# tamawood limited half year report

## Half Year Ended December 31 2005

ABN 56 010 954 499

John C Lyons
CHAIRMAN

> "We define marketing quite simply as creating outstanding value and being famous for it"
>
> \- Marketing without Money
> John Lyons and Edward DeBono

# the brands

**Dixon Homes**

Dixon Homes has invested millions of dollars with architects, engineers, and interior designers to produce a superior product.

A Dixon Home is a prize for the discerning few.

**Dixon Adventure Range**

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

**Carrington Homes**

A range to suit the subtropical climate. Cost efficient architecturally pleasing homes combining high efficiency and a variety of appealing layouts with external covered patio area.

**Tamawood Homes**

Mid-ranged 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 $m^2$, built to the same standards and sharing many inclusions with the Tamawood range. We give you access to no deposit finance and low cost land. Cut Price Homes cuts prices - not corners.

**Remington Steel Homes**

Designed with precision engineered steel frames, boasting an exceptional warranty at a moderate extra cost. Steel frames reduce maintenance and often insurance premiums. Steel frames are also available in all other ranges of homes.

# contents



ABN 56 010 954 499

# letter to our shareholders

On behalf of the Board, we report post-tax earnings for the half year to December 2005 of $2.527 million.

For the full financial year to June 2005, Tamawood achieved a record profit of $4.245 million after tax.

Directors have resolved to distribute a 5 cent fully franked dividend, payable on 28 April 2006.

This satisfactory result reflects the improved construction margin that is attributable to the ready availability of tradesmen and lower payroll costs. Personnel costs were reduced by 11.4% (compared to the previous corresponding period) in response to lower housing demand evident from December 2004.

Tamawood's flexibility to adapt to fluctuations in housing demand partly mitigates the earnings volatility characteristic of the building sector.

Franchising activities contributed $0.7m to earnings, while the wholesale merchandising business achieved a break-even result, after 18 months of operation. This importation business was established to maintain Tamawood's cost leadership position in the Queensland housing market.

Management will continue to identify and develop complementary activities which can enhance the earnings quality of the business.

There are emerging signs that the housing construction capacity constraints experienced in 2004 and 2005 financial years continue to ease. This should assist Tamawood to maintain the improved construction margin throughout 2006.

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

Yours sincerely

**John Lyons**
CHAIRMAN

**Lev Mizikovsky**
MANAGING DIRECTOR

| | June 2003 $'000 Half Year | Dec 2003 $'000 Half Year | June 2004 $'000 Half Year | Dec 2004 $'000 Half Year | June 2005 $'000 Half Year | Dec 2005 $'000 Half Year |
|---|---|---|---|---|---|---|
| Revenue | 39,685 | 50,277 | 36,256 | 35,465 | 32,368 | 33,504 |
| Net profit before tax | 1,899 | 5,220 | 734 | 2,902 | 3,314 | 3,723 |
| Net profit after tax | 1,295 | 3,574 | 426 | 2,029 | 2,216 | 2,527 |

# directors' report

Your Directors present their report on the consolidated entity consisting of Tamawood Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

## Directors

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

JC Lyons

L Mizikovsky

GB Acton

KJ Daly

LJ Litzow

JP Gaffney

T Reid

A Thomas

## Principal activities

During the half-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 operations within regional Queensland and other states.

## Operating result

The consolidated net profit after income tax for the half-year ended 31 December 2005 was $2.527 million (2004:$2.029 million).

## Dividends paid or recommended

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

The Board has declared a fully franked interim dividend of 5 cents representing 64% of after tax profits, payable as at 28 April 2006.

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

## Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's Auditors, BDO Kendalls, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 December 2005. The Auditor's Independence Declaration is set out on page 6, which forms part of this report.

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

**J C Lyons**
CHAIRMAN

Brisbane, 14 February 2006

# auditor's independence declaration under section 307C of the corporations act 2001 to the directors of tamawood limited

In relation to our review of the consolidated financial report of Tamawood Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Yours faithfully

BDO Kendalls

**Paul Gallagher**

PARTNER

Brisbane, 14 February 2006

# independent review report to the members of tamawood limited

## Scope

We have reviewed the financial report comprising the Directors' Declaration, Balance sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes by Tamawood Limited for the half-year ended 31 December 2005. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its cash flows, and in order for the company to lodge the financial report with the Australian Securities & Investments Commission and the Australian Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

# independent review report to the members of tamawood limited cont.

**Statement**

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

a) the Corporations Act 2001, including:

i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

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

b) other mandatory professional reporting requirements in Australia.

BDO Kendalls

**Paul Gallagher**
PARTNER

Brisbane, 14 February 2006

# directors' declaration

The Directors of the company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, for the half-year ended on that date.

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed for on behalf of the directors by:

**J C Lyons**
CHAIRMAN

Brisbane, 14 February 2006

# consolidated balance sheet

as at 31 December 2005

| | 31 December 2005 | 30 June 2005 |
|---|---|---|
| **Current Assets** | **$'000** | **$'000** |
| Cash and cash equivalents | 3,136 | 5,295 |
| Trade and other receivables | 3,969 | 3,631 |
| Inventories | 7,507 | 6,934 |
| Other current assets | 682 | 283 |
| **Total Current Assets** | **15,294** | **16,143** |
| Non-Current Assets | | |
| Trade and other receivables | 1,717 | 1,822 |
| Property, plant and equipment | 7,821 | 6,756 |
| Deferred tax assets | 619 | 563 |
| Intangible Assets | 444 | 196 |
| **Total Non-Current Assets** | **10,601** | **9,337** |
| **Total Assets** | **25,895** | **25,480** |
| Current Liabilities | | |
| Trade and other payables | 4,052 | 4,115 |
| Current tax liabilities | 857 | 1,587 |
| Short term provisions | 530 | 183 |
| Other current liabilities | 131 | 283 |
| **Total Current Liabilities** | **5,570** | **6,168** |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 1,187 | 1,156 |
| Long term provisions | 327 | 392 |
| **Total Non-Current Liabilities** | **1,514** | **1,548** |
| **Total Liabilities** | **7,084** | **7,716** |
| **Net Assets** | **18,811** | **17,764** |
| Equity | | |
| Issued Capital | 13,048 | 12,001 |
| Retained profits | 4,213 | 4,213 |
| Reserves | 1,550 | 1,550 |
| **Total Equity** | **18,811** | **17,764** |

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

# consolidated income statement

for the half-year ended 31 December 2005

| | Note | Half-year 2005 | 2004 |
|---|---|---|---|
| | | $'000 | $'000 |
| Revenue | 3 | 33,504 | 35,465 |
| Cost of sales | | (25,076) | (27,663) |
| Advertising | | (890) | (880) |
| Depreciation and amortisation | | (237) | (275) |
| Employee benefits expenses | | (2,029) | (2,292) |
| Consultants fees | | (177) | (133) |
| Administration expenses | | (1,176) | (1,093) |
| Other expenses | | (196) | (227) |
| Profit before income tax expense | | 3,723 | 2,902 |
| Income tax expense | | (1,196) | (873) |
| **Net profit attributable to members of Tamawood Limited** | | **2,527** | **2,029** |
| | | **cents** | **cents** |
| Basic earnings per share | | 7.90 | 6.63 |
| Diluted earnings per share | | 7.90 | 6.63 |

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

# consolidated statement of changes in equity

for the half-year ended 31 December 2005

| | Share Capital Ordinary<br>$'000 | Retained Profits<br>$'000 | Asset Revaluation<br>$'000 | Minority Interests<br>$'000 | Total Equity<br>$'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2004 | 10,181 | 3,042 | 1,550 | | 14,773 |
| Shares issued | 705 | | | | 705 |
| Profit for the period | | 2,029 | | | 2,029 |
| Dividends paid | | (1,527) | | | (1,527) |
| **Balance at 31 December 2004** | **10,886** | **3,544** | **1,550** | | **15,980** |
| Balance at 1 July 2005 | 12,001 | 4,213 | 1,550 | | 17,764 |
| Shares issued | 1,047 | | | | 1,047 |
| Profit for the period | | 2,527 | | | 2,527 |
| Dividends paid | | (2,527) | | | (2,527) |
| **Balance at 31 December 2005** | **13,048** | **4,213** | **1,550** | | **18,811** |
| Balance at 1 July 2004 | 10,181 | 3,042 | 1,550 | | 14,773 |
| Shares issued | 1,820 | | | | 1,820 |
| Profit for the period | | 4245 | | | 4245 |
| Dividends paid | | (3,074 | | | (3,074) |
| **Balance at 30 June 2005** | **12,001** | **4,213** | **1,550** | | **17,764** |

The accompanying notes form part of these financial statements.

# consolidated cash flow statement

for the half-year ended 31 December 2005

| | Half-year | |
|---|---|---|
| | **2005** | **2004** |
| | **$'000** | **$'000** |
| | **Inflows / (Outflows)** | |
| **Cash Flows from Operating Activities** | | |
| Receipts from customers | 35,760 | 39,810 |
| Payments to suppliers and employees | (33,322) | (37,961) |
| Interest received | 212 | 196 |
| Income taxes paid | (1,950) | (1,205) |
| Net operating cash flows | 700 | 840 |
| **Cash Flows from Investing Activities** | | |
| Payment for property, plant and equipment | (1,604) | (336) |
| Proceeds from sales of property, plant and equipment | 416 | 81 |
| Payments for intangibles | (266) | (252) |
| Loans repaid | 69 | 88 |
| Net investing cash flows | (1,385) | (419) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issuing shares | - | 95 |
| Dividends paid | (1,474) | (823) |
| Net financing cash flows | (1,474) | (728) |
| Net increase / (decrease) in cash held | (2,159) | (307) |
| Cash at the beginning of the half year | 5,295 | 4,115 |
| Cash at the end of the half year | 3,136 | 3,808 |

The Consolidated Statement 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 Standard AASB 134: Interim Financial Reporting 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.

Financial statements of Tamawood Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). This is the first half year financial report which has been prepared using Australian International Financial Reporting Standards (AIFRS). AGAAP differs in certain respects from AIFRS. When preparing the Tamawood Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are given in note 2.

The same accounting policies and method of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period. However, as this is the first published financial report prepared in compliance with AIFRSs, all applicable accounting policies have been noted below, with reference to where these have changed from the prior period.

**(b) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tamawood Limited as at 31 December 2005 and the results of all controlled entities for the half 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 income statement 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) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

# notes to the consolidated financial statements

for the half-year ended 31 December 2005

**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, recognised 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 have 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.

**(d) 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.

**(e) 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 of 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 - 8 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 the 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.

**(f) Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as good will. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(g) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(i) Employee benefits**

**i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and short term provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

**ii) Long service leave**

The liability for long service leave is recognised in long term provisions and measured as the current value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

**(j) 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 two year rolling aggregate of hand overs and the level of rectification work performed during that period.

**(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.

For fixed price contracts, the stage of completion is measured by reference to materials, labour hours and direct overheads incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost-plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

**(l) Intangible assets**

**i) Research and development**

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

Development costs are deferred to future periods to the extent that the project will deliver future economic benefits and these benefits can be measured reliably. 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.

**ii) Other intangibles**

Other intangibles are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

**(m) 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 | Economic Entity | | |
|---|---|---|---|---|
| | | Previous GAAP at 1 July 2004 $'000 | Adjustments on introduction of Australian equivalents to IFRS $'000 | Australian equivalents to IFRS at 1 July 2004 $'000 |
| NOTE 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards Reconciliation of Equity at 1 July 2004 | | | | |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | | 4,115 | | 4,115 |
| Trade and other receivables | | 4,890 | | 4,890 |
| Inventories | | 7,541 | | 7,541 |
| **Total Current Assets** | | **16,546** | | **16,546** |
| **Non-Current Assets** | | | | |
| Trade and other receivables | | 1,918 | | 1,918 |
| Property, plant and equipment | | 6,508 | | 6,508 |
| Deferred tax assets | | 829 | | 829 |
| **Total Non-Current Assets** | | **9,255** | | **9,255** |
| **Total Assets** | | **25,801** | | **25,801** |
| **Current Liabilities** | | | | |
| Trade and other payables | | 7,522 | | 7,522 |
| Current tax liabilities | | 298 | | 298 |
| Short-term provisions | | 156 | | 156 |
| Other current liabilities | | 335 | | 335 |
| **Total Current Liabilities** | | **8,311** | | **8,311** |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities | b | 2,196 | 465 | 2,661 |
| Long-term provisions | | 521 | | 521 |
| **Total Non-Current Liabilities** | | **2,717** | | **3,182** |
| **Total Liabilities** | | **11,028** | | **11,493** |
| **Net Assets** | | **14,773** | | **14,308** |
| **Equity** | | | | |
| Issued capital | | 10,181 | | 10,181 |
| Reserves | | 1,550 | | 1,550 |
| Retained earnings | b | 3,042 | (465) | 2,577 |
| **Total Equity** | | **14,773** | | **14,308** |

| | Note | Economic Entity | | |
|---|---|---|---|---|
| | | Previous GAAP at 31 Dec. 2004 $'000 | Adjustments on introduction of Australian equivalents to IFRS $'000 | Australian equivalents to IFRS at 31 Dec. 2004 $'000 |
| NOTE 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd) | | | | |
| Reconciliation of Equity at 31 December 2004 | | | | |
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | | 3,808 | | 3,808 |
| Trade and other receivables | | 4,033 | | 4,033 |
| Inventories | | 6,056 | | 6,056 |
| **Total Current Assets** | | **13,897** | | **13,897** |
| **Non-Current Assets** | | | | |
| Trade and other receivables | | 1,822 | | 1,822 |
| Property, plant and equipment | | 6,736 | | 6,736 |
| Deferred tax assets | | 669 | | 669 |
| Intangible assets | | - | | - |
| **Total Non-Current Assets** | | **9,227** | | **9,227** |
| **Total Assets** | | **23,124** | | **23,124** |
| **Current Liabilities** | | | | |
| Trade and other payables | | 3,616 | | 3,616 |
| Current tax liabilities | | 909 | | 909 |
| Short-term provisions | | 1,073 | | 1,073 |
| Other current liabilities | | 268 | | 268 |
| **Total Current Liabilities** | | **5,866** | | **5,866** |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities | b | 1,250 | 465 | 1,250 |
| Long-term provisions | | 28 | | 28 |
| **Total Non-Current Liabilities** | | **1,278** | | **1,278** |
| **Total Liabilities** | | **7,144** | | **7,144** |
| **Net Assets** | | **15,980** | | **15,980** |
| **Equity** | | | | |
| Issued capital | | 10,886 | | 10,886 |
| Reserves | | 1,550 | | 1,550 |
| Retained earnings | b | 3,544 | (465) | 3,544 |
| **Total Equity** | | **15,980** | | **15,980** |

NOTE 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Equity at 30 June 2005

| | Note | Economic Entity Previous GAAP at 30 June 2005 $'000 | Adjustments on introduction of Australian equivalents to IFRS $'000 | Australian equivalents to IFRS at 30 June 2005 $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | | 5,295 | | 5,295 |
| Trade and other receivables | | 3,631 | | 3,631 |
| Inventories | | 6,934 | | 6,934 |
| Other current assets | | 283 | | 283 |
| **Total Current Assets** | | **16,143** | | **16,143** |
| **Non-Current Assets** | | | | |
| Trade and other receivables | | 1,822 | | 1,822 |
| Property, plant and equipment | a | 6,952 | (196) | 6,756 |
| Intangible assets | a | - | 196 | 196 |
| Deferred tax assets | | 563 | | 563 |
| **Total Non-Current Assets** | | **9,337** | | **9,337** |
| **Total Assets** | | **25,480** | | **25,480** |
| **Current Liabilities** | | | | |
| Trade and other payables | | 4,115 | | 4,115 |
| Current tax liabilities | | 1,587 | | 1,587 |
| Short-term provisions | | 183 | | 183 |
| Other current liabilities | | 283 | | 283 |
| **Total Current Liabilities** | | **6,168** | | **6,168** |
| **Non-Current Liabilities** | | | | |
| Deferred tax liabilities | b | 1,156 | 465 | 1,621 |
| Long-term provisions | | 392 | | 392 |
| **Total Non-Current Liabilities** | | **1,548** | | **2,013** |
| **Total Liabilities** | | **7,716** | | **8,181** |
| **Net Assets** | | **17,764** | | **17,299** |
| **Equity** | | | | |
| Issued capital | | 12,001 | | 12,001 |
| Reserves | | 1,550 | | 1,550 |
| Retained earnings | b | 4,213 | (465) | 3,748 |
| **Total Equity** | | **17,764** | | **17,299** |

| | Note | Economic Entity | | |
|---|---|---|---|---|
| | | Previous GAAP $'000 | Effect to Australian equivalents to IFRS $'000 | Australian equivalents to IFRS $'000 |

NOTE 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Reconciliation of Profit or Loss for the half year 31 December 2004

| | Previous GAAP $'000 | Effect to Australian equivalents to IFRS $'000 | Australian equivalents to IFRS $'000 |
|---|---|---|---|
| Revenue | 35,465 | - | 35,465 |
| Raw materials and consumables used | (27,663) | - | (27,663) |
| Employee benefits expense | (2,292) | - | (2,292) |
| Depreciation and amortisation expense | (275) | - | (275) |
| Other expenses | (2,333) | - | (2,333) |
| Profit before income tax | 2,902 | - | 2,902 |
| Income tax expense | (873) | - | (873) |
| Profit for the year | 2,029 | - | 2,029 |
| Profit attributable to members of the parent entity | 2,029 | - | 2,029 |

**Reconciliation of Profit or Loss for the year ended 30 June 2005**

| | Previous GAAP $'000 | Effect to Australian equivalents to IFRS $'000 | Australian equivalents to IFRS $'000 |
|---|---|---|---|
| Revenue | 67,833 | - | 67,833 |
| Raw materials and consumables used | (52,718) | - | (52,718) |
| Employee benefits expense | (4,141) | - | (4,141) |
| Depreciation and amortisation expense | (519) | - | (519) |
| Other expenses | (4,239) | - | (4,239) |
| Profit before income tax | 6,216 | - | 6,216 |
| Income tax expense | (1,971) | - | (1,971) |
| Profit for the year | 4,245 | - | 4,245 |
| Profit attributable to members of the parent entity | 4,245 | - | 4,245 |

**Reconciliation of Profit or Loss for the half year ended 31 December 2005**

| | Previous GAAP $'000 | Effect to Australian equivalents to IFRS $'000 | Australian equivalents to IFRS $'000 |
|---|---|---|---|
| Revenue | 33,504 | - | 33,504 |
| Raw materials and consumables used | (25,076) | - | (25,076) |
| Employee benefits expense | (2,029) | - | (2,029) |
| Depreciation and amortisation expense | (237) | - | (237) |
| Other expenses | (2,439) | - | (2,439) |
| Profit before income tax | 3,723 | - | 3,723 |
| Income tax expense | (1,196) | - | (1,196) |
| Profit for the year | 2,527 | - | 2,527 |
| Profit attributable to members of the parent entity | 2,527 | - | 2,527 |

Footnote:

a) Adjustment relates to reclassification of Development costs from property, plant and equipment to intangible assets.

b) Adjustment relates to recalculation of deferred tax liability using the balance sheet method, arising from adoption of AASB 112: Income Taxes, being the recognition of deferred tax liability in relation to the consolidated entity's asset revaluation reserve.

| | Half-year 2005 $'000 | Half-year 2004 $'000 |
|---|---|---|
| **NOTE 3: REVENUE** | | |
| **Revenue from operating activities:** | | |
| Building design and preliminary project management fees | 4,214 | 4,974 |
| Contract construction revenue | 26,568 | 29,307 |
| Franchise revenue | 681 | 623 |
| Merchandising sales | 1,591 | - |
| | 33,054 | 34,904 |
| **Non operating activities:** | | |
| Sale of display homes | - | - |
| Sub-lease rentals | 75 | 102 |
| Interest non-related parties | 216 | 196 |
| Interest - related parties | 91 | - |
| Other items | 68 | 263 |
| | 450 | 561 |
| **Revenue from all activities** | **33,504** | **35,465** |

| | Half-year 2005 $'000 | Half-year 2004 $'000 |
|---|---|---|
| **NOTE 4: NET PROFIT ITEMS** | | |
| Profit before income tax includes the following specific net gains and expenses: | | |
| Net gains | - | - |
| Net gain / (loss) on disposal of: | | |
| Property, plant and equipment | 6 | - |
| Expenses | | |
| Depreciation of: | | |
| Buildings and improvements | 5 | - |
| Motor vehicles, office furniture and equipment | 232 | 275 |

**NOTE 4: NET PROFIT ITEMS (cont'd)**

| | Half-year 2005 $'000 | Half-year 2004 $'000 |
|---|---|---|
| Other provisions: | | |
| Employee entitlements | (79) | 34 |
| Warranty | (50) | - |
| Rental expense relating to property leases | 73 | 113 |
| Research and development | 66 | 40 |
| Superannuation expenses | 202 | 157 |

**NOTE 5: DIVIDENDS**

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Final dividend of 8 cents (fully franked at 30%) per fully paid share paid on 28 October 2005 | 2,527 | - |
| Final dividend of 5.5 cents (fully franked at 30%) per fully paid share paid on 30 November 2004 | - | 1,527 |
| **Total dividends provided for or paid** | **2,527** | **1,527** |
| Since the end of the half-year, the Directors have recommended the payment of a fully franked interim dividend of 5 cents per fully paid share payable April 2006. (5 cents fully franked April 2005) | 1,619 | 1,546 |

# notes to the consolidated financial statements

for the half-year ended 31 December 2005

**NOTE 6: POST BALANCE DATE EVENTS**

There has not been any matter or circumstance, that has arisen since the end of the half-year, that has significantly affected, or may affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**NOTE 7: 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 various locations throughout Queensland, New South Wales and Northern Territory.

**Other**

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

**GEOGRAPHICAL SEGMENTS**

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

**Queensland**

The principal operations are contract construction and project management services.
The main operating entity and parent entity reside in Queensland.

**Other States**

Comprises 5 franchise operations in various locations in other states.

**PRIMARY REPORTING – BUSINESS SEGMENTS**

| 2005 | Construction | Project Management | Franchise | Warehouse | Other | Inter-segment eliminations/ unallocated | Consolidated |
|---|---|---|---|---|---|---|---|
| External sales revenue | 26,568 | 4,214 | 681 | 1,319 | 272 | - | 33,054 |
| Intersegment sales revenue | - | 4,569 | - | 70 | - | (4,639) | - |
| Total sales revenue | 26,568 | 8,783 | 681 | 1,389 | 272 | (4,639) | 33,054 |
| Other revenue | 213 | 16 | 4 | (13) | 230 | - | 450 |
| Total segment revenue | 26,781 | 8,799 | 685 | 1,376 | 502 | (4,639) | 33,504 |
| Segment results | 1,567 | 1,877 | 508 | (63) | (166) | - | 3,723 |
| Unallocated revenue less unallocated expenses | | | | | | | - |
| Profit before income tax expense | | | | | | | 3,723 |
| Income tax expense | | | | | | | (1,196) |
| Net profit | | | | | | | 2,527 |

| 2004 | Construction | Project Management | Franchise | Other | Inter-segment eliminations/ unallocated | Consolidated |
|---|---|---|---|---|---|---|
| External sales revenue | 29,307 | 4,974 | 621 | 561 | - | 35,465 |
| Intersegment sales revenue | - | 5,074 | - | - | (5,074) | - |
| Total sales revenue | 29,307 | 10,048 | 621 | - | (5,074) | 35,465 |
| Other revenue | - | - | 2 | - | - | - |
| Total segment revenue | 29,307 | 10,048 | 623 | - | (5,074) | 35,465 |
| Segment results | 1,540 | 1,089 | 407 | (134) | - | 2,902 |
| Unallocated revenue less unallocated expenses | | | | | | - |
| Profit before income tax expense | | | | | | 2,902 |
| Income tax expense | | | | | | (873) |
| Net profit | | | | | | 2029 |

**NOTE 8: RELATED PARTIES**

During the 2005 half-year, Mr A Thomas, a director paid royalty and franchising fees to Dixon Systems Pty Ltd, wholly owned subsidiary of Tamawood Limited totalling $99,133.

Mr J Gaffney, a director received sales commission from Tamawood SEQ Franchise Pty Ltd under normal commercial terms totalling $47,454.

**NOTE 9: CONTINGENT LIABILITIES**

St George No Deposit Finance

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

| Registered Office | Auditor | Share Registry | Solicitors |
|---|---|---|---|
| Tamawood Limited | BDO Kendalls | Link Market Services Ltd | Mallesons Stephen Jaques |
| 1821 Ipswich Road | Level 19 | 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 |