06

tamawood limited concise annual report

FOR YEAR ENDED JUNE 2006

ABN 56 010 954 499

contents

concise financial report

(i) the concise financial report is an extract from the financial report;
(ii) the financial statements and specific disclosures included in the concise financial report have been derived from the financial report;
(iii) the concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Tamawood Limited as the financial report; and
(iv) further financial information can be obtained from the financial report and that the financial report is available, free of charge, on request to Tamawood Limited.

ABN 56 010 954 499

The 2006 financial year record $5.02m after-tax profit result reflects the growth initiatives and operational improvements embarked upon in recent years.

Key Financial Outcomes

The after-tax profit of $5.02m for the year to 30 June 2006 is a 18% increase on the previous year and equates to 15.55 cents earnings per share (2005: 13.73 cents).

Directors have declared a fully franked dividend of 8 cents per share (2005: 8 cents), taking the full year 2006 dividend to 13 cents (2005: 13 cents) The company remains debt free, with $3m in the bank at 30 June 2006.

Market Conditions

Housing affordability has been impacted in recent years by the imposition of GST and higher state and local government fees and charges. However, the positive impact of high employment levels have off-set the negative impact of the government imposts and recent interest rate rises.

The current housing market activity level appears to be at or near equilibrium, with steady customer demand and adequate building industry capacity.

Value-adding Growth

A critical element of Tamawood's focused growth strategy is to secure the supply chain for key inputs in order to protect its cost leadership position.

The merchandising importation business was established 2 years ago for this strategic purpose. This business is now profitable in its own right and should assist Tamawood in sustaining its earnings momentum through the home building cycle.

Our franchised operations are performing in line with our profit expectations and continue to deliver exceptional value to our franchisees. We are currently undertaking a review of our franchise systems to ensure that future system enhancements provide our franchisees with a superior processing capability.

A reinvigorated "Dixon Homes" brand has the potential to deliver sales growth. This initiative is now being reflected within the group's marketing livery.

Critical Success Factors

We believe that the following attributes of our business are essential to sustain consistent shareholder returns, irrespective of housing market conditions:

- The ability to expand and curtail operations rapidly in line with fluctuating housing demand,
- The ability to attract and maintain a skilled labour force,
- The application of software-based solutions to all facets of the business to promote efficiency and reliability, and
- A focus on the work-in-progress, inventory, debtors and construction efficiencies.

This is the first year we have offered our "5% saving or full preliminary fee refund guarantee". To reassure all of our stakeholders that our product is better quality than ever, I would like to list some of our key suppliers and products, obviously as and when required we may review particular products or suppliers.

Foundations

Engineer designed and inspected at each stage, conventional 2 pour footing and slab system. Reinforced steel by OneSteel, Concrete (most areas) Readymix - both long established industry leaders.

Frame

Hyne Timber (70 x 45 Treated Load Bearing Studs,) Stoddarts Steel Frames - Queenslands leading suppliers in their respective markets.

Roofing

Monier Roof Tiles (CSR) (all tile roofs come with sarking as standard), Stoddarts Metal Roofing and Fascia and Gutter - Some of the longest established businesses in the industry.

Windows and Doors

A&L Windows (5mm Tinted glass to all transparent windows and doors) - Significant supplier in both Queensland and Victoria

Corinthian Doors internal hardware and mouldings - long established Australian supplier, part of the multinational company dominating the USA markets.

Exterior and Insulation

PGH Bricks (CSR), James Hardi Industries, CSR Bradford Insulation - Best known suppliers of the products within respective segments.

Garage Doors

B&D Garage Doors - Most respected name in garage doors in Australia.

Internal Linings and Paint

CSR Gyprock, Taubmans Paint (Two coat antibacterial system with full warranty) - Both known for their leadership in quality.

Other Standard Components are:

- Italian wall ovens and hotplates
- Imported stainless steel face dishwashers
- Australia's most efficient two panel solar hot water system
- Imported level mixer taps in all bathrooms and kitchen
- Moulded top vanities
- Post construction prepaid pest inspection
- Stainless Steel lever door handles
- Automated inspection and review.

The above list shows that when we selected each product and service, dependability was the key element, simultaneously; significant savings were achieved in the following area:

1. Our administration costs - Estimating and Drafting are driven by the in house developed software covering all aspects, starting with initial contract and extending to post handover maintenance.
2. Our sales commissions are set at half the industry average, again mainly due to full automation of our sales process.
3. Our advertising and marketing costs are lower because we do not generally build display homes.
4. Our rebates and discounts are often higher because of our automated project management system, saving significant administrative costs to suppliers and subcontractors.

Outlook

Near term earnings outlook appears to be favourable, based on current work-in-progress and new sales enquiries.

Tamawood's medium term earnings performance is less predictable. However, the business is positioned as the lowest cost producer of a wide range of contract homes in Southeast Queensland, being one of Australia's fastest growing population centres.

On this basis, shareholders can reasonably expect a year of earnings growth and a favourable medium term outlook provided general economic conditions remain reasonably stable and earnings are not impacted by unusual weather conditions.

Yours sincerely,

Lev Mizikovsky
Executive Chairman

directors' declaration

The directors of Tamawood Limited declare that the concise financial report of Tamawood Limited and Controlled Entities for the financial year ended 30 June 2006, as set out on pages 10 to 22:

a. complies with Accounting Standard AASB 1039: Concise Financial Reports; and

b. is an extract from the full financial report for the year ended 30 June 2006 and has been derived from and is consistent with the full financial report of Tamawood Limited and Controlled Entities.

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

Yours sincerely,

Lev Mizikovsky
Executive Chairman
Brisbane, 18 September 2006

Your Directors present their report on the company consisting of Tamawood Limited and the entities it controlled at the end of, or during, the year ended 30 June 2006.

Directors

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

L Mizikovsky

GB Acton

KJ Daly

JP Gaffney

A Thomas

JC Lyons - resigned as Chairman of Tamawood Limited and subsidiaries on 1 April 2006

LJ Litzow - resigned as Non-executive Director of Tamawood Limited and subsidiaries on 1 April 2006

T Reid - resigned as Non-executive Director of Tamawood Limited on 1 April 2006

Principal activities

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

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

(b) home contract construction activities in selected markets;

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

(d) importation and warehousing of products complimentary to the home contract construction activities

Operating result

The consolidated profit of the economic entity after income tax and outside equity interests was $5.02 million, up 18% on 30 June 2005.

Review of operations

Construction

Efficiencies to the back office systems and improvements in supervision of construction have led to an overall increase in our margins. Tamawood has experienced a steady increase in sales in recent months which has increased the level of work in progress.

Importation Business

The merchandising importation business established 2 years ago is now profitable in its own right and contributed $5.38 million or 7% of total revenue to the group in 2006. This business is a critical element to Tamawood's growth and cost leadership strategy.

Franchise

The Franchise business continues to grow with a 31% increase in revenue for the 2006 financial year. Further refinements to the franchise systems should sustain this revenue growth into 2007.

Review of financial position

The net assets of the group has increased by 16.5% to $20.710 million and the company continues to maintain its debt free status with in excess of $3 million in the bank as at 30 June 2006. The Tamawood group purchased a northside office costing $700,000 and funded the purchase out of existing cashflow. This office will create a visible presence on Brisbane's northside and lead to increased sales.

Dividends paid or recommended

Dividends	Cents	$,000
Final Dividends recommended:		
on ordinary shares	8 cents	2,657
Dividends paid in the year:		
Interim for the year		
on ordinary shares	5 cents	1,531
Final for 2005 shown as recommended in the 2005 report		
on ordinary shares	8 cents	2,539

Significant changes in state of affairs

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

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to the report.

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 economic entity's operations in future years; or

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

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

Information on Directors:

Director	Experience	Special responsibilities	Interest in Shares of Tamawood
Executive Chairman **L Mizikovsky** - Age 60 NZCD (ARCH), FAICD (DIP)	Executive Chairman since April 2006 Executive Director for 18 years. Managing Director since April 2003.	Executive Chairman and Managing Director. Chairman of Remuneration and Nomination Committee.	22,556,758
GB Acton - Age 35 B Com, ACA, GAICD	Executive Director for 6 years. Former Finance Manager of Guide Dogs for the Blind Association of Qld.	Finance Director. Company Secretary.	135,000
Non-executive Directors **KJ Daly** - Age 47 CPA	Independent Non-executive Director for 6 years. Executive Director of Grange Securities Limited. Director of Mahogany Capital Limited Previously Managing Director of The Rock Building Society Limited from 1987 to January 2001.	Chairman of Audit Committee and Risk Management Committee. Member of Remuneration and Nomination Committee.	127,903
JP Gaffney - Age 53	Non-executive Director since April 2004.	Member of Audit and Risk Management Committee. Licensee and Executive Director of Tamawood Realty Pty Ltd.	2,712
A Thomas - Age 40	Non executive Director since April 2004. Managing Director of Carrington Homes Pty Ltd for 8 years.	Member of Audit and Risk Management Committee. Director of Dixon Systems Pty Ltd.	419,000

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	6	1	3	-
Number of meetings attended by:					
L Mizikovsky	11	1 (By invitation)	1	3	-
GB Acton	9	6 (By invitation)	-	2	-
KJ Daly	10	6	1	3	-
JP Gaffney	11	6	-	3	-
A Thomas	10	1 (1 Held)	-	3	-
JC Lyons (resigned 1 April 2006)	8 (8 Held)	-	-	1	-
LJ Litzow (resigned 1 April 2006)	8 (8 Held)	5	1	1	-
T Reid (resigned 1 April 2006)	7 (8 Held)	-	-	1	-

Remuneration Report

This report outlines the remuneration arrangements in place for directors and executives of Tamawood Limited.

Remuneration Philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 October 2005 when shareholders approved an aggregate remuneration of $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. Each director receives a fee for being a director of the company.

The remuneration of non-executive directors for the period ending 30 June 2006 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Align the interests of executives with those of shareholders;
- Link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

It is the Remuneration Committee's policy that an employment contract is entered into only with the Managing Director and Finance Director.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Other remuneration such as superannuation

Directors of Tamawood 2006

	Primary		Post-employment		
Name	Cash salary and fees $	Non Cash Benefits $	Superannuation $	Retirement $	Total $
L Mizikovsky	73,961	16,308	6,525	-	96,794
G Acton	82,537	11,308	6,632	-	100,477
J C Lyons	27,800	1,308	-	48,650	77,758
K J Daly	32,000	1,308	3,000	-	36,308
L J Litzow	16,850	1,308	-	25,275	43,433
J P Gaffney	9,500	1,308	19,023	-	29,831
A Thomas	35,597	1,308	-	-	36,905
T Reid	19,408	1,308	-	-	20,716
Total	297,653	35,464	35,180	73,925	442,222

Directors of Tamawood 2005

Name	Primary		Post-employment		
	Cash salary and fees $	Non Cash Benefits $	Superannuation $	Retirement $	Total $
L Mizikovsky	75,231	16,368	6,300	-	97,899
G Acton	84,049	16,368	6,300	-	106,717
J C Lyons	53,766	1,368	-	-	55,134
K J Daly	27,400	1,368	2,600	-	31,368
L J Litzow	32,693	1,368	-	-	34,061
J P Gaffney	-	1,368	32,957	-	34,325
A Thomas	26,600	1,368	-	-	27,968
T Reid (part year)	15,000	729	-	-	15,729
Total	314,739	40,305	48,157	-	403,201

Other executives of the Tamawood Group 2006

Name	Primary		Post-employment	
	Cash salary and fees $	Non Cash Benefits $	Superannuation $	Total $
J May (Supervisor)	78,778	10,000	6,750	95,528
J Fraser (Supervisor)	78,727	10,000	6,750	95,477
O Heineman (Supervisor)	78,727	10,000	6,750	95,477
A Gibson (Admin Manager)	72,322	10,000	6,368	88,690
T Bartholomaeus (General Manager)	71,748	10,000	6,300	88,048
Total	380,302	50,000	32,918	463,220

Other executives of the Tamawood Group 2005

Name	Primary		Post-employment	
	Cash salary and fees $	Non Cash Benefits $	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

Service agreements

The Managing Director, Mr Mizikovsky is employed under a service agreement. The current employment agreement commenced on 1 July 2005 and is open ended with a review every 12 months.

- Mr Mizikovsky receives fixed remuneration of $70,000 per annum.
- Mr Mizikovsky may resign from his position and thus terminate this contract by giving 6 months written notice.
- The company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Mizikovsky's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred.

The Finance Director, Mr Acton is employed under a service agreement. The current employment agreement commenced on 1 July 2005 and is open ended with a review every 12 months.

- Mr Acton receives fixed remuneration of $70,000 per annum.
- Mr Acton may resign from his position and thus terminate this contract by giving 1 months written notice.
- The company may terminate this employment agreement by providing 1 months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Acton's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred.

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 economic entity.

The total amount of insurance contract premiums was $10,464.

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

Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

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 economic entity are important.

There were no non-audit services provided by the entity's auditor, BDO Kendalls.

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.

I. Mizikovsky
Executive Chairman
Brisbane, 2006

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 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

BDO Kendalls
CHARTERED ACCOUNTANTS

Paul Gallagher
PARTNER
Brisbane, 18 September 2006

consolidated balance sheet

As at 30 June 2006

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	3,162	5,295	357	524
Trade and other receivables	5,512	3,631	7	1,081
Inventories	10,329	6,934	69	70
Other current assets	639	283	4	-
Total Current Assets	**19,642**	**16,143**	**437**	**1,675**
Non-Current Assets				
Trade and other receivables	1,705	1,822	2,027	1,177
Property, plant and equipment	7,247	6,756	1,278	1,269
Deferred tax assets	1,360	196	173	90
Investments	2,133	738	8,301	8,806
Intangible assets	178	-	-	-
Total Non-Current Assets	**12,623**	**9,512**	**11,779**	**11,342**
Total Assets	**32,265**	**25,655**	**12,216**	**13,017**
Current Liabilities				
Trade and other payables	7,295	4,114	77	170
Current tax liabilities	100	1,587	343	1,587
Short term provisions	991	183	433	130
Other current liabilities	75	284	-	-
Total Current Liabilities	**8,461**	**6,168**	**853**	**1,887**
Non-Current Liabilities				
Deferred tax liabilities	2,712	1,555	6	6
Long term provisions	382	392	-	231
Other non-current liabilities	-	-	-	1,455
Total Non-Current Liabilities	**3,094**	**1,947**	**6**	**1,692**
Total Liabilities	**11,555**	**8,115**	**859**	**3,579**
Net Assets	**20,710**	**17,540**	**11,357**	**9,438**
Equity				
Issued Capital	14,269	12,001	14,269	12,001
Retained profits	5,609	4,454	(2,925)	(2,576)
Reserves	1,085	1,085	13	13
Minority Equity Interest	(253)	-	-	-
Total Equity	**20,710**	**17,540**	**11,357**	**9,438**

The Consolidated Balance Sheet should be read in conjunction with the accompanying notes

consolidated income statement

For the year ended 30 June 2006	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Revenue	75,366	67,833	7,236	4,671
Cost of sales	(57,961)	(52,718)	-	(23)
Advertising	(1,762)	(1,506)	(1)	(10)
Depreciation and amortisation	(535)	(519)	(344)	(496)
Employee benefits expenses	(4,596)	(4,141)	-	-
Consultants	(694)	(369)	(5)	(24)
Administration expenses	(2,239)	(2,104)	(565)	(750)
Other expenses	(655)	(269)	(716)	-
Profit before income tax expense	6,924	6,216	5,605	3,368
Income tax expense	(2,005)	(2,195)	(1,884)	(1,017)
Profit for the year	4,919	4,021	3,721	2,351
Profit attributable to minority equity interest	106	-	-	-
Profit attributable to members of Tamawood Limited	5,025	4,021	3,721	2,351

		CENTS	CENTS
Basic earnings per share	7	15.55	13.73
Diluted earnings per share	7	15.55	13.73

The Consolidated Income Statement should be read in conjunction with the accompanying notes

consolidated statement of changes in equity

Economic Entity For the year ended 30 June 2006	Share Capital Ordinary	Retained Profits	Asset Revaluation	Minority Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2004	10,181	3,507	1,085	-	14,773
Shares issued	1,820	-	-	-	1,820
Profit for the period	-	4,021	-	-	4,021
Dividends paid	-	(3,074)	-	-	(3,074)
Balance at 30 June 2005	**12,001**	**4,454**	**1,085**	**-**	**17,540**
Balance at 1 July 2005	12,001	4,454	1,085	-	17,540
Shares issued	2,268	-	-	-	2,268
Profit for the period	-	5,025	-	(106)	4,919
Transfer to Minority Interest	-	200	-	(147)	53
Dividends paid	-	(4,070)	-	-	(4,070)
Balance at 30 June 2006	**14,269**	**5,609**	**1,085**	**(253)**	**20,710**

The Consolidated statement of changes in equity should be read in conjunction with the accompanying notes

consolidated statement of changes in equity (continued)

Parent Entity For the year ended 30 June 2006	Share Capital Ordinary $'000	Retained Profits $'000	Asset Revaluation $'000	Minority Interests $'000	Total Equity $'000
Balance at 1 July 2004	10,181	(1,853)	13	-	8,341
Shares issued	1,820	-	-	-	1,820
Profit for the period	-	2,351	-	-	2,351
Dividends paid	-	(3,074)	-	-	(3,074)
Balance at 30 June 2005	**12,001**	**(2,576)**	**13**	**-**	**9,438**
Balance at 1 July 2005	12,001	(2,576)	13	-	9,438
Shares issued	2,268	-	-	-	2,268
Profit for the period	-	3,721	-	-	3,721
Dividends paid	-	(4,070)	-	-	(4,070)
Balance at 30 June 2006	**14,269**	**(2,925)**	**13**	**-**	**11,357**

The Consolidated statement of changes in equity should be read in conjunction with the accompanying notes

consolidated cash flow statement

For the year ended 30 June 2006	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
	Inflows / (Outflows)		**Inflows / (Outflows)**	
Cash Flows from Operating Activities				
Receipts from customers	86,378	75,421	7,713	4,499
Payments to suppliers and employees	(81,111)	(71,243)	(1,499)	(839)
Interest received	514	452	125	154
Interest expense	(108)	(5)	-	-
Income taxes paid	(2,955)	(1,457)	(3,873)	(495)
Net operating cash flows	**2,718**	**3,168**	**2,466**	**3,319**
Cash Flows from Investing Activities				
Repayment of loans by controlled entities	-	221	-	2,461
Payment for property, plant and equipment	(1,472)	(675)	(621)	(446)
Payment for investment in franchise	(310)	-	-	(3,900)
Loans to other related entities	25	-	(600)	-
Payment for investments	(1,682)	(451)	-	-
Proceeds from sale of property, plant and equipment	390	171	390	166
Net investing cash flows	**(3,049)**	**(734)**	**(831)**	**(1,719)**
Cash Flows from Financing Activities				
Dividends paid	(1,802)	(1,254)	(1,802)	(1,254)
Net financing cash flows	**(1,802)**	**(1,254)**	**(1,802)**	**(1,254)**
Net increase / (decrease) in cash held	(2,133)	1,180	(167)	346
Cash at the beginning of the year	5,295	4,115	524	178
Effect of exchange rates on cash holdings in foreign currencies	-	-	-	-
Cash at the end of the year	**3,162**	**5,295**	**357**	**524**

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

note 1: statement of significant accounting policies

Basis of preparation

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Tamawood Limited and Controlled Entities. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Tamawood Limited and Controlled Entities as the full financial report.

The financial report of Tamawood Limited and Controlled Entities comply with all Australian equivalents to the International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in this concise financial report is Australian dollars.

A summary of the adjustments made on transition to AIFRS is included in Note 2 to this concise report.

(a) Principles of Consolidation

A Controlled Entity is any entity Tamawood Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tamawood Limited as at 30 June 2006 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 economic entity. The effects of all transactions between entities in the economic 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. Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) 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.

Tax consolidation legislation

Tamawood Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group, under the tax consolidated regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entities. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has 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 agreement is also a valid arrangement under the tax consolidated 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).

(c) 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: first-time adoption of Australian equivalents to IFRS

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	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	4,115	-	4,115	5,295	-	5,295
Trade and other receivables (c)	4,890	(90)	4,800	3,721	(90)	3,631
Inventories	7,541	-	7,541	6,934	-	6,934
Other current assets	-	-	-	283	-	283
Total Current Assets	**16,546**	**(90)**	**16,456**	**16,233**	**(90)**	**16,143**
Non-Current Assets						
Trade and other receivables	1,918	-	1,918	1,822	-	1822
Property, plant and equipment (a)	6,508	-	6,508	6952	(196)	6,756
Intangibles (a)	-	-	-	-	196	196
Deferred tax assets (b)	829	-	829	563	175	738
Total Non-Current Assets	**9,255**	**-**	**9,255**	**9,337**	**175**	**9,512**
Total Assets	**25,801**	**(90)**	**25,711**	**25,570**	**85**	**25,655**
Current Liabilities						
Trade and other payables	7,522	-	7,522	4,114	-	4,114
Current tax liabilities	298	-	298	1,587	-	1,587
Short-term provisions (c)	156	(90)	66	273	(90)	183
Other current liabilities	335	-	335	284	-	284
Total Current Liabilities	**8,311**	**(90)**	**8,221**	**6,258**	**(90)**	**6,168**
Non-Current Liabilities						
Deferred tax liabilities (b)	2,196	-	2,196	1,156	399	1,555
Long-term provisions	521	-	521	392	-	392
Total Non-Current Liabilities	**2717**	**-**	**2,717**	**1,548**	**399**	**1,947**
Total Liabilities	**11,028**	**(90)**	**10,938**	**7,806**	**309**	**8,115**
Net Assets	**14,773**	**-**	**14,773**	**17,764**	**(224)**	**17,540**
Equity						
Issued capital	10,181	-	10,181	12,001	-	12,001
Reserves (b)	1,550	(465)	1,085	1,550	(465)	1,085
Retained earnings (b)	3,042	465	3,507	4,213	241	4,454
Total Equity	**14,773**	**-**	**14,773**	**17,764**	**(224)**	**17,540**

note 2: first-time adoption of Australian equivalents to IFRS (continued)

PARENT 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	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	178	-	178	524	-	524
Trade and other receivables	16	-	16	1,081	-	1,081
Inventories	-	-	-	70	-	70
Total Current Assets	194	-	194	1,675	-	1,675
Non-Current Assets						
Trade and other receivables (b)	3,858	-	3,858	1,796	(618)	1,177
Property, plant and equipment	1,478	-	1,478	1,269	-	1,269
Deferred tax assets (b)	829	-	829	563	(473)	90
Investments	4,906	-	4,906	8,806	-	8,806
Total Non-Current Assets	11,071	-	11,071	12,434	(1,091)	11,342
Total Assets	11,265	-	11,265	14,109	(1,091)	13,017
Current Liabilities						
Trade and other payables	198	-	198	170	-	170
Current tax liabilities	230	-	230	1,587	-	1,587
Short-term provisions	100	-	100	130	-	130
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	528	-	528	1,887	-	1,887
Non-Current Liabilities						
Deferred tax liabilities (b)	2,196	-	2,196	1,156	1,150	6
Long-term provisions	200	-	200	231	-	231
Other	-	-	-	1,456	-	1,455
Total Non-Current Liabilities	2,396	-	2,396	2,843	1,150	1,692
Total Liabilities	2,924	-	2,924	4,730	1,150	3,579
Net Assets	8,341	-	8,341	9,379	59	9,438
Equity						
Issued capital	10,181	-	10,181	12,001	-	12,001
Retained earnings (b)	(1,859)	6	(1,853)	(2,641)	65	(2,576)
Reserves (b)	19	(6)	13	19	(6)	13
Total Equity	8,341	-	8,341	9,379	59	9,438

note 2: first-time adoption of Australian equivalents to IFRS (continued)

	ECONOMIC ENTITY			PARENT ENTITY		
	Previous GAAP $'000	Effect of Australian equivalents to IFRS $'000	Australian equivalents to IFRS $'000	Previous GAAP $'000	Effect of Australian equivalents to IFRS $'000	Australian equivalents to IFRS $'000
Reconciliation of Profit or Loss for the year ended 30 June 2005						
Revenue	67,833	-	67,833	4,671	-	4,671
Raw materials and consumables used	(52,718)	-	(52,718)	(23)	-	(23)
Employee benefits expense	(4,141)	-	(4,141)	-	-	-
Depreciation and amortisation expense	(519)	-	(519)	(496)	-	(496)
Other expenses	(4,239)	-	(4,239)	(784)	-	(784)
Profit before income tax	6,216	-	6,216	3,368	-	3,368
Income tax expense (b)	(1,971)	(224)	(2,195)	(1,075)	58	(1,017)
Profit for the year	4,245	-	4,021	2,293	-	2,351
Profit attributable to members of the parent entity	4,245	-	4,021	2,293	-	2,351

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 assets and liabilities 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.

c) Adjustment relates to reclassification of doubtful debts provision.

note 3: revenue

For the year ended 30 June 2006	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Operating activities:				
Contract construction revenue	60,668	55,196	-	-
Building design and preliminary project				
Management fees	7,169	9,964	7,000	4,500
Sale of imported goods	5,380	663	-	-
Franchise revenue	1,528	1,168	-	-
	74,745	66,991	7,000	4,500
Non-operating activities:				
Sub-lease rentals	118	209	-	-
Interest received	391	357	125	121
Other items	112	276	111	50
	621	842	236	171
Total Revenue	75,366	67,833	7,236	4,671
(a) Interest revenue from				
- wholly owned controlled entity	-	-	94	-
- other persons	391	357	31	121
Total interest revenue	391	357	125	121

note 4: dividends

	PARENT	
	2006	2005
	$'000	$'000
Final dividend of 8 cents (fully franked at 30%) per fully paid share paid on 28 October 2005	2,539	-
Interim dividend of 5 cents (fully franked at 30%) per fully paid share paid on 28 April 2006	1,531	-
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
Total dividends provided for or paid (Note 20)	4,070	3,074
Subsequent to year end, a final dividend of 8 cents (2005:8 cents) (fully franked at 30%) per fully paid share has been declared by the Directors, payable on 31 October 2006	2,657	2,539
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the years ended 30 June 2006 and 2005 were as follows:		
Paid in cash	1,802	1,254
Satisfied by issue of shares	2,268	1,820
	4,070	3,074
Franking credits available for use in subsequent year	1,897	1,903

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 5: segments 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

Composes three licensee operations in various locations in New South Wales.

Construction contracts performed under our New South Wales license.

note 5: segments information (continued)

2006 - 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	60,668	7,169	1,528	5,380	230	-	74,975
Intersegment sales revenue	290	10,264	-	-	-	(10,554)	-
Total sales revenue	60,958	17,433	1,528	5,380	230	(10,554)	74,975
Other revenue	339	20	7	12	13	-	391
Total segment revenue	61,297	17,453	1,535	5,392	243	(10,554)	75,366
Segment result	3,954	2,220	1,179	133	(562)	-	6,924
Unallocated expenses net of unallocated revenue							-
Profit before income tax expense							6,924
Income tax expense							(2,005)
Profit after income tax							4,919
Segment assets	13,193	897	865	5,436	2,608	-	22,999
Unallocated assets (d)							9,266
Total assets							32,265
Segment liabilities	9,034	1,211	24	265	217	-	10,751
Unallocated liabilities (e)							804
Total liabilities							11,555
Acquisitions of non-current segment assets	-	-	-	-	-	-	1,472
Depreciation and amortisation of segment assets	-	-	-	-	-	-	535
Other non-cash segment expenses	-	-	-	-	-	-	-

note 5: segments 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	55,196	9,964	1,168	663	485	-	67,476
Intersegment sales revenue	-	9,735	-	-	-	(9,735)	-
Total sales revenue	55,196	19,699	1,168	663	485	(9,735)	67,476
Other revenue	409	38	7	18	-	(115)	357
Total segment revenue	55,605	19,737	1,175	681	485	(9,850)	67,833
Segment result	2,241	3,552	806	130	7	-	6,735
Unallocated expenses net of unallocated revenue							(519)
Profit before income tax expense							6,216
Income tax expense							(2,195)
Profit after income tax							4,201
Segment assets	9,766	1,340	791	1,848	4,462	-	18,206
Unallocated assets (d)							7,449
Total assets							25,655
Segment liabilities	3,183	1,456	14	40	280	-	4,973
Unallocated liabilities (e)							3,142
Total liabilities							8,115
Acquisitions of non-current, segment assets	-	-	-	-	-	-	1,121
Depreciation and amortisation of segment assets	-	-	-	-	-	-	519
Other non-cash segment expenses	-	-	-	-	-	-	-

Secondary reporting - geographical segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical Location:						
Queensland	73,366	67,635	32,265	25,745	1,472	1,121
New South Wales	-	198	-	-	-	-

(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.

note 5: segments information (continued)

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 6: post balance date events

There have been no matters or circumstances, that have arisen since the end of the year, that have 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. The financial report was authorised for issue on 18 September 2006 by the Board of directors.

note 7: earnings per share

	CONSOLIDATED	
	2006	2005
	CENTS	CENTS
Reconciliation of earnings to profit or loss		
Basic earnings per share	15.55	13.73
Diluted earnings per share	15.55	13.73
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share.	32,314,936	30,906,845

note 8: contingent liabilities

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 material impact on 2007 results.

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.

Subsequent to the end of the financial year, Tamawood has commenced proceedings against Kerry Campbell Homes (Hervey Bay) over a claim of alleged copyright. The matter will continue in 2007 financial year and the costs associated are unlikely to have a material impact on the 2007 results.

independent audit report to the members of tamawood limited

Scope

We have audited the concise financial report of Tamawood Limited for the financial year ended 30 June 2006 as set out on pages 10 to 23 in order to express an opinion on it to the members of the disclosing entity. The disclosing entity's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Tamawood Limited for the year ended 30 June 2006. Our audit report on the full financial report was signed on 18 September 2006, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a text basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all materials respects, the concise financial reports is presented fairly in accordance with Accounting Standard AASB 1039: Concise Financial Reports.

The audit opinion expressed in this report has been formed on the above basis.

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 9 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion the concise financial report of Tamawood Limited complies with Accounting Standard AASB 1039: Concise Financial Reports.

BDO Kendalls

BDO KENDALLS

P.A. Gallagher
Partner
Brisbane
18 September 2006

tamawood limited:

Registered Office

Tamawood Limited
1821 Ipswich Road
ROCKLEA QLD 4106

Auditor

BDO Kendalls
Level 18
300 Queen Street
BRISBANE QLD 4000

Share Registry

Link Market Services Ltd
Level 22
300 Queen Street
BRISBANE QLD 4000

Solicitors

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