilitating Board discussions, and
4. Managing the Board's relationship with senior management.

The Managing Director is responsible for

1. Management of the day to day activities of the Company.
2. Implementation of the Company's policies and strategies.

Board Committees

The Board has established the following committees:

- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Nomination Committee

It is the Board's policy that a non-executive Director chair each committee and that each committee have a majority of members being non-executive Directors.

Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes such as the safeguarding of assets, maintenance of proper accounting records, the reliability of financial information and non-financial considerations such as the benchmarking of operational key performance indicators. The Audit Committee provides a forum for effective communication between the Board and the external auditor. The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial report. The Audit Committee comprises a majority of non-executive Directors.

The Audit Committee meets at least once a year with the auditors without the presence of any executive members.

The members of the Audit Committee are:

K Daly (Chair)

L Litzow

J Gaffney

G Acton (by invitation only)

Details of the qualifications of members and attendance at Audit Committee meetings are shown in the Directors' Report.

The Audit Committee met four times during the year.

corporate governance statement (continued)

External Auditors

The Company and the Audit Committee policy is to engage auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including details of fees for non-audit services if any, is shown in the Directors' Report. It is the policy of the external auditors to provide an annual declaration of independence to the Audit Committee.

The external auditor is required to attend the Annual General Meeting of the Company and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board has established a Remuneration Committee comprising two non-executive Directors and one executive Director. The Committee members are:

L Litzow (Chair)

K Daly

L Mizikovsky

Details of the qualifications of members and attendance at Remuneration Committee meetings are shown in the Directors' Report.

The Remuneration Committee met once during the year.

Nomination Committee

The Nomination Committee comprises three non executive Directors and one executive Director. Responsibilities include Board succession as well as evaluation of Directors' performance and competencies. The Committee:

1. Conducts an annual review of the membership of the Board having regard to the present and future perceived needs of the Company, and makes recommendations as considered appropriate to the full Board.
2. Annually examines the independence status of each director.
3. Oversees the annual review and assessment program.

During the year the Committee recommended the addition of one director with legal experience to the Board. The nomination of Mr Tim Reid was endorsed by the Board.

The members of the Nomination Committee are:

J Lyons (Chair)

K Daly

L Litzow

T Reid (part year)

L Mizikovsky

Details of the qualifications of members and attendance at Nomination Committee meetings are shown in the Directors' Report.

The Nomination Committee met twice during the year.

Risk Management Committee

The prime purpose of the Risk Management Committee is to identify those areas of risk which are most likely to cause major disruption and damage to the business of the Company and to implement, with Board approval, plans and procedures which will mitigate any damage.

The Risk Management Committee meets as often as considered necessary.

The Committee is responsible for:

- The identification of major risks to the Company and its business
- Prioritising risks according to perceived likelihood of occurrence and impact
- The measurement of the financial and other effects of risks identified
- Design of risk minimisation techniques and procedures
- Recommendations to the Board of risk minimisation implementation
- Implement Board approved plans and procedures

The Committee consists of persons who have the relevant experience, qualifications and skills in the business of the Company, its industry and business generally to competently discharge their responsibilities as members of the Committee.

The identification of risk and its management is an ongoing process in the context of a growing and changing business and regulatory environment, and the Committee is constantly re-examining its recommendations to ensure that new risks and changes to existing risks are identified, understood and the appropriate responses structured and put into effect.

The Committee members during the year were:

T Reid (Chair)

K Daly

A Thomas

L Litzow

G Acton

Details of the qualifications of members and attendance at Risk Management Committee meetings are shown in the Directors' Report.

The Risk Management Committee met once during the year.

Corporate Reporting

The Managing Director and Finance Director have made the following certifications to the Board:

1. That the Company's financial reports are complete and present a true and fair view, in all materials respects, of the financial condition and operational results of the Company and consolidated entity are in accordance with the relevant accounting standards.
2. That the above statement is based on a sound system of risk management and internal compliance and control, which implements policies adopted by the Board, and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

The Company adopted this reporting structure for the year ended 30 June 2005.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to relevant company information and the executive management team. Directors may seek independent professional advice at the Company's expense following consultation with the Managing Director and with approval from all Directors at a Directors' meeting. A copy of advice received by the Director is made available to all other members of the Board.

Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, the Directors must advise the Board on an on-going basis of any interests that might conflict with those of the Company. Where the Board believes that a conflict exists, the Director concerned is not permitted to be present at the meeting when the relevant issue is considered and does not receive the relevant Board papers.

Code of Conduct

Directors bear individual responsibility for the performance of their duties before the law, and collective responsibility for the behaviour of the Board.

The following code of conduct encompasses the legislative and common law requirement of Directors, as well as the specific behaviours the Company expects of Directors.

Tamawood has adopted the code of conduct as pronounced by the Australian Institute of Company Directors. This code provides that:

1. A director must act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
4. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon the company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with principles of the code.

Shareholder Relations and Market Disclosure

The Board aims to ensure that shareholders and other stakeholders have equal and timely access to material information concerning the Company. Information is communicated through:

- The Annual Report which is distributed to all shareholders and the Australian Stock Exchange
- Notices of the Annual General Meeting and other meetings of members called as required to obtain approval for Board action
- Timely announcements through the Australian Stock Exchange announcements platform
- The Half-year Report containing summarised financial information and review of operations for that period

The Board encourages full participation of shareholders at the Annual General Meeting.

Guidelines for Trading Company Securities

The Board has approved and communicated a policy on the trading of its securities by Directors and employees. Company policy prohibits Directors and employees from dealing in Company shares during the period commencing 60 days prior to the release of the Company's results, and at any time during the year whilst in possession of price sensitive information.

1. This policy statement applies to directors, officers and employees ("designated officers") of Tamawood. This policy statement also applies to directors, officers and employees of any subsidiary company of Tamawood.
2. The Corporations Act 2001 specifically prohibits a person from purchasing or selling shares where such person (called "an insider") possesses information that is not generally available but, if the information were generally available, would have a material effect on the price of shares in Tamawood.

   The law also prohibits a person from procuring others to trade when the designated officer is precluded from trading.

   The prohibition extends to external advisers and designated officers who should be aware of the need to enforce confidentially against such external advisers, where appropriate.
3. Designated officers must provide notification to the company secretary of intended trading activity in Tamawood's shares. The exception to this requirement is for the trading of shares under a Dividend Re-investment Plan, or Employee Share Plan.
4. Written confirmation or a copy of the contract note evidencing the share trading transaction must be provided to the company secretary within 4 business days of the transaction.
5. A trading "black-out" will occur during the following times:
   - 60 days prior to the release of the half-year and 30 June preliminary financial statements and the dividend announcements
   - 60 days prior to any dividend announcement
   - 30 days prior to any intending announcement which a reasonable person would expect to have a material effect on the price or value of Tamawood shares
6. The chairman may exercise his discretion to permit trading by designated officers in specific circumstances. Such circumstances include financial hardship or circumstances of a personal nature.
7. This trading policy applies to financial products issued or created over Tamawood shares by third parties.
8. This policy does not prohibit designated officers entering into a transaction in associated products which operate to limit the economic risk of their shareholdings in Tamawood.
9. The board recognises the benefits of equity participation by employees and directors and encourages employees and directors to acquire equity in the company in the appropriate circumstances.

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application of reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS, and Urgent Issue Group abstracts corresponding to the International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian Pronouncements will be known as Australian equivalents to International Financial Reporting Standards (AIFRS). The adoption of AIFRSs will first be reflected in the Company's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

The transition to AIFRS is being managed through the following measures:

1. Examination of impacts to isolate those areas where changes are required to adjust the company's information systems and reporting style to apply with the new requirements.
2. Consultation with our financial advisors and auditors to ensure acceptance of changes at a review level.
3. Involvement of the Board to ensure understanding at the highest level so as to allow decisions to be made with full awareness of the effect of the company's reporting requirements.
4. Implementing changes requred after careful examination and planning of the process to arrive at the optimum outcome.
5. Instituting appropriate staff training to achieve an appropriate level of understanding and implementation.

directors' declaration

The Directors declare that the financial statements and notes set out on pages 35 to 68:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements; and

b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

a) the financial statements and notes are in accordance with the Corporations Act 2001, and

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

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and Finance Director in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2005.

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

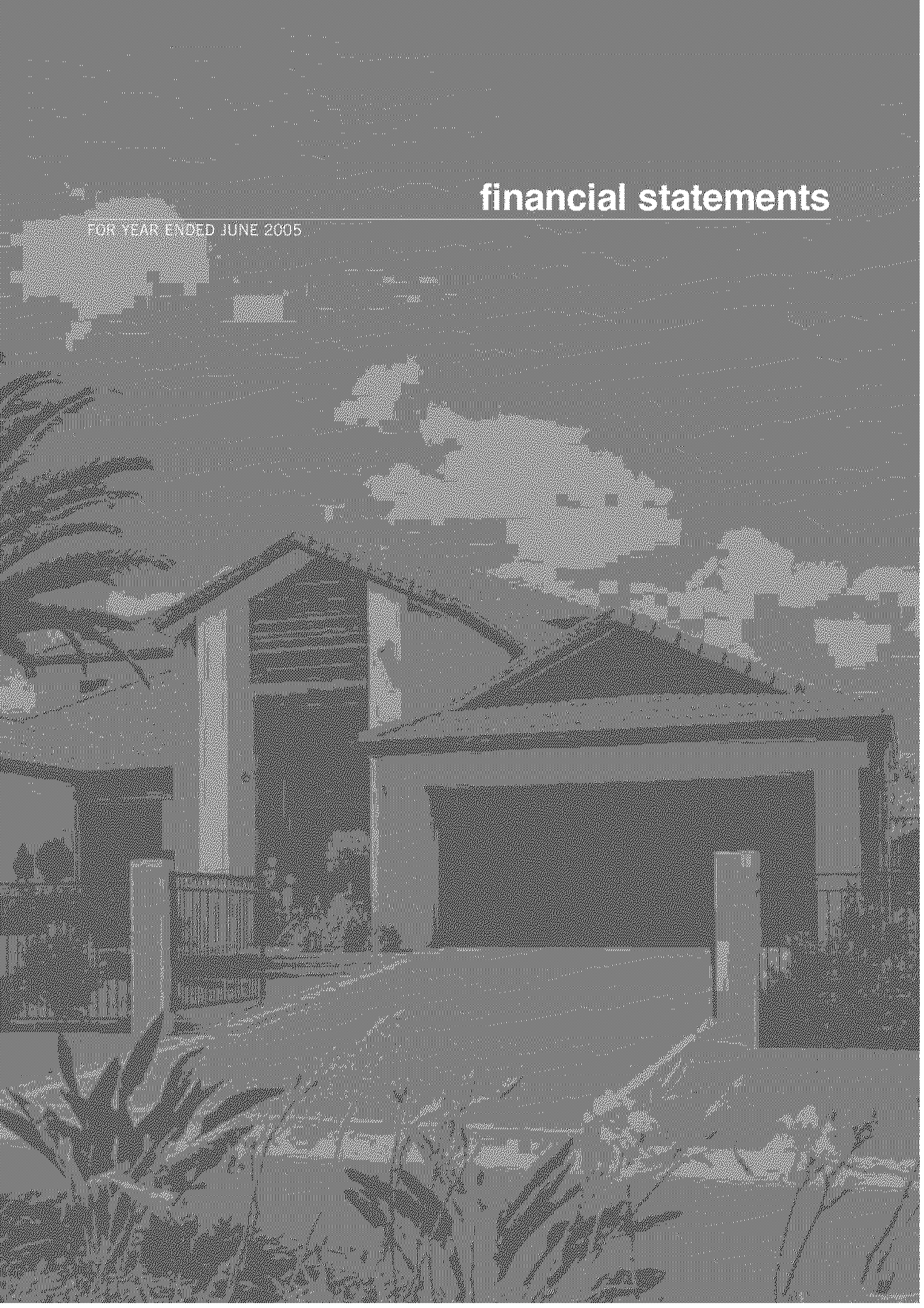
John Lyons

JC Lyons
Non-executive Chairman

Brisbane, 27 September 2005

financial statements

FOR YEAR ENDED JUNE 2005



statements of financial position

As at 30 June 2005

	NOTE	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
Current Assets					
Cash	7	5,295	4,115	524	178
Receivables	8	3,631	4,890	1,081	16
Inventories	9	6,934	7,541	70	-
Other	10	283	-	-	-
Total Current Assets		16,143	16,546	1,675	194
Non-Current Assets					
Receivables	8	1,822	1,918	1,796	3,858
Property, plant and equipment	11	6,952	6,508	1,269	1,478
Deferred tax assets	12	563	829	563	829
Investments	13	-	-	8,806	4,906
Intangibles	14	-	-	-	-
Total Non-Current Assets		9,337	9,255	12,434	11,071
Total Assets		25,480	25,801	14,109	11,265
Current Liabilities					
Payables	15	4,115	7,522	170	198
Current tax liabilities	16	1,587	298	1,587	230
Provisions	17	183	156	130	100
Other	18	283	335	-	-
Total Current Liabilities		6,168	8,311	1,887	528
Non-Current Liabilities					
Deferred tax liabilities	19	1,156	2,196	1,156	2,196
Provisions	17	392	521	231	200
Other	18	-	-	1,456	-
Total Non-Current Liabilities		1,548	2,717	2,843	2,396
Total Liabilities		7,716	11,028	4,730	2,924
Net Assets		17,764	14,773	9,379	8,341
Equity					
Contributed equity	20	12,001	10,181	12,001	10,181
Retained profits	21	4,213	3,042	(2,641)	(1,859)
Reserves	22	1,550	1,550	19	19
Parent Equity Interest		17,764	14,773	9,379	8,341
Outside Equity Interest	23	-	-		
Total Equity		17,764	14,773	9,379	8,341

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

statements of financial performance

For the year ended 30 June 2005

	NOTE	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
Revenues from ordinary activities	2	67,833	86,533	4,671	6,339
Cost of sales		(52,718)	(69,937)	(23)	(54)
Advertising		(1,506)	(1,409)	(10)	-
Depreciation and amortisation		(519)	(822)	(496)	(471)
Employee benefits expenses		(4,141)	(4,626)	-	-
Consultants		(369)	(340)	(24)	(46)
Administration expenses		(2,104)	(2,867)	(750)	(731)
Other expenses		(260)	(578)	-	(27)
Profit from ordinary activities before income tax expense	3	6,216	5,954	3,368	5,010
Income tax expense	4	(1,971)	(1,954)	(1,075)	(1,602)
Net Profit		4,245	4,000	2,293	3,408
Net profit attributed to outside equity interest		-	-		
Net profit attributable to members of Tamawood Limited	21	4,245	4,000	2,293	3,408
Net increase / (decrease) in asset revaluation reserve	22	-	343	-	-
Total changes in equity other than those resulting from transactions with owners as owners		4,245	4,343	2,293	3,408

		CENTS	CENTS
Basic earnings per share	33	13.73	13.50
Diluted earnings per share	33	13.73	13.50

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

statements of cash flows

For the year ended 30 June 2005

	NOTE	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT 2005 $'000	PARENT 2004 $'000
		Inflows / (Outflows)		Inflows / (Outflows)	
Cash Flows from Operating Activities					
Receipts from customers (GST inclusive)		75,421	94,546	4,499	102
Payments to suppliers and employees (GST inclusive)		(71,243)	(89,663)	(839)	(987)
Interest received		452	372	154	107
Interest expense		(5)	-	-	-
Income taxes paid		(1,457)	(1,679)	(495)	1,141
Net operating cash flows	29	**3,168**	**3,576**	**3,319**	**363**
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(1,126)	(362)	(446)	(325)
Repayment of loans by controlled entities		221	246	2,461	1,893
Proceeds (Repayment) of loans by related parties		-	(99)	-	(8)
Payments for investments - controlled entities		-	-	(3,900)	-
Proceeds from sale of property, plant and equipment		171	47	166	40
Net investing cash flows		**(734)**	**(168)**	**(1,719)**	**1,600**
Cash Flows from Financing Activities					
Proceeds from issuing shares		-	-	-	247
Dividends paid		(1,254)	(2,351)	(1,254)	(2,351)
Net financing cash flows		**(1,254)**	**(2,351)**	**(1,254)**	**(2,104)**
Net increase / (decrease) in cash held		1,180	1,057	346	(141)
Cash at the beginning of the year		4,115	3,058	178	319
Cash at the end of the year	7	**5,295**	**4,115**	**524**	**178**

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

note 1: summary of significant accounting policies

(a) Basis of preparation

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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tamawood Limited as at 30 June 2005 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.

(c) 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 incurred 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 and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(d) 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.

(e) 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)

(f) Inventories

(i) 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.

(ii) Raw materials work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Machinery	10-15 years
Vehicles	3-5 years
Furniture, fittings and equipment	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is the consolidated entity's policy to transfer the amount included in other reserves in respect of those assets to retained earnings.

note 1: summary of significant accounting policies (continued)

(h) 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.

Tax consolidation legislation

Tamawood Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. The wholly-owned entities have fully compensated Tamawood Limited for deferred tax liabilities assumed by Tamawood Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Tamawood Limited.

As a consequence Tamawood Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. The entities have also entered into a tax sharing and funding arrangement. Under the terms of this arrangement, the wholly-owned entities reimburse Tamawood Limited for any current income tax payable by Tamawood Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and therefore amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. In the opinion of the Directors, the tax sharing arrangement is also a valid arrangement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Tamawood Limited. Expenses and revenues arising under the tax sharing agreement are recorded as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that has their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values.

The remeasurement adjustments to these deferred tax balances are also recognised in the consolidated financial statements as income tax expense or revenue, or as direct debits to the asset revaluation reserve to the extent the adjustments relate to the revaluation of assets. The impact on the income tax for the year is disclosed in Note 4.

(i) 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)

(j) 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.

(k) 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.

(l) Research and development costs

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

Development costs are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortised from the commencement of commercial production of the product to which they relate on a straight line basis over the period of the expected benefit, which varies from 3 to 5 years.

(m) 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.

(n) 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.

(o) 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.

(p) Investments

Interests in controlled entities are brought to account at cost.

note 1: summary of significant accounting policies (continued)

(q) 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.

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(s) 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	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Revenue from operating activities:				
Contract construction revenue	55,196	73,629	-	-
Building design and preliminary project management fees	9,964	10,764	4,500	6,217
Franchise revenue	1,168	685	-	-
	66,328	85,078	4,500	6,217
Revenue from outside the operating activities:				
Sale of imported goods	663	-	-	-
Sale of display homes	-	484	-	-
Sub-lease rentals	209	206	-	-
Interest non-related parties	452	372	121	106
Dividends received from controlled entities	-	-	-	-
Other items	181	393	50	16
	1,505	1,455	171	122
Revenue from ordinary activities	67,833	86,533	4,671	6,339

note 3: net profit items

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'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	7	(18)	7	-
Expenses				
Depreciation of:				
Buildings and improvements	36	-	30	-
Motor vehicles, office furniture and equipment	483	490	466	471
	519	490	496	471
Amortisation of:				
Brands and designs	-	258	-	-
Franchise system	-	74	-	-
	-	332	-	-
Other provisions:				
Employee entitlements	26	5	-	-
Warranty	(170)	-	(170)	-
	(144)	5	(170)	-
Rental expense relating to property leases	207	185	-	-
Research and development	-	-	-	-
Legal settlements	550	-	-	-
Superannuation expenses	374	-	-	-
Provision for outside minority interest's loss	-	-	231	-

note 4: income tax

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'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:				
Net profit before income tax expense	6,216	5,954	3,368	5,010
Income tax expense calculated at 30%	1,865	1,786	1,011	1,502
Tax effect of permanent differences:				
Amortisation	-	100	-	-
Gross up of franked dividends	-	-	-	-
Losses transferred out/(in)	-	-	-	-
Other	115	-	69	-
Income tax expense adjusted for permanent differences	1,980	1,886	1,080	1,502
Net adjustment to future income tax benefit for income tax losses and timing differences not brought to account	-	-	-	-
Under / (over) provision in previous year	(9)	68	(5)	100
Income tax expense / (benefit) attributable to operating profit	1,971	1,954	1,075	1,602
Income tax expense attributable to operating profit comprises:				
Income tax paid	1,011	2,101	465	-
Current year tax payable / (refundable)	1,570	215	564	215
Movement in provision for deferred income tax	(1,040)	43	(1,040)	2,195
Movement in future income tax benefit	265	(38)	265	(658)
Under / (over) provision in previous year	165	(281)	161	-
Net income tax attributable to wholly owned tax consolidated entities	-	-	660	(150)
	1,971	1,954	1,075	1,602

Tax consolidation legislation

The adoption of tax consolidation legislation is set out in accounting policy note 1 (h).

note 5: dividends

	PARENT	
	2005	2004
	$'000	$'000
Final dividend of 5 cents (fully franked at 30%) per fully paid share paid on 30 November 2004	1,528	-
Interim dividend of 5 cents (fully franked at 30%) per fully paid share paid on 30 April 2005	1,546	-
Final dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 November 2003	-	1,576
Interim dividend of 8 cents (fully franked at 30%) per fully paid share paid on 30 April 2004	-	2,415
Total dividends provided for or paid (Note 21)	3,074	3,991
Subsequent to year end, a final dividend of 8 cents (2004:5cents) (fully franked at 30%) per fully paid share has been declared by the Directors, payable on 28 October 2005	2,539	1,527
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the years ended 30 June 2005 and 2004 were as follows:		
Paid in cash	1,254	2,352
Satisfied by issue of shares	1,820	1,639
	3,074	3,991
Franking credits available for use in subsequent year	1,903	2,567

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, Darwin and licensees in various locations in New South Wales.

Warehousing

The importation and sale of various products to be used as part of its construction process.

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 three licensee operations in various locations in New South Wales.

Construction contracts performed under our New South Wales license.

note 6: segment information (continued)

2005
Primary reporting - business segments

	construction	project management	franchise	warehousing	other	inter-segment eliminations/ unallocated	consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External sales revenue	55,186	9,961	1,161	644	487	-	67,439
Intersegment sales revenue	-	9,738	-	-	-	(9,738)	-
Total sales revenue	55,186	19,699	1,161	644	487	(9,738)	67,469
Other revenue	419	38	14	18	-	(95)	394
Total segment revenue	55,605	19,737	1,175	662	487	(9,833)	67,833
Segment result	2,241	3,552	805	130	7	-	6,735
Unallocated revenue less unallocated expenses							(519)
Profit from ordinary activities before income tax expense							6,216
Income tax expense							(1,971)
Net profit							4,245
Segment assets	9,765	1,340	791	1,848	4,462		18,206
Unallocated assets (d)							7,274
Total assets							25,480
Segment liabilities	3,183	1,456	14	40	280		4,973
Unallocated liabilities (e)							2,743
Total liabilities							7,716
Acquisitions of property, plant and equipment	-	-	-	-	-		1,121
Depreciation and amortisation expense	-	-	-	-	-		519
Other non-cash expenses	-	-	-	-	-		-

note 6: segment information (continued)

2004

Primary reporting - business segments

	construction	project management	franchise	other	inter-segment eliminations/ unallocated	consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
External sales revenue	73,629	10,764	685	572	-	85,650
Intersegment sales revenue	-	14,843	-	-	(14,843)	-
Total sales revenue	73,629	25,607	685	572	(14,843)	85,650
Other revenue	839	18	10	16	-	883
Total segment revenue	74,468	25,625	695	588	(14,843)	86,533
Segment result	3,056	3,125	410	185	-	6,776
Unallocated revenue less unallocated expenses						(822)
Profit from ordinary activities before income tax expense						5,954
Income tax expense						(1,954)
Net profit						4,000
Segment assets	14,030	7,486	472	1,051	-	23,039
Unallocated assets (d)					-	2,762
Total assets						25,801
Segment liabilities	5,554	2,756	11	213	-	8,534
Unallocated liabilities (e)						2,494
Total liabilities						11,028
Acquisitions of property, plant and equipment	-	-	-	-	-	355
Depreciation and amortisation expense	-	-	-	-	-	822
Other non-cash expenses	-	-	-	-	-	-

Secondary Reporting - Geographical Segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant & equipment	
	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
Queensland	67,635	85,096	25,480	25,801	1,121	355
New South Wales	198	544	-	-	-	-
	67,833	85,640	25,480	25,801	1,121	355

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, receivables, 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 on 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	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Cash at bank and on hand *	1,251	149	524	178
Deposits at call	4,044	3,966	-	-
	5,295	4,115	524	178

* Includes letter of credit deposit (Note 34)

note 8: receivables

Current				
Trade debtors	1,417	1,525	32	16
Less provision for doubtful debts	(89)	(96)	-	-
	1,328	1,429	32	16
Contract debtors	1,953	3,050	-	-
Unsecured loans	-	-	1,049	-
Other debtors	350	411	-	-
	3,631	4,890	1,081	16
Non-current				
Receivables (Note 30)	1,822	1,918	1,796	1,918
Unsecured loans	-	-	-	1,940
	1,822	1,918	1,796	3,858

note 9: inventories

Construction work in progress				
Contract costs incurred and recognised profits less recognised losses less claims invoiced	4,006	7,295	-	-
Stock on hand	2,928	246	70	-
	6,934	7,541	70	-

note 10: other current assets

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Prepayments	10	-	-	-
Monies on deposit	273	-	-	-
	283	-	-	-

note 11: property, plant and equipment

Freehold land - at Directors' valuation 2004	1,290	1,290	90	90
	1,290	1,290	90	90
Buildings and improvements - at Directors' valuation 2004	4,435	3,984	233	233
Less accumulated depreciation	(18)	(18)	(18)	(18)
	4,417	3,966	215	215
Total land and buildings	5,707	5,256	305	305
Office furniture and equipment - at cost	2,097	1,788	1,760	1,674
Less accumulated depreciation	(1,559)	(1,216)	(1,499)	(1,177)
	538	572	261	497
Motor vehicles - at cost	1,188	1,171	1,177	1,161
Less accumulated depreciation	(481)	(491)	(474)	(485)
	707	680	703	676
	6,952	6,508	1,269	1,478

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 2004 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 on the following page.

note 11: 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 2004	90	233	1,674	1,161
Additions	-	-	93	360
Disposals	-	-	(7)	(343)
Net revaluation increments	-	-	-	-
Balance at 30 June 2005	90	233	1,760	1,178
Accumulated Depreciation				
Balance at 30 June 2004	-	(18)	(1,177)	(485)
Disposals	-	-	1	183
Depreciation expense	-	-	(324)	(172)
Balance at 30 June 2005	-	(18)	(1,500)	(474)
Net Book Value				
As at 30 June 2004	90	215	497	676
As at 30 June 2005	90	215	260	704

Consolidated	freehold land	building	office furniture and equipment	motor vehicles
	$'000	$'000	$'000	$'000
Gross Carrying Amount				
Balance at 30 June 2004	1,290	3,984	1,788	1,171
Additions	-	451	310	360
Disposals	-	-	(7)	(343)
Net revaluation increments	-	-	-	-
Balance at 30 June 2005	1,290	4,435	2,091	1,188
Accumulated Depreciation				
Balance at 30 June 2004	-	(18)	(1,216)	(491)
Disposals	-	-	1	183
Depreciation expense	-	-	(388)	(173)
Balance at 30 June 2005	-	(18)	(1,553)	(481)
Net Book Value				
As at 30 June 2004	1,290	3,966	572	680
As at 30 June 2005	1,290	4,417	538	707

note 12: deferred tax assets

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Future income tax benefit	563	829	563	829

note 13: investments

Investment in controlled entities - at cost (Note 28)	-	-	8,806	4,906

note 14: intangibles

Brands and designs	-	373	-	-
Less accumulated amortisation	-	(373)	-	-
	-	-	-	-
Franchise system	-	128	-	-
Less accumulated amortisation	-	(128)	-	-
	-	-	-	-
	-	-	-	-

note 15: payables

Trade creditors	2,759	4,692	8	(11)
Other creditors	1,356	2,830	162	209
	4,115	7,522	170	198

note 16: current tax liabilities

Income tax	1,587	298	1,587	230

note 17: provisions

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Current				
Provision for employee entitlements (Note 27)	53	56	-	-
Provision for warranty	130	100	130	100
	183	156	130	100
Non-current				
Provision for employee entitlements (Note 27)	32	21	-	-
Provision for warranty	360	500	-	200
Provision for outside minority interest's loss	-	-	231	-
	392	521	231	200

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Consolidated – 2005	Service Warranties
	$'000
Current	
Carrying amount at start of year	600
Additional provisions recognised	60
Payments/other sacrifices of economic benefits	(170)
Carrying amount at end of year	490

note 18: other liabilities

Current				
Income in advance	283	335	-	-
Non-current				
Unsecured loans	-	-	1,456	-

note 19: deferred tax liabilities

Provision for deferred income tax	1,156	2,196	1,156	2,196

note 20: contributed equity

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
(a) Share capital				
31,733,329 Ordinary shares fully paid (2004 : 30,548,523)	12,001	10,181	12,001	10,181

(b) Movements in ordinary shares

Details - 2005	Number of shares	Issue Price	$'000
Share capital opening balance 1 July 2004			10,181
During the year the following movements in share capital occurred:			
(i) Issue of shares under the Dividend Reinvestment Plan for the fully franked final dividend paid in November 2004	382,200	1.84	704
(ii) Issue of shares under the Dividend Reinvestment Plan for the fully franked interim dividend paid in April 2005	802,606	1.39	1,116
Share capital closing balance 30 June 2005			12,001
Details - 2004			
Share capital opening balance 1 July 2003			6,930
During the year the following movements in share capital occurred:			
(i) Issue of shares under the Dividend Reinvestment Plan for the fully franked final dividend paid in November 2003	641,211	1.64	1,055
(ii) Issue of shares under the Employee Incentive Share Scheme	965,000	1.67	1,612
(iii) Issues of shares under the Dividend Reinvestment Plan for the fully franked interim dividend paid in April 2004	281,926	2.07	584
Share capital closing balance 30 June 2004			10,181

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.

(e) Employee Share Scheme

Information relating to the employee share scheme including details of shares issued under the scheme is set out in Note 31.

note 21: retained profits

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Retained profits at the beginning of the financial year	3,042	3,033	(1,859)	(1,276)
Net profit attributed to members of Tamawood Limited	4,245	4,000	2,293	3,408
Dividends provided for or paid	(3,074)	(3,991)	(3,074)	(3,991)
Retained profits at the end of the financial year	4,213	3,042	(2,640)	(1,859)

note 22: reserves

Asset revaluation reserve	1,550	1,550	19	19
Movements in asset revaluation reserve:				
Balance at beginning of the year	1,550	1,207	19	19
Increment on revaluation of freehold land and buildings	-	343	-	-
Balance at end of the year	1,550	1,550	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(g). 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 23: outside equity interest

Interest in controlled entities		
Contributed equity	-	-
Retained profits	-	-
Reserves	-	-
	-	-

note 24: directors and executives disclosures

Directors

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

JC Lyons

L Mizikovsky

GB Acton

KJ Daly

LJ Litzow

JP Gaffney

A Thomas

T Reid was appointed as a Director on 5 November 2004 and continues in office at the date of this report.

A Garlick was an alternate Director from the beginning of the year until her resignation on 5 November 2004.

Principles used to determine the nature and amount of remuneration

Executive Directors Fees

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management
- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- provides recognition for contribution

The executive pay and reward framework has 3 components:

- base pay and benefits
- other remuneration such as superannuation
- shares held under the Employee Incentive Share Scheme

Base pay and Benefits

Structured as a total employment cost package delivered as cash prescribed non-financial benefits in the form of a company provided car.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Superannuation

Retirement benefits are delivered under the Tamawood Superannuation Fund. This Fund provides defined lump sum benefits based on years of service and final average salary.

Employee Incentive Share Scheme

Information on the Employee Incentive Share Scheme is set out in Note 31.

note 24: directors and executives disclosures (continued)

Non-executive Directors

Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussion relating to determination of his own remuneration. No Directors receives share options.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at $250,000 per annum.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of Tamawood Limited and each of the 5 officers of the Company and the consolidated entity receiving the highest emoluments for the year ended 30 June 2005 are set out in the following tables.

Directors of Tamawood - 2005

	Primary		Post-employment	
Name	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
L Mizikovsky	75,231	15,000	6,300	96,531
G Acton	84,049	15,000	6,300	105,349
J C Lyons	53,766	-	-	53,766
K J Daly	27,400	-	2,600	30,000
L J Litzow	32,693	-	-	32,693
J P Gaffney	-	-	32,957	32,957
A Thomas	26,600	-	-	26,600
T Reid	15,000		-	15,000
Total	314,739	30,000	48,157	392,896

Directors of Tamawood - 2004

	Primary		Post-employment	
Name	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
L Mizikovsky	61,496	15,000	5,400	81,896
G Acton	69,281	15,000	5,798	90,079
J C Lyons	-	-	55,000	55,000
K J Daly	27,400	-	2,600	30,000
L J Litzow	5,000	-	25,000	30,000
J P Gaffney	-	-	9,166	9,166
A Thomas	12,000	-	-	12,000
Total	175,177	30,000	102,964	308,141

note 24: directors and executives disclosures (continued)

Other executives of the Tamawood Limited Group - 2005

	Primary		Post-employment	
Name	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
J May (Supervisor)	83,000	10,000	6,750	99,750
N Day (Supervisor)	77,465	10,000	6,750	94,215
O Heineman (Supervisor)	75,767	10,000	6,300	92,067
B Goodwin (Solicitor)	70,746	10,000	6,300	87,046
D Stehbens (Construction Manager)	65,737	10,000	5,850	81,587
Total	372,715	50,000	31,950	454,665

Other executives of the Tamawood Limited Group - 2004

	Primary		Post-employment	
Name	Cash salary and fees $	Motor vehicle $	Superannuation $	Total $
A Cohn (Architect)	79,872	10,000	6,961	96,833
J May (Supervisor)	75,260	10,000	6,058	91,318
O Heineman (Supervisor)	70,771	10,000	5,746	86,517
D Stehbens (Construction Manager)	70,706	10,000	6,183	86,889
B Goodwin (Solicitor)	70,039	10,000	6,299	86,338
Total	366,648	50,000	31,247	447,895

Service agreements

Remuneration and other terms of employment for the Managing Director, Finance Director are formalised in service agreements. Each of these agreements provide for car allowances and participation, when eligible, in the Tamawood Employee Incentive Share Scheme. Other major provisions of the agreement relating to remuneration are set out below.

Lev Mizikovsky, Managing Director

- Term of agreement - reviewed every 12 months by the remuneration committee.
- Annual leave of 8 weeks per year.

Geoff Acton Finance Director

- Term of agreement - reviewed every 12 months by the remuneration committee.
- Annual leave of 6 weeks per year.

note 24: directors and executives disclosures (continued)

Name	Balance at the start of the year	Purchased / (sold) - net	Other changes during the year	Balance at the end of the year
L Mizikovsky	19,328,804	1,364,859	-	20,693,663
G Acton	136,987	-	-	136,98
JC Lyons	125,300	-	-	125,300
KJ Daly	127,903	-	-	127,903
LJ Litzow	4,000	-	-	4,000
JP Gaffney	172,712	-	-	172,712
A Thomas	419,000	-	-	419,000
T Reid	-	-	-	-

2005 TRANSACTIONS

Construction Contracts

DIRECTOR RELATED ENTITY	NO OF CONSTRUCTION CONTRACTS	$ VALUE
Levarian Pty Ltd	3	316,140
Poltick Pty Ltd	3	325,760
Ripeland Pty Ltd	-	-
Nowcastle Pty Ltd	2	222,720
Bradshaw Pty Ltd	-	-
Cashmere Pty Ltd	-	-
Emily Mizikovsky	1	269,705

All were entered into under normal residential construction agreements and commercial terms.

Mr A Thomas paid royalty and franchising fees to Dixon Systems Pty Ltd, wholly owned subsidiary of Tamawood Limited, totalling $246,075.

Mr J Gaffney received sales commission from Tamawood SEQ Franchise Pty Ltd under normal commercial terms totalling $145,042.

2004 TRANSACTIONS

Construction Contracts

DIRECTOR RELATED ENTITY	NO OF CONSTRUCTION CONTRACTS	$ VALUE
Levarian Pty Ltd	2	166,857
Poltick Pty Ltd	2	199,597
Ripeland Pty Ltd	6	493,278
Nowcastle Pty Ltd	6	525,037
Bradshaw Pty Ltd	1	124,047
Cashmere Pty Ltd	3	359,256

All were entered into under normal residential construction agreements and commercial terms.

note 25: remuneration of auditors

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:				
Assurance services				
1. Audit services				
Fees paid to Pitcher Partners:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	34,500	30,000	34,500	30,000
Total remuneration for audit services	34,500	30,000	34,500	30,000
2. Other assurance services				
Fees paid to Pitcher Partners:				
Due diligence services	-	-	-	-
Controls assurance services	-	-	-	-
IFRS accounting services	-	-	-	-
Total remuneration for other assurance services	-	-	-	-
Total remuneration for assurance services	34,500	30,000	34,500	30,000
Taxation services				
Fees paid to Pitcher Partners:				
Tax compliance services, including review of company income tax returns	31,710	25,000	31,710	25,000
Total remuneration for taxation services	31,710	25,000	31,710	25,000
Other services				
Fees paid to Pitcher Partners:				
Maintenance of the company's share registry	-	17,000	-	17,000
Facilitation of board member review	1,000	-	1,000	-
Total remuneration for other services	1,000	17,000	1,000	17,000

note 26: commitments for expenditure

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Operating leases:				
Commitment in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than one year	33	109	-	-
Later than one year but not later than 5 years	33	27	-	-
Later than 5 years	-	-	-	-
	66	136	-	-

note 27: employee entitlements

Provision for employee entitlements				
Other payables (Note 14)	294	278	-	-
Current (Note 17)	53	56	-	-
Non-Current (Note 17)	32	21	-	-
	379	355	-	-

	Number	Number	Number	Number
Number of employees at the end of the financial year	77	92	-	-

note 28: investment in controlled entities

Entity	country of incorporation	class of shares	equity holding 2005	equity holding 2004
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%
Absolute Kit Homes 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%	100%
Dixon Systems Pty Ltd	Australia	Ordinary	100%	100%
Dixon Build Pty Ltd	Australia	Ordinary	100%	100%
Solarpower Pty Ltd	Australia	Ordinary	50%	50%

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

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Net profit	4,245	4,000	2,293	(3,406)
Management fee	-	-	-	(6,217)
Depreciation and amortisation	519	822	496	471
Provision for warranty	(110)	-	(170)	-
Provision for doubtful debts	(7)	36	-	-
Employee entitlements movement	25	5	-	-
Net (gain) / loss on sale of non-current assets	(8)	18	(8)	1
Provision for outside minority interest's loss	-	-	232	-
Change in operating assets and liabilities:				
Decrease / (increase) in trade and contract debtors	1,199	(1,016)	(1)	(5)
Decrease / (increase) in inventories	606	1,187	(70)	-
Decrease / (increase) in future income tax benefit	265	(39)	265	(658)
Decrease / (increase) in other assets	(342)	172	(6)	12
Increase / (decrease) in trade creditors	(1,932)	(1,612)	19	(38)
Increase / (decrease) in income in advance	(51)	98	-	-
Increase / (decrease) in other liabilities	(1,490)	(288)	(47)	(10)
Increase / (decrease) in provision for income tax	1,288	236	1,355	(1,206)
Increase / (decrease) in provision for deferred tax	(1,040)	(43)	(1,040)	2,195
	3,167	3,576	3,318	363

Non-cash Financing and Investing Activities

2005

(i) Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan totalled $1,818,870.

2004

(i) Dividends satisfied by the issue of ordinary shares under the Dividend Reinvestment Plan totalled $1,640,134.

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.

2005 Consolidated	Note	Floating interest rate	Fixed interest rate: 1 year or less	Fixed interest rate: Over 1 to 5 years	Fixed interest rate: Over 5 years	Non-interest bearing	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash and deposits	7	5,295	-	-	-	-	5,295
Receivables	8	1,822	-	-	-	3,631	5,453
		7,117	-	-	-	3,631	10,748
Weighted average interest rate		5.5%	-	-	-	-	-
Financial Liabilities							
Trade and other creditors	15	-	-	-	-	3,821	3,821
		-	-	-	-	3,821	3,821
Weighted average interest rate		-	-	-	-	-	-
Net financial assets / (liabilities)		7,117	-	-	-	(190)	6,927

2004 Consolidated	Note	Floating interest rate	Fixed interest rate: 1 year or less	Fixed interest rate: Over 1 to 5 years	Fixed interest rate: Over 5 years	Non-interest bearing	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash and deposits	7	4,115	-	-	-	-	4,115
Receivables	8	1,918	-	-	-	4,890	6,808
		6,033	-	-	-	4,890	10,923
Weighted average interest rate		5.2%	-	-	-	-	-
Financial Liabilities							
Trade and other creditors	15	-	-	-	-	7,244	7,244
		-	-	-	-	7,244	7,244
Weighted average interest rate		-	-	-	-	-	-
Net financial assets / (liabilities)		6,033	-	-	-	(2,354)	3,679

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 2005 was $1,796,187 (2004 : $1,917,268). 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. There were no shares issued in the year ended 30 June 2005.

In October 2003, Tamawood established a new Employee share Scheme ("Employee Incentive Share Scheme"). Offers under the scheme are at the discretion of the Board of Directors. Shares issued under the scheme are required to be held for 5 years. Forfeiture provisions apply over the 5 year period whilst the shares are held. In all other respects the shares stand equally with other fully paid ordinary shares on issue.

	CONSOLIDATED		PARENT	
	2005 NUMBER	2004 NUMBER	2005 NUMBER	2004 NUMBER
Shares issued under the plan to participating employees	-	965,000	-	965,000

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	
	2005 CENTS	2004 CENTS
Basic earnings per share	13.73	13.50
Diluted earnings per share	13.73	13.50
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share.	30,906,845	29,584,905

note 34: contingent liabilities

During the year ended 30 June 2005, the litigation action involving Tamawood and Henley Properties (QLD) Pty Ltd and Tamawood and Hallmark Homes Pty Ltd were both settled. Legal costs and settlement costs were provided for in previous years accounts and had no impact on the 2005 financial results.

Tamawood has commenced proceedings against Channel 7 over a claim of alleged defamation. The matter is continuing. Costs associated with this matter have been provided in the accounts and will have no impact on 2006 results.

During the year, Tamawood Limited established a letter of credit facility with Suncorp Bank as part of its development of new business opportunities. Tamawood Limited provided a deposit of $300,000 as security on the $1 million facility.

note 35: impact of adopting australian equivalents to international financial reporting standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issues interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
(a) Reconciliation of Total Equity				
Total Equity as reported	17,764	14,773	9,379	8,341
Adjustment relating to the recalculation of deferred tax using the balance sheet method	468	465	6	6
Total Equity under AIFRS	**17,299**	**14,308**	**9,373**	**8,335**
(b) Reconciliation of Net Profit				
Net profit as reported	4,245		2,293	
Deferred tax adjustment	-		-	
Net Profit under AIFRS	**4,245**		**2,293**	

(c) Restated Statements of Cashflows

No material impacts are expected to the cash flows for the year ended 30 June 2005 as presented AGAAP on adoption of AIFRS.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

independent audit report to the members of tamawood limited

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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 2005. 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 judgment, 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 2005 and of their performance for the year ended on that date; and

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

b) other mandatory financial reporting requirements in Australia.

PITCHER PARTNERS

R C Brown
Partner
Brisbane, 27 September 2005

An Independent Queensland Partnership. ABN 32 862 011 478

additional stock exchange requirements

Stock Exchange

Tamawood Limited's shares are listed on the Australian Stock Exchange and traded under the code "TWD".

Listed securities are ordinary shares and at the date of this report there were 31,733,329 ordinary shares.

The shares of the Company are quoted by Australian Stock Exchange Limited.

Voting Rights of Shareholders

Voting rights of shareholders are governed by the Company's Rules. In summary, a shareholder is entitled to exercise one vote for each share held on any question arising from the Members of the company.

Members wishing to appoint proxies may do so in accordance with the Corporations Act 2001 and Rules of the Company.

Distribution of Shareholdings as at 29 August 2005

Ordinary Shares	No. of Shareholders
1 - 1,000	96
1,001 - 5,000	363
5,001 - 10,000	149
10,001 - 100,000	136
100,001 and over	16

There are 24 holders of shares of less than a marketable parcel.

Twenty Largest Shareholders

The twenty largest shareholders as at 29 August 2005 were:

	Shareholder	No. of shares	%
1	Rainrose Pty Ltd	14,176,056	44.67
2	Ankla Pty Ltd	6,030,026	19.00
3	Bradshaw Pty Ltd	1,354,479	4.27
4	Nowcastle Pty Ltd	1,243,166	3.92
5	Ripeland Pty Ltd	517,986	1.63
6	Stoddart Building Products Pty Ltd	296,950	.94
7	Mr L & E Mizikovsky Superfund	252,862	.80
8	Mr Walter Holland	231,000	.73
9	ASX Perpetual Registries Ltd	208,500	.66
10	Cougan Corporation Pty Ltd	200,000	.63
11	Mr Andrew Thomas	160,000	.50
12	Mr Michael James Grant	150,000	.47
13	Mr Anthony Wilson	140,000	.44
14	Mr Geoff Acton	136,987	.43
15	Kreskin Pty Ltd	127,903	.40
16	Mienbourne Pty Ltd	125,300	.39
17	Plasterite No 1 Pty Ltd	106,000	.33
18	John Gaffney Superannuation Fund Pty Ltd	100,000	.32
19	Mr L Mizikovsky ATF S Mizikovsky	100,000	.32
20	Mr Lev Mizikovsky	95,217	.30
	TOTAL	25,752,432	81.15%

additional stock exchange requirements (continued)

Substantial Shareholder

The Company's register of substantial shareholders recorded the following substantial shareholding interests:

Ordinary Shares	No. of shares
Rainrose Pty Ltd	14,176,056
Ankla Pty Ltd	6,030,026

Registered Office

The registered office of the Company is at 1821 Ipswich Road, Rocklea QLD 4106.

Share Registry

The register of holders of ordinary shares of the Company is kept at the office of ASX Perpetual Registrars Limited, Level 22, 300 Queen Street, Brisbane, Queensland.

tamawood limited:

Registered Office	Auditor	Share Registry	Solicitors
Tamawood Limited	Pitcher Partners	ASX Perpetual Registrars Ltd	Mallesons Stephen Jaques
1821 Ipswich Road	Level 21	Level 22	Level 30 Waterfront Place
ROCKLEA QLD 4106	300 Queen Street	300 Queen Street	1 Eagle Street
	BRISBANE QLD 4000	BRISBANE QLD 4000	BRISBANE QLD 4000