

# Tamawood Limited

**Annual Report**  
For the Year Ended 30 June 2012



ABN: 56 010 954 499  
ASX Code: TWD

# Tamawood Limited

For the Year Ended 30 June 2012

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# Tamawood Limited

## The 2012 Financial Year Result

Housing demand has continued to fall over the 2011/2012 financial year, with a number of factors contributing to the lowest number of housing starts in both Queensland and Australia for many years. Some of the contributing factors to the slow sales rate are tough economic conditions in most of our operating areas, too much government red tape, increasing taxes and a tightening in banks' lending criteria. However we have maintained our market share, which we had substantially increased over the previous 3 years, and our margins have remained satisfactory throughout the year.

In spite of this market Tamawood Limited ("Tamawood") produced an after tax profit of \$8.3M or 21.37 cents earnings per share. This compares to an after tax profit of \$6.7M or 17.37 cents per share for the 2011 year. A fully franked dividend of 13 cents per share will be paid on the 5th December 2012 bringing the full year dividend to 21 cents per share fully franked, representing a dividend distribution of 77% of total comprehensive income attributable to owners of Tamawood Limited.

## On-Market Share Buyback

Shareholder approval was received and enabled the Company to acquire and cancel 13,762,867 shares leaving the Company with 25,559,611 ordinary shares on issue. Shareholders had approved that up to 13,500,000 shares could be purchased from interests associated with Mr. Lev Mizikovsky ("Mizikovsky"). The On-Market Share Buyback was completed on 12 June 2012. The shares were bought back at \$2.06 cents per share.

The Company, prior to the share buyback had 39,322,478 ordinary shares on issue, the On-Market Share Buyback reduced the number of ordinary shares on issue by 35% to 25,559,611 ordinary shares.

## Sale of Properties

Shareholder approval was received to enable Mizikovsky to acquire any unsold "Ready-to-Occupy" housing, and the Company's commercial buildings at independent valuation.

There were 38 residential "Ready to Occupy" homes and 3 commercial properties sold to Mizikovsky. The total funds received were \$21.6M, the profit contained in this year's result as result of the Mizikovsky transaction is \$2.2M before tax.

The Board would like to draw shareholders' attention to the following; the "Ready-to-Occupy" program was an opportunist venture with "Ready-to-Occupy" holdings reducing from \$27M in assets to \$6M, through sales to third parties and to Mizikovsky. The Board does not regard "Ready-to Occupy" housing as part of the Group's core business. Unless the same opportunity arises in distressed land sales, we don't anticipate the Group will undertake a similar venture in the foreseeable future.

## 2013 Financial Year Outlook

While the Board thinks the conditions for selling will remain difficult over the next 12 months, we believe we will be able to maintain or improve earnings per share subject to no unforeseen changes in market conditions for the half year ending December 2012. We will give further guidance on the full year at a later date, once mid year review is complete.



Robert Lynch  
Chairman  
Dated 17 September 2012

# Tamawood Limited

## Directors' Report

30 June 2012

Your Directors present their report on Tamawood Limited ("Tamawood" or "the Company") and its controlled entities ("Group") for the financial year ended 30 June 2012.

### Directors

The names of the Directors in office at any time during, or since the end of, the year are:

<b>Names</b>	<b>Position</b>	<b>Appointed/Resigned</b>
R Lynch	Non-executive Chairman/Prior Non-executive Director	
L Mizikovsky	Non-executive Director	
R Dudurovic	Non-executive Director	
A Thomas	Non-executive Director	
KJ Daly	Non-executive Chairman	Resigned 25 November 2011

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

The following persons held the position of Company Secretary at the end of the financial year:

GB Acton (B.Com, ACA, GAICD) - Employed by Tamawood for thirteen years. Executive Director for seven and a half years. General manager for SolarpowerRex Pty Ltd and Managing Director of AstiVita Renewables Limited.

CA Jackson - Employed by Tamawood for seven and a half years and is the Chief Financial Officer and Company Secretary. Previously Chief Financial Officer for AstiVita Renewables Limited.

### Principal Activities

During the year the principal continuing activities of the Group consisted of:

- home design, project management services and associated activities including home contract construction activities in selected markets;
- construction and resale of "Ready-to-Occupy" homes;
- generating and trading of renewable energy certificates associated with solar products; and
- franchising and licensing operations in regional Queensland and New South Wales.

# Tamawood Limited

## Directors' Report

30 June 2012

### Operating Results

The Group achieved an after-tax profit attributable to the owners of Tamawood Limited of \$8.3M (2011 : \$6.7M) for the year ended 30 June 2012.

Basic earnings per share was 21.37 cents (June 2011: 17.37 cents ).

### Review of Operations

#### *Construction*

Slowing demand for housing meant that fewer houses were built than last year. However a concentration on cost cutting and operational efficiency and maintaining good margins produced an acceptable result.

#### *Ready-to-Occupy*

The Group completed construction and sale of most of its Ready-to-Occupy homes with only a small number to be completed in the 2012/2013 financial year. While the result from Ready-to-Occupy has been good we do not see this as recurring business unless market conditions mean that distressed land became available at very low prices again.

#### *Renewable Energy*

SolarpowerRex Pty Ltd contributed solid operating profit result to Tamawood through its trading of Renewable Energy Certificates. Government changes to the STC multiplier reduced the overall volume of RECs traded, hence the slight reduction in the overall profit result.

### Review of Financial Position

The net assets of the Group have decreased to \$8.912 million (2011: \$36.998 million). This decrease is a result of the On-Market Share Buy-back approved by Shareholders at the Annual General Meeting on 25 November 2011. Shareholder approval enabled the Company to acquire and cancel 13,762,867 Ordinary shares at "current market price" which was \$2.06 cents. The Company now has 25,559,611 Ordinary Shares on issue.

### Dividends Paid or Recommended

<b>Dividends</b>	<b>\$'000</b>
Final ordinary dividend of 13 cents per share paid 3 December 2011	5,112
Interim ordinary dividend of 8 cents per share paid 5 June 2012	3,148
Final ordinary dividend of 13 cents per share payable on 5 December 2012 *	3,323

### Significant Changes in State of Affairs

There were significant changes in the state of affairs of the Group that occurred during the financial year. These changes were:

\* Tamawood Limited received Shareholder approval at the Annual General Meeting on 25 November 2011, which enabled the Group to acquire and cancel 13,762,867 Ordinary shares at "current market price" which was \$2.06 cents. The Company now has 25,559,611 Ordinary Shares on issue. At the same Annual General Meeting shareholders approved the sale of the commercial buildings at valuation of \$6.6M and Ready-to-Occupy at a valuation of \$13.4M to interests associated with Mr Lev Mizikovksy.

# Tamawood Limited

## Directors' Report

30 June 2012

### After Balance Date Events

No matters or circumstances have arisen since the end of financial year which significantly affected or could significantly affect the operations of the Consolidated Group, the results of its operations, or the state of affairs of the Consolidated Group in future financial years.

### Future Developments, Prospects and Business Strategies

The Group intends to continue with its strategy of continuous improvement, adherence to strict quality control standards and maintaining market competitiveness in existing markets. A continued commitment to improving operational efficiency, margins, and, where possible, expanding market share should facilitate growth in shareholder value. The Board are actively looking at opportunities to expand the business organically or by acquisition. However these opportunities will only be acted on provided the Board is confident it fully understands and can manage the risks involved.

### Environmental matters

The operations of Tamawood are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

# Tamawood Limited

## Directors' Report

30 June 2012

### Information on Directors

R Lynch	Non-executive Chairman
Qualifications	LREA, Justice of Peace
Experience	Member of Executive Committee of Mirvac Group for 15 years. Chief Executive of Clarendon Homes, for 2 years.
Interest in Shares	532,052
Special Responsibilities	Chairman of Risk Management Committee
Directorships held in other listed entities	Non-executive Director of AstiVita Renewables Limited (from February 2011)
L Mizikovsky	Non-executive Director
Qualifications	NZCD (ARCH), FAICD
Experience	Director since August 2000 and Managing Director from 2003 to February 2010.
Interest in Shares	14,459,868
Special Responsibilities	Member of Remuneration and Nomination Committees Member of the Risk Management Committee
Directorships held in other listed entities	Chairman of AstiVita Renewables Limited (from November 2011). Non-executive Director of AstiVita Renewables Limited. (from October 2009). Non-executive Director of Antaria Limited (from October 2011).
R Dudurovic	Non-executive Director
Qualifications	B Com (Hons), LLB (Hons)
Experience	Non-executive Chairman - Queensland Manufacturing Industries Pty Ltd
Interest in Shares	102,680
Special Responsibilities	Chairman of the Audit Committee Member of Remuneration and Nomination Committees Member of Risk Management Committee.
Directorships held in other listed entities	Non-executive Director of AstiVita Renewables Limited (from October 2009). Chairman of Antaria Limited (from February 2012).
A Thomas	Non-executive Director
Experience	Non-executive Director since April 2004. Managing Director of Carrington Homes Pty Ltd for 15 years. Director of Dixon Homes Melbourne Pty Ltd and Managing Director SolarPower FNQ.
Interest in Shares	586,004
Special Responsibilities	Member of Audit Committee Member of Risk Management Committee Director of Dixon Systems Pty Ltd
Directorships held in other listed entities	None

# Tamawood Limited

Directors' Report  
30 June 2012

## Meetings of Directors

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

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Risk Committee Meetings		Nomination Committee Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
R Lynch (Non-executive Chairman)	11	9	1	1	-*	1*	2	2	-*	1*
L Mizikovsky (Non-executive Director)	11	8	2	2	1	1	2	2	1	1
R Dudurovic (Non-executive Director)	11	8	2	2	1	1	2	2	1	1
A Thomas (Non-executive Director)	11	9	2	2	-*	1*	2	2	-*	1*
KJ Daly (Non-executive Chairman) Resigned 25 November 2011	5	4	1	1	1	1	1	1	1	1
<b>* Attend by invitation</b>										

# Tamawood Limited

## Directors' Report

30 June 2012

### Audited Remuneration Report

This report details the nature and amount of remuneration for the key management personnel of the Group, including the Directors, and other key management personnel.

### Remuneration Policy

The performance of Tamawood depends upon the quality of its key management personnel. To prosper, the Group must attract, motivate and retain highly skilled Directors and other key management personnel.

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

- Provide competitive rewards to attract high calibre key management personnel.
- 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.

### Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The Remuneration Committee is cognisant of the link between Directors', and other key management personnel remuneration to the achievement of strategic goals and performance of the Group. In setting remuneration policy the Group seeks to align key management personnel reward with overall shareholder value creation.

The Board reviews senior management remuneration on a regular basis to ensure base remuneration and any performance payments are directly linked to the achievement of profit contribution targets.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	144,585	123,521	98,540	114,396	131,372
Net profit attributable to members of parent entity	10,119	9,195	10,464	6,738	8,259
Share price at end of year	\$2.16	\$1.68	\$2.44	\$2.28	\$1.92
Dividends paid	7,282	7,785	14,941	7,893	8,260
Dividends per share (cents)	20.5c	21c	39.69c	21c	21c

The above table illustrates the dividends per share paid to shareholders year on year during the past five years. Dividend's of \$8.3M (2011 : \$7.9M) were paid during the financial year ended 30 June 2012.

# Tamawood Limited

## Directors' Report

30 June 2012

### **Company Performance, Shareholder Wealth and Key Management Personnel Remuneration continued Non-executive Director Remuneration**

#### *Objective*

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest caliber, and at a remuneration level within market rates.

#### *Structure*

The Constitution and the ASX Business 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 Board have revised this aggregate remuneration to \$500,000 per year, shareholder approval will be sought at the Annual General Meeting on 9 November 2012.

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 Non-executive Director receives a fee for being a Director of the Group.

Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparable roles in the market. The Chairman is not present at any discussion relating to determination of his own remuneration.

The remuneration of Non-executive Directors for the period ended 30 June 2012 is detailed in the table in this report.

### **Other Key Management Personnel**

#### *Objective*

The Group aims to reward other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Align the interests of other key management personnel with those of shareholders;
- Link rewards with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

#### *Structure*

Remuneration consists of the following key elements:

- Fixed remuneration;
- Other remuneration such as superannuation;
- Discretionary bonus.

### **Details of Remuneration**

Details of the nature and amount of each element of the remuneration of the key management personnel of the Group and the Company for the year ended 30 June 2012 are set out in the following tables.

# Tamawood Limited

Directors' Report  
30 June 2012

## Details of Remuneration Continued

	cash salary fees	short term			post employment		long term employee benefits	termination	Total
		bonus	non monetary	other short-term	pension and superannuation	other post employment			
2012	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive Directors</b>									
R Lynch (Chairman)	42,576	-	-	-	21,000	-	-	-	63,576
L Mizikovsky	-	-	-	-	-	-	-	-	-
R Dudurovic	45,088	7,000	-	-	-	-	-	-	52,088
A Thomas	41,066	-	-	-	-	-	-	-	41,066
K Daly resigned 25 November 2011	-	7,000	-	-	26,523	-	-	-	33,523
<b>Sub-total Non-executive Directors</b>	<b>128,730</b>	<b>14,000</b>	<b>-</b>	<b>-</b>	<b>47,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,253</b>
<b>Other Key Management Personnel</b>									
T Bartholomaeus (Chief Operating Officer)	176,629	25,000	13,333	-	13,242	-	2,509	-	230,713
M Fennell (IT Manager)	80,683	6,929	8,079	-	2,741	-	-	-	98,432
P Souter-Robertson (Franchise Manager) Commenced 30.04.2012	16,923	-	-	-	762	-	-	-	17,685
R Baker (Franchise Manager) Resigned 30.04.2012	130,886	20,000	-	-	9,520	-	-	-	160,406
C Jackson (Chief Financial Officer and Company Secretary)	79,427	-	-	-	5,359	-	1,568	-	86,354
G Acton (SolarpowerRex General Manager and Company Secretary)	56,266	70,000	-	429,812	4,846	-	2,509	-	563,433
<b>Sub-total Other Key Management Personnel</b>	<b>540,814</b>	<b>121,929</b>	<b>21,412</b>	<b>429,812</b>	<b>36,470</b>	<b>-</b>	<b>6,586</b>	<b>-</b>	<b>1,157,023</b>
	<b>669,544</b>	<b>135,929</b>	<b>21,412</b>	<b>429,812</b>	<b>83,993</b>	<b>-</b>	<b>6,586</b>	<b>-</b>	<b>1,347,276</b>

# Tamawood Limited

## Directors' Report

30 June 2012

### Details of Remuneration Continued

	short term				post employment		long term employee benefits	termination	Total
	cash salary fees	bonus	non monetary	other short-term	pension and superannuation	other post employment			
2011	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>									
K Daly (Non-executive Chairman)	-	-	-	-	63,654	-	-	-	63,654
L Mizikovsky (Executive Director)	-	-	-	-	-	-	-	-	-
R Dudurovic (Non-executive Director)	45,088	-	-	-	-	-	-	-	45,088
R Lynch (Non-executive Director)	37,131	-	-	-	-	-	-	-	37,131
A Thomas (Non-executive Director)	37,131	-	-	-	-	-	-	-	37,131
Sub-total Executive and Non-executive Directors	119,350	-	-	-	63,654	-	-	-	183,004
<b>Other Key Management Personnel</b>									
T Bartholomaeus (Chief Operating Officer)	123,605	-	16,632	-	10,967	-	3,707	-	154,911
M Fennell (IT Manager)	92,977	-	11,018	-	7,798	-	1,154	-	112,947
R Baker (Franchise Manager)	137,473	-	-	-	7,205	-	1,501	-	146,179
C Jackson (Chief Financial Officer and Company Secretary)	65,836	30,000	-	-	5,539	-	-	-	101,375
G Acton (SolarpowerRex General Manager and Company Secretary)	43,522	-	7,284	590,321	3,859	-	-	-	644,986
Sub-total Other Key Management Personnel	463,413	30,000	34,934	590,321	35,368	-	6,362	-	1,160,398
	582,763	30,000	34,934	590,321	99,022	-	6,362	-	1,343,402

# Tamawood Limited

## Directors' Report

30 June 2012

### Cash performance-related bonuses

None of the key management personnel remuneration paid is performance based, with the exception of personnel detailed below, and details relating to Mr G Acton disclosed in service agreements below.

The terms and conditions relating to bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

Bonus paid and other short-term payments	Bonus paid and other short-term payments \$	% of total remuneration that is performance based
<b>Key Management Personnel - 2012</b>		
T Bartholomaeus (Chief Operating Officer)	25,000	11
M Fennell (IT Manager)	6,929	7
R Baker (Franchise Manager) Resigned 30.04.2012	20,000	12
G Acton (SolarpowerRex General Manager and Company Secretary) *	499,812	89
R Dudurovic (Non-executive Director)	7,000	13
K Daly (Non-executive Chairman)	7,000	21

Cash bonuses which were granted to key management personnel were awarded at the discretion of the Remuneration Committee during the financial year ended 30 June 2012. The bonuses therefore vested 100% during the financial year.

### Service Agreements

Lev Mizikovsky received no salary or directors fees for his services. Lev Mizikovsky and associated companies receive payments for related party transactions which are detailed in the related party note 19, including reimbursement of any expenses he may occur for the Group such as travel.

It is the Group's policy that service contracts and employment contracts for key management are open-ended, but are capable of termination on two weeks notice. The Group retains the right to terminate the contract immediately by making payment equal to one month's remuneration in lieu of notice.

On termination, Directors and other key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable.

Unless otherwise stated, service agreements and employment contracts do not provide for predetermined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

\* Mr Geoffrey Acton received benefits in relation to his role as General Manager of the Renewable Energy business, in the form of commission on renewable energy certificates traded. The benefits were calculated as a 50% share of all profits or losses. Mr Acton's commission based remuneration arrangement expired on 30 June 2011, however there were payments due to Mr Acton on completion of a contract in August 2011.

### End of Remuneration Report.

# Tamawood Limited

## Directors' Report

30 June 2012

### Insurance of Officers

During the year, Tamawood paid a premium to insure the Directors, Secretaries and Officers of the Group 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 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 Group.

The total amount of insurance contract premiums was \$11,608 (2011 - \$11,733).

### Options

No options over un-issued shares or interests in the Company or a controlled entity were granted during the financial year. No options are currently on issue.

### Legal Proceedings On Behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

### Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board (APESB).

The following fees were paid to the Group's auditors BDO Audit Pty Ltd (including their related entities) for audit and non-audit services provided during the year ended 30 June 2012:

	2012	2011
	\$	\$
Audit and review fees	84,738	104,776
Taxation services	14,874	2,600
General accounting services relating to QBSA, On-market Share buyback, divestment of subsidiary and other general accounting advice	73,431	34,212
	<b>173,043</b>	<b>141,588</b>

# Tamawood Limited

## Directors' Report

30 June 2012

### **Auditor's independence declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001*, is attached to this Directors' Report.

### **ASIC class order 98/100 rounding of amounts**

The Group is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollar's unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "R. Lynch". The signature is written in a cursive, slightly slanted style.

Non-executive Chairman

Dated 14 September 2012

## DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF TAMAWOOD LIMITED

As lead auditor of Tamawood Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Tamawood Limited and the entities it controlled during the period.



D P WRIGHT

Director

**BDO Audit Pty Ltd**

Brisbane, 13 September 2012

# Tamawood Limited

## Corporate Governance Statement

The objective of the Board of Tamawood Limited ("Tamawood") is to create and deliver long term shareholder value through a range of diversified but interrelated design and construction activities.

Tamawood and its subsidiaries operate as a single economic entity under a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic Group.

### Principle 1: Management and oversight by the Board

The roles and responsibilities of the Board, Board Committees and senior management have been established through Board approved Charters that are disclosed on the Company's website at [www.tamawood.com.au](http://www.tamawood.com.au).

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. The Chairman of each Board Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Board Committee meetings is tabulated in the Director's Report.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Risk Management Committee

### Principle 2: Structure the Board to add value

#### Directors

The Board of Tamawood presently comprises four Directors, all of whom are Non-executive Directors, two of which are Independent.

The current Directors of the Company are listed in the Directors' Report with a brief description of their qualifications, experience, special responsibilities and status.

#### Chairman of the Board

The Chairman of the Board is an independent Non-executive Director.

#### Company Secretary

The Company Secretary is appointed and removed by the Board and is responsible for establishing and maintaining appropriate support mechanisms to enable the Board to function effectively. The Company Secretary is also responsible for ensuring that Board procedures are complied with and advising the Board on governance matters. All Directors have access to the Company Secretary for advice and support services as required.

#### Independent Advice

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

#### Nominations Committee

The Board has a Nominations Committee, comprising three Non-Executive Directors, two of whom are independent:

Lev Mizikovsky (Chairman) (appointed 25 November 2011)  
Rade Dudurovic  
Robert Lynch

# Tamawood Limited

## Corporate Governance Statement

Kerry Daly (resigned 25 November 2011)

The Nominations Committee met once during the year and the attendance of its members is contained in the Directors' Report.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on of the Company's website.

### Principle 3: Promote ethical and responsible decision making

#### Code of Conduct

The Company has a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors.

#### Dealing in Tamawood shares

The Company's Securities Trading Policy, which can be found on our website, places restrictions on the ability of Directors, officers and employees to trade in the Company's shares whilst in the possession of price sensitive information that has not been made public.

#### Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between Board members, management, employees, customers and suppliers.

#### Diversity

The Board and senior management have established a group-wide diversity policy to reflect the Company's ongoing commitment to diversity. A copy of the Diversity Policy is available on the Company's website.

### Principle 4: Safeguard integrity in financial reporting

#### Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group.

The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of the Company's website.

At least one member of the Audit Committee must have financial expertise (i.e. is a qualified accountant or other financial professional with expertise in financial and accounting matters).

The Audit Committee comprises three members. The Audit Committee is chaired by an independent Director, who is not the Chairman of the Board.

The members of the Audit Committee were:

Rade Dudurovic (Chairman)  
Robert Lynch (joined 25 November 2011)  
Andrew Thomas  
Kerry Daly (resigned 25 November 2011)

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

The Audit Committee meets at least twice a year with the auditors. The Audit Committee met two times during the year.

# Tamawood Limited

## Corporate Governance Statement

### Statement to the Board

The Chief Operating Officer and the Chief Financial Officer have declared in writing to the board that the Group's financial reports for the year present a true and fair view in all material respects of the financial condition and operational results of the Group and are in accordance with relevant accounting standards.

### External Auditors

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

### Principle 5: Make timely and balanced disclosure

A continuous disclosure regime operates throughout the Group. Policies and Procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX in a timely manner.

These policies and procedures have been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board approves, or is advised of, all releases that are made to the ASX. All announcements made by the Company are posted on the Company's website.

### Principle 6: Respect the rights of Shareholders

The Company endeavours to keep its Shareholders informed by:

- Reports to the ASX and the press;
- Half and full year profit announcements;
- Annual Reports;
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules; and
- Posting all the above and any other notifications made by the Company to Shareholders on its website.

The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

### Principle 7: Recognise and manage risk

The Board has ultimate responsibility for risk management, compliance and control functions across the Group. These functions are aligned with the Company's business objectives. The Company has in place internal controls intended to identify and manage significant business risks.

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

The Risk Management Committee comprises all the Directors of Tamawood. The Risk Management Committee met twice during the year.

### Principle 8: Remunerate fairly and responsibly

The Company intends to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and Senior Executives. The Committee's Charter is available on the Company's web site.

The Remuneration Committee consists of three members two of whom are independent Non-executive Directors. The members of the remuneration committee were:

Lev Mizikovsky (Chairman) (appointed 25 November 2011)  
Rade Dudurovic

# Tamawood Limited

## Corporate Governance Statement

Robert Lynch  
Kerry Daly (resigned 25 November 2011)

The Remuneration Committee met once during the year and the attendance of its members is contained in the Directors' Report.

# Tamawood Limited

## Directors' Declaration

The Directors of the Group declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, 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 and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001.
4. The Directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.



Non-executive Chairman  
Dated 14 September 2012

# Tamawood Limited

## Consolidated Statement of Financial Position 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,641	7,891
Trade and other receivables	9	5,049	6,825
Inventories	10	15,789	36,878
Other current assets	11	254	268
<b>Total current assets</b>		<b>22,733</b>	<b>51,862</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	574	7,116
<b>Total non-current assets</b>		<b>574</b>	<b>7,116</b>
<b>TOTAL ASSETS</b>		<b>23,307</b>	<b>58,978</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	11,145	14,107
Current tax liabilities		1,082	967
Provisions	16	365	359
<b>Total current liabilities</b>		<b>12,592</b>	<b>15,433</b>
<b>Non-current liabilities</b>			
Borrowings	14	-	5,000
Deferred tax liabilities	15(a)	1,518	1,237
Provisions	16	285	310
<b>Total non-current liabilities</b>		<b>1,803</b>	<b>6,547</b>
<b>TOTAL LIABILITIES</b>		<b>14,395</b>	<b>21,980</b>
<b>NET ASSETS</b>		<b>8,912</b>	<b>36,998</b>
<b>EQUITY</b>			
Contributed equity	17	407	28,714
Other reserves		-	1,629
Retained earnings		8,283	6,655
<b>Capital and reserves attributable to owners of Tamawood Limited</b>		<b>8,690</b>	<b>36,998</b>
Non-controlling interests		222	-
<b>TOTAL EQUITY</b>		<b>8,912</b>	<b>36,998</b>

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

# Tamawood Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2012

		2012	2011
	Note	\$'000	\$'000
Revenue	3(a)	131,372	114,396
Other income	3(b)	261	71
Changes in inventories		(21,101)	14,987
Cost of materials		(87,577)	(109,247)
Employee benefits expense		(4,633)	(4,716)
Depreciation	12	(268)	(362)
Advertising		(1,914)	(1,935)
Consultancy		(677)	(673)
Finance charges		(286)	(76)
Other expenses		(3,309)	(2,863)
<b>Profit before income tax</b>		<b>11,868</b>	<b>9,582</b>
Income tax expense	5	(3,471)	(2,844)
<b>Profit for the year</b>		<b>8,397</b>	<b>6,738</b>
<b>Other comprehensive income</b>			
Revaluation of land and buildings to fair value, net of tax		-	(517)
Other comprehensive income for the year, net of tax		-	(517)
<b>Total comprehensive income for the year</b>		<b>8,397</b>	<b>6,221</b>
Profit for the year attributable to:			
Owners of Tamawood Limited		8,259	6,738
Non-controlling interest		138	-
		<b>8,397</b>	<b>6,738</b>
Total comprehensive income for the year attributable to:			
Owners of Tamawood Limited		8,259	6,221
Non-controlling interest		138	-
		<b>8,397</b>	<b>6,221</b>
<b>Earnings per share (cents per share)</b>			
Basic and diluted	27	<b>21.37</b>	17.37

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

# Tamawood Limited

## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2012

2012

	Contributed Equity \$'000	Retained Earnings \$'000	Revaluation Surplus \$'000	Total \$'000	Non- controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2011	28,714	6,655	1,629	36,998	-	36,998
<b>Comprehensive income for the year</b>						
Profit for the year	-	8,259	-	8,259	138	8,397
<b>Total comprehensive income for the year</b>	-	8,259	-	8,259	138	8,397
<b>Transactions with owners in their capacity as owners</b>						
Transfer on disposal of land and buildings	-	1,629	(1,629)	-	-	-
Shares issued	-	-	-	-	84	84
Dividends paid	6	(8,260)	-	(8,260)	-	(8,260)
On-market share buy-back	17	(28,307)	-	(28,307)	-	(28,307)
	(28,307)	(6,631)	(1,629)	(36,567)	84	(36,483)
<b>Balance at 30 June 2012</b>	<b>407</b>	<b>8,283</b>	<b>-</b>	<b>8,690</b>	<b>222</b>	<b>8,912</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

# Tamawood Limited

## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2012

2011

		Contributed Equity \$'000	Retained Earnings \$'000	Revaluation Surplus \$'000	Total \$'000	Non- controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2010		24,372	7,810	2,146	34,328	-	34,328
<b>Comprehensive income for the year</b>							
Profit for the year		-	6,738	-	6,738	-	6,738
Revaluation of land and buildings		-	-	(517)	(517)	-	(517)
<b>Total comprehensive income for year</b>		-	6,738	(517)	6,221	-	6,221
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	6	-	(7,893)	-	(7,893)	-	(7,893)
Shares issued through Dividend Re-investment Plan	17	5,794	-	-	5,794	-	5,794
On-market share buy-back	17	(1,452)	-	-	(1,452)	-	(1,452)
		4,342	(7,893)	-	(3,551)	-	(3,551)
<b>Balance at 30 June 2011</b>		28,714	6,655	1,629	36,998	-	36,998

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

# Tamawood Limited

## Consolidated Statement of Cash Flows For the Year Ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>CASH FROM OPERATING ACTIVITIES:</b>			
Receipts from customers (GST inclusive)		124,040	123,686
Payments to suppliers and employees (GST inclusive)		(113,023)	(122,554)
Dividends received		48	48
Interest received		106	251
Interest paid		(286)	(76)
Income taxes paid		(3,096)	(4,661)
Net cash inflows/(outflows) from operating activities	23	<u>7,789</u>	<u>(3,306)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment		70	144
Payments for property, plant and equipment		(354)	(252)
Repayment of loans by AstiVita Renewables Limited		-	962
Proceeds from sale of Teesop Shares		-	1,396
Net cash inflows/(outflows) from investing activities		<u>(284)</u>	<u>2,250</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash component of on-market share buy-back	23(a)	(495)	(1,452)
Dividends paid	6	(8,260)	(2,098)
Repayment of borrowings		(5,000)	5,000
Net cash inflows/(outflows) from financing activities		<u>(13,755)</u>	<u>1,450</u>
Net cash increase (decreases) in cash and cash equivalents		(6,250)	394
Cash and cash equivalents at beginning of year		<u>7,891</u>	<u>7,497</u>
Cash and cash equivalents at end of financial year		<u><u>1,641</u></u>	<u><u>7,891</u></u>

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

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies

The financial statements of Tamawood Limited for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 14 September 2012. The financial statements cover the consolidated entity consisting of Tamawood Limited ('Tamawood') and its subsidiaries ("Group") as required by the Corporations Act 2001.

Tamawood is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in the Australian currency.

Tamawood is a Company limited by shares incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange Limited.

The address of the registered office and principal place of business is 1821 Ipswich Road, Rocklea, QLD 4106.

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (a) Principles of Consolidation

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year-end.

A controlled entity is an entity that Tamawood has the power to govern the financial and operating policies of so as to obtain benefits from its activities.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have left the Group during the year, their operating results have been excluded from the date control was ceased.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

# Tamawood Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (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 attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liabilities. An exemption 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 and its wholly-owned Australian subsidiaries have formed an income tax consolidation group, under the tax consolidation legislation. Tamawood is the head entity for the income tax consolidation group. Each entity in the Group recognises its own current and deferred tax amounts which are measured using the "stand-alone" taxpayer approach to allocation. Current and deferred tax assets resulting from unused tax losses and tax credits are immediately assumed by the parent entity. The current tax liability of each Group entity is also subsequently assumed by the parent entity. 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 for any current income tax payable by Tamawood arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due. In the opinion of the Directors, the tax sharing agreement is also a valid arrangement under the tax consolidation legislation and limits the joint and several liabilities of the wholly-owned entities in the case of a default by Tamawood.

#### (c) Inventories

##### (i) Construction Contracts and Work In Progress for Contract Customers

Construction work in progress for contract customers is valued at cost plus profit recognised to date less any provisions for anticipated future losses and less progress billings. Costs include both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to the expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of each contract adjusted for any variations or claims allowable under the contract.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (c) Inventories continued

##### (ii) Ready-to-Occupy Homes

Tamawood may enter into construction development projects involving the purchase of residential lots and construction of homes on these lots for subsequent sale ("Ready-to-Occupy Homes"). Ready-to-Occupy Homes are treated as trading stock and are valued at lower of cost and net realisable value. Sales are not recognised until the date of unconditional contract. Costs are assigned on the basis of direct input costs together with an apportionment of indirect overhead expenses. The complete apportionment of these indirect costs are based on the percentage stage of completion.

##### (iii) Renewable Energy Certificates

Tamawood enters into renewable energy certificate contracts with both buyers and sellers. The renewable energy certificates are valued at the lower of cost or net realisable value.

#### (d) Property, Plant and Equipment

##### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are recorded in other comprehensive income. Decreases are charged to profit and loss unless they are reversals of increases previously recognised in other comprehensive income.

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.

##### Plant and Equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The costs of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (d) Property, Plant and Equipment continued Depreciation

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:-

Buildings	50 years
Office furniture and equipment	3 - 8 years
Motor vehicles	3 - 8 years

Depreciation commences when the asset becomes available for use.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at end of each reporting period.

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

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

#### (e) Financial Instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframe's established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through the profit or loss", in which case transaction costs are expensed to profit and loss immediately. Subsequent to initial recognition these instruments are measured as set out below.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (e) Financial Instruments continued

##### Fair value

Fair value is determined based on current bid prices for all quoted instruments. Valuation techniques are applied to determine fair value for all other financial assets and liabilities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cashflows of that asset. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit and loss. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cashflows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Any cumulative loss in respect of available-for-sale financial assets recognised previously in other comprehensive income is reclassified to profit or loss.

#### (f) Impairment of Assets

At each reporting date the Group reviews the carrying values of assets to determine whether there is any indication that there has been impairment. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Except for revalued assets any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss.

#### (g) Investment in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition profits and reserves of its associates.

#### (h) Foreign Currency Transactions and Balances

##### Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (h) Foreign Currency Transactions and Balances continued

##### Transactions and balances continued

Exchange differences arising on settlement or translation of monetary items are recognised in the profit and loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that they form part of a gain or loss recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit and loss.

#### (i) Employee Benefits

##### (i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when 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 and measured as the present 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) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### 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 is recognised for warranty in respect of houses constructed and products sold which are still under the statutory warranty period as at balance date. The provision for warranty has been based upon total sales for the past year and the history of claims made to date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation.

#### (k) Revenue Recognition

Revenue from building design and preliminary project management services and the sale of display homes is recognised 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 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.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (k) Revenue Recognition continued

Revenue from Ready-to-Occupy Homes is not recognised until the date of unconditional contract.

Revenue from the sale of renewable energy certificates is recognised at the point of delivery or when renewable energy certificates have been approved and are available to meet contract obligations as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those certificates.

Franchise revenue is recognised once a franchisee has signed a contract with their customer, and the franchisee charge is a percentage of the total contract. There are additional monthly charges for hardware maintenance, advertising and any other associated costs which can be charged per contracted agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax ("GST").

Interest revenue is recognised using the effective interest method.

#### (l) Research and Development

Research costs are charged against 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 and other relevant criteria are met. 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.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

#### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

#### (q) Rounding of Amounts

The Group has applied the relief available to it under ASIC Class Order 98/100 and, accordingly, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### (r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Significant judgments, estimates and assumptions made by the management in the preparation of the financial statements are outlined below:

##### *Value of Inventory*

As discussed in Note 1 (c) the Group values its inventory at the lower of cost and net realisable value. Net realisable value for Ready-to-Occupy Homes under construction is determined on the basis of sales of each Ready-to-Occupy Home in the ordinary course of business. Estimated costs of selling are deducted in establishing the net realisable value. Estimated selling price is derived from publicly available market data and historical experience, and listed selling prices of similar properties in the nearby area, while estimated costs of completion and selling costs are derived from contracted construction pricing and historical experience. Should the net realisable value be below cost, the carrying amount of inventory is written down to the net realisable value.

Estimates used in the calculation of net realisable value and cost will, by definition, seldom equal the actual related results at transaction date. At balance date the carrying amount of Ready-to-Occupy Homes, based on cost, was \$6.2M (2011: \$27.2M). Based on selling prices for comparable properties in the nearby areas, there was no impairment required to be recognised.

The key management personnel have advised the Board that net realisable value of the lots is expected to be equal to or greater than carrying value. This view was formed after reviewing prices for comparable houses, recent sales evidence and discussions with real estate agents. The Board supports this view given the majority of the housing lots were purchased at "distressed" prices and construction will be undertaken by Dixonbuild Pty Ltd, a wholly-owned subsidiary of Tamawood.

##### *Profit Recognised on Work-in-Progress*

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver construction services as discussed in Note 1 (c) (i). Use of the percentage of completion method requires the Group to estimate the work performed to date as a proportion of the total estimated cost of construction to be performed. The key management personnel regularly review actual costs against contracted budgeted costs at each milestone of the construction cycle.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### (r) Critical Accounting Estimates and Judgments continued

##### Provision for Warranty

As discussed in Note 1 (j), in determining the level of provision required for warranties for construction of homes and products sold, the Group has made judgments in respect the number of customers who will actually use the maintenance warranty and how often and the costs of fulfilling the performance of the maintenance warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in Note 16. The Group assesses provisions at each reporting date by evaluating conditions specific to the Group that may lead to a provision being raised. Where a future obligation for costs is to be incurred a provision is recognised.

#### (s) Changes in Accounting Policies

##### Adoption of AASBs and Improvements to AASBs 2011

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify disclosures for Australian entities and remove others.

##### Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

##### (i) AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued to phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

##### (ii) Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 1 Statement of Significant Accounting Policies continued

#### **Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group continued AASB 10 Consolidated Financial Statements (AASB 10)**

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation - Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

#### **(iii) AASB 13 Fair Value Measurement (AASB 13)**

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

#### **(iv) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)**

The AASB 101 amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 2 Parent Entity

The following information has been extracted from the books and records of the parent, Tamawood and has been prepared in accordance with Accounting Standards.

	2012 \$'000	2011 \$'000
<b>Assets</b>		
Current assets	2,467	1,735
Non-current assets	2,705	31,081
<b>Total Assets</b>	<u>5,172</u>	<u>32,816</u>
<b>Liabilities</b>		
Current liabilities	1,678	2,240
<b>Total Liabilities</b>	<u>1,678</u>	<u>2,240</u>
<b>Net Assets</b>	<u>3,494</u>	<u>30,576</u>
<b>Equity</b>		
Contributed equity	407	28,714
Retained earnings	3,087	1,862
<b>Total Equity</b>	<u>3,494</u>	<u>30,576</u>
Profit/(loss) for the year after income tax	<u>9,482</u>	<u>9,690</u>
<b>Total comprehensive income</b>	<u>9,482</u>	<u>9,690</u>

### Guarantees

Tamawood Limited had entered into a guarantee in the previous financial year in relation to the finance facility held by Tamawood Commercial Property Pty Ltd for the amount of \$5M. This facility was secured over land and buildings owned by Tamawood Commercial Property Pty Ltd. This facility was repaid in full during the year ended 30 June 2012.

### Contingent liabilities

The parent entity did not have any other contingent liabilities at 30 June 2012 or 30 June 2011.

### Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2012 or 30 June 2011.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 3 Revenue

#### (a) Revenue from Continuing Operations

	2012 \$'000	2011 \$'000
Contract construction revenue	60,558	62,245
Sale of goods - Ready-to-Occupy Homes*	38,830	8,302
- Renewable Energy Certificates	30,000	42,314
Rendering of services - Franchise revenue	1,247	894
Rental income	398	339
Interest	108	251
Dividends received	48	48
Other items	183	3
<b>Total Revenue from Continuing Operations</b>	<b>131,372</b>	<b>114,396</b>

\* Included in "Ready-to-Occupy" revenues of \$38.8M is an amount of \$13.4M for sale of "Ready-to-Occupy" homes to interests associated with Mr. Lev Mizikovsky. Refer to Note 19 for further details.

#### Construction contract revenue

Construction contract revenue includes \$60,558k (2011: \$62,245k) of revenue recognised for residential construction which are accounted for as agreements for the sale of goods on a continuous basis using the percentage of completion method.

#### (b) Other income

Profit on sale of property plant and equipment	261	71
Total other income	261	71

### 4 Expenses

Profit before income tax from continuing operations includes the following specific expenses:

Depreciation of property, plant and equipment	268	362
Defined contribution superannuation expenses	365	405
Rental expense relating to minimum lease payments	273	221
Bad and doubtful debts - trade receivables	-	105
Loss on disposal of property, plant and equipment	2	-
Finance charges	286	76

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 5 Income Tax Expense

#### (a) Components of income tax expense:

	2012 \$'000	2011 \$'000
<b>Current income tax</b>		
Current income tax	3,080	3,680
Adjustments in respect of current income tax of previous years	(41)	(30)
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	432	(806)
<b>Total income tax expense</b>	<u>3,471</u>	<u>2,844</u>
<b>(b) Income tax expense (benefit) relating to other comprehensive income</b>		
Revaluation of land and buildings	-	(252)
Income tax expense (benefit) relating to other comprehensive income	-	(252)

#### (c) Numerical reconciliation

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Accounting profit before tax from continuing operations	<u>11,868</u>	9,582
- At the Group's statutory income tax rate of 30% (2011: 30%)	3,560	2,874
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
- Adjustments in respect of current income tax of previous years	(41)	(30)
- Other items	(48)	-
- Income tax expense relating to continuing operations	<u>3,471</u>	<u>2,844</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 6 Dividends

#### Dividends paid

	2012 \$'000	2011 \$'000
Final dividend of 13 cents (fully franked at 30%) per fully paid share paid 3 December 2011	5,112	-
Interim dividend of 8 cents (fully franked at 30%) per fully paid share paid 5 June 2012	3,148	-
Final dividend of 13 cents (fully franked at 30%) per fully paid share paid 3 December 2010	-	4,815
Interim dividend of 8 cents (fully franked at 30%) per fully paid share paid 3 June 2011	-	3,078
<b>Total</b>	<b>8,260</b>	<b>7,893</b>
Dividends were paid as follows:		
Dividends paid in cash	8,260	2,098
Dividend re-investment plan	-	5,795
<b>Total</b>	<b>8,260</b>	<b>7,893</b>

#### Dividends not recognised

Subsequent to year end, a proposed final dividend of 13 cents per fully paid share payable 5 December 2012 (2011: 13 cents) (fully franked at 30%)	3,323	5,112
<b>Total</b>	<b>3,323</b>	<b>5,112</b>
<b>Balance of franking account</b>		
Balance of franking account at year end	1,258	1,826
Adjusted for franking credits arising from:		
Payment of provision for income tax	1,082	967
	<b>2,340</b>	<b>2,793</b>

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for franking credits that will arise from:

- (a) the payment of the current tax liability;
- (b) the payment of dividends recognised as a liability as at the reporting date; and
- (c) the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend proposed by the Directors but not recognised as a liability at the reporting date will be a reduction in the franking account of \$1,424,000 (2011: \$2,190,000)

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 7 Segment Information

Segment information is presented using a "management approach", i.e. segment information is provided on the same basis as information is used for internal reporting purposes by the Board.

#### Description of segments

Management has determined the operating segments based on reports reviewed by the Board for making strategic decisions. The Board monitors the business based on the business segments as identified in the principal activities in the Directors' Report.

- **Construction**

home design, project management services and associated activities including home contract construction activities in selected markets;

- **Franchising**

franchising and licensing operations in regional Queensland, New South Wales and New Zealand;

- **Ready-to-Occupy**

construction and resale of "ready-to-occupy" homes;

The "Ready-to-Occupy" housing program was an opportunistic venture. During the year the "Ready-to-Occupy" inventories were reduced from \$27M in assets to \$6M, through sales to third parties and to interests associated with Mr Lev Mizikovsky. The Board does not regard "Ready-to-Occupy" housing as part of the Group's core business. Unless the same opportunity arises in respect of distressed land sales, we don't anticipate the Group will undertake a similar venture in the foreseeable future.

- **Renewable Energy**

generating and trading of renewable energy certificates associated with solar products.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 7 Segment Information continued

#### (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 8 Operating Segments.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles, and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

#### (b) Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at an arm's length. These transfers are eliminated on consolidation.

#### (c) Non-reporting Segments

These activities do not generate more than 5% of total revenue and include corporate, research and development, finance commissions and marketing.

#### (d) Unallocated Assets

The consolidated entity owned its owned premises until June 2012 which were 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.

#### (f) Geographical

The consolidated entity only operates within Australia and New Zealand.

#### (g) Major customers

Except for sales to associated interest of Mr. Lev Mizikovksy as disclosed in note 19, no single customer of the group accounts for more than 10% of the group's revenues from external customers

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 7 Segment Information continued (h) Segment performance

	Construction		Ready-to-Occupy		Franchises		Renewable Energy		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue										
Total revenue from external customers	60,616	62,359	39,259	8,700	1,268	899	30,012	42,333	131,155	114,291
Intersegment sales	7,062	18,691	536	600	1,041	899	0	0	8,639	20,190
Total segment revenue	67,678	81,050	39,795	9,300	2,309	1,798	30,012	42,333	139,794	134,481
Revenue not included in segment assets									217	105
Revenue eliminated on consolidation									(8,639)	(20,190)
Total Group revenue									131,372	114,396
Net profit/(loss) before income tax from continuing operations for the year	3,745	10,023	5,719	1,001	592	822	777	885	10,833	12,731
Legal costs paid by parent entity not included in segments									(742)	(221)
Other amounts not included in segment result									(334)	(806)
Profit recognised/(eliminated) on consolidation									2,111	(2,121)
Net Group profit before income tax from continuing operations									11,868	9,583

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 7 Segment Information continued (h) Segment performance continued

	Construction		Ready-to-Occupy		Franchises		Renewable Energy		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total segments assets	17,567	18,666	6,655	39,344	1,519	931	5,487	10,204	31,228	69,146
Cash assets not included in segments									447	50
Fixed assets not included in segments									48	54
Trade debtors not included in segments									1,887	0
Other amounts not included in segment assets									3	(344)
Intercompany trade receivables eliminated on consolidation									(5,420)	(6,741)
Intercompany inventories eliminated on consolidation									(284)	(2,394)
Intercompany loans eliminated on consolidation									(4,217)	0
Other segment assets eliminated on consolidation									(385)	(793)
Total Group Assets									23,307	58,978
Total segment liabilities	8,048	8,689	8,091	37,252	636	378	4,943	10,206	21,718	56,525
Current tax liabilities not included in segment liabilities									(603)	118
Deferred tax liabilities not included in segment liabilities									(401)	(289)
Other amounts not included in segment liabilities									(72)	(340)
Intercompany trade payables eliminated on consolidation									(3,666)	(5,135)
Intercompany loans eliminated on consolidation									(2,581)	(28,899)
Total Group Liabilities									14,395	21,980

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 8 Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Cash at bank	1,641	7,048
Short-term bank deposits	-	843
	<u>1,641</u>	<u>7,891</u>

The effective interest rate on the cash at bank was 4.2% (2011:4.0%) and the effective interest rate on short-term bank deposits was 0% (2011: 5.1%).

### 9 Trade and Other Receivables

#### CURRENT

Trade receivables	<u>2,260</u>	3,917
	<u>2,260</u>	<u>3,917</u>
Construction contract progress bills receivable	2,829	3,308
Provision for impairment of receivables	(40)	(400)
	<u>2,789</u>	<u>2,908</u>
Total current trade and other receivables	<u>5,049</u>	<u>6,825</u>

#### Provision for Impairment of Receivables

At beginning of year	400	405
Receivables written off during the year	(360)	(105)
Provisions for doubtful receivables	-	100
<b>At end of year</b>	<u>40</u>	<u>400</u>

#### Aged analysis

The ageing analysis of receivables is as follows:

0-30 days	4,803	6,557
31-60 days	198	163
61-90 days (past due date but not impaired)	11	77
91+ days (past due date but not impaired)	37	28
Past due date and impaired	40	400
	<u>5,089</u>	<u>7,225</u>

The amounts past due date but not impaired are those customers with good credit history and therefore not impaired.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 10 Inventories

	2012 \$'000	2011 \$'000
<b>Construction Work in Progress</b>		
Contract costs incurred and recognised profits less recognised losses less claims invoiced (10. a)	6,392	4,368
<b>Other inventories</b>		
Finished goods at cost	201	201
Provision for obsolete stock	(201)	(201)
Renewable Energy Certificates at cost	3,243	5,278
<b>Ready-to-Occupy Homes - at Cost</b>		
Completed	2,787	16,580
Under construction	3,016	6,439
Land	351	4,213
	<u>15,789</u>	<u>36,878</u>

### 10.a Construction Contracts

Cost plus profit recognised	27,043	24,044
Less: Progress claims	(20,651)	(19,676)
<b>Amounts due from customers for construction contracts</b>	<u>6,392</u>	<u>4,368</u>

### 11 Other Assets

#### Current

Prepayments	254	268
	<u>254</u>	<u>268</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 12 Property Plant and Equipment

	2012 \$'000	2011 \$'000
Land and buildings		
Land		
At valuation	-	2,976
Total land	<u>-</u>	<u>2,976</u>
Buildings		
At valuation	-	3,844
Less accumulated depreciation	-	(214)
Total buildings	<u>-</u>	<u>3,630</u>
	<u>-</u>	<u>6,606</u>
<b>Office furniture and equipment</b>		
At cost	378	2,161
Less accumulated depreciation	(188)	(2,056)
Total office furniture and equipment	<u>190</u>	<u>105</u>
<b>Motor vehicles</b>		
At cost	614	542
Less accumulated depreciation	(230)	(137)
Total motor vehicles	<u>384</u>	<u>405</u>
<b>Total plant and equipment</b>	<u>574</u>	<u>510</u>
<b>Total Property, Plant and Equipment</b>	<u>574</u>	<u>7,116</u>

#### Security

Land and buildings of \$6,606,000 had been pledged as security for a bank loan facility with the Commonwealth Bank of Australia. The term of the bank loan facility was for two years. These land and buildings were sold in June 2012, as approved by Shareholders at the Annual General Meeting held on 25 November 2011. The security has been released subsequent to sale. The Group has repaid the facility in full.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 12 Property Plant and Equipment continued Valuations of Land and Buildings

The Group's land and buildings were revalued at December 2010 with the exception of 1821 Ipswich Road Rocklea which was revalued at 30 June 2011. Valuations for all land and buildings were performed by independent valuers Chesterton Corporate Property Advisors, Greg Bremner (MRICS AAPI). Valuations were made on the basis of open market value. Chesterton's assessed their valuation by the capitalisation of Net Operating Income and checked this by direct comparison on both a rate per square metre of building and component basis in an active market. The revaluation decrease net of applicable deferred income taxes was recognised in other comprehensive income.

#### Reconciliation

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

	Land \$'000	Buildings \$'000	Office Furniture and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
<b>2012</b>					
<b>Cost or fair value</b>					
Balance at the beginning of year	2,976	3,844	2,161	542	9,523
Additions	-	59	146	149	354
Disposals	(2,976)	(3,903)	(1,929)	(77)	(8,885)
<b>Balance at 30 June 2012</b>	-	-	378	614	992
Balance at the beginning of year	-	(214)	(2,056)	(137)	(2,407)
Depreciation expense	-	(100)	(58)	(110)	(268)
Disposals	-	314	1,926	17	2,257
<b>Balance at 30 June 2012</b>	-	-	(188)	(230)	(418)
<b>At 30 June 2012</b>	-	-	190	384	574
<b>2011</b>					
<b>Cost or fair value</b>					
Balance at the beginning of year	3,329	4,231	2,166	783	10,509
Additions	-	-	112	140	252
Disposals	-	-	(117)	(381)	(498)
Revaluation increase/(decrease) recognised	(353)	(387)	-	-	(740)
<b>Balance at 30 June 2011</b>	2,976	3,844	2,161	542	9,523
Balance at the beginning of year	-	-	(2,082)	(323)	(2,405)
Depreciation expense	-	(214)	(34)	(114)	(362)
Disposals	-	-	60	300	360
<b>Balance at 30 June 2011</b>	-	(214)	(2,056)	(137)	(2,407)
<b>At 30 June 2011</b>	2,976	3,630	105	405	7,116

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 12 Property Plant and Equipment continued (a) Historical Cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2012 \$'000	2011 \$'000
<b>Land</b>		
Cost	-	1,336
<b>Buildings</b>		
Cost	-	3,199
Accumulated depreciation	-	(549)
<b>Net book value</b>	-	2,650

As part of Resolution 3 in the Notice of Annual General Meeting which was held on 25 November 2011, the Company requested and received Shareholder approval for the sale of the land and buildings. These land and buildings were sold at valuation.

### 13 Trade and Other Payables

Unsecured		
Trade and other payables	11,145	14,107
	<u>11,145</u>	<u>14,107</u>

### 14 Borrowings

Bank loan facility	-	5,000
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The Group established a loan facility for \$5,000,000 which was secured by commercial property valued at \$6,606,000. The term of the facility was granted for two years expiring March 2013. Repayment arrangements were interest only payments. The Group has repaid the facility in full.

### 15 Deferred Tax

#### (a) Deferred Tax Liabilities

Deferred tax liabilities comprise:

Work in progress	1,918	1,310
Fair-value of land & buildings (including depreciation)	-	668
	<u>1,918</u>	<u>1,978</u>
Set-off of deferred tax assets pursuant to the set-off provisions	(400)	(741)
	<u>1,518</u>	<u>1,237</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 15 Deferred Tax continued

#### (b) Deferred Tax Assets

	2012 \$'000	2011 \$'000
Deferred tax assets comprise:		
Employee benefits	116	126
Accrued expenses	22	114
Plant and equipment	34	146
Provisions	147	255
Other	81	100
	<u>400</u>	<u>741</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(400)</u>	<u>(741)</u>
	<u>-</u>	<u>-</u>

#### (c) Movement in Deferred Tax Liabilities

	Opening Balance \$'000	Charged to Profit and Loss \$'000	Charged to Other Comprehen sive Income \$'000	Closing Balance \$'000
<b>Consolidated Group</b>				
<b>Deferred Tax Liabilities</b>				
<b>2012</b>				
Work in progress	1,310	608	-	1,918
Fair value of land & buildings	668	(668)	-	-
	<u>1,978</u>	<u>(60)</u>	<u>-</u>	<u>1,918</u>
<b>2011</b>				
Work in progress	1,931	(621)	-	1,310
Fair value of land & buildings	920	-	(252)	668
	<u>2,851</u>	<u>(621)</u>	<u>(252)</u>	<u>1,978</u>

#### (d) Movement in Deferred Tax Assets

	Opening Balance \$'000	Charged to Profit and Loss \$'000	Charged directly to Other Comprehen sive Income \$'000	Closing Balance \$'000
<b>Deferred Tax Assets</b>				
<b>2012</b>				
Employee benefits	126	(10)	-	116
Accrued expenses	114	(92)	-	22
Plant and equipment	146	(112)	-	34
Provisions	255	(108)	-	147
Other	100	(19)	-	81
	<u>741</u>	<u>(341)</u>	<u>-</u>	<u>400</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 15 Deferred Tax continued

#### (d) Movement in Deferred Tax Assets continued

	Opening Balance \$'000	Charged to Profit and Loss \$'000	Charged directly to Other Comprehen sive Income \$'000	Closing Balance \$'000
<b>Deferred Tax Assets</b>				
<b>2011</b>				
Employee benefits	123	3	-	126
Accrued expenses	3	111	-	114
Plant and equipment	157	(11)	-	146
Provisions	224	31	-	255
Other	79	21	-	100
	<u>586</u>	<u>155</u>	<u>-</u>	<u>741</u>

### 16 Provisions

	2012 \$'000	2011 \$'000
Current	365	359
Non-current	285	310
	<u>650</u>	<u>669</u>

#### (a) Movement in carrying amounts - current provisions

	Employee Benefits \$'000	Other \$'000	Total \$'000
Opening balance at 1 July 2011	359	-	359
Additional provisions	-	14	14
Amounts used	(8)	-	(8)
Balance at 30 June 2012	<u>351</u>	<u>14</u>	<u>365</u>

#### (b) Movement in carrying amounts - non-current provisions

	Warranties \$'000	Employee Benefits \$'000	Total \$'000
<b>Non-current</b>			
Opening balance at 1 July 2011	250	60	310
Reversed during the period	-	(25)	(25)
Balance at 30 June 2012	<u>250</u>	<u>35</u>	<u>285</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 16 Provisions continued

#### Provision for Warranties

A provision of \$250,000 at 30 June 2012 (2011: \$250,000) has been recognised for estimated warranty claims in respect of houses constructed and products sold which are still under the statutory warranty period as at balance date. The statutory warranty period as stated with the Queensland Building Services Board is between 6 and 7 months of completed building work. The provision for warranties has been based upon total sales for the past year and the history of claims made to date.

### 17 Contributed Equity

	2012 \$'000	2011 \$'000
25,559,611 (2011: 39,322,478) Ordinary shares fully paid	407	28,714
<b>Total</b>	<b>407</b>	<b>28,714</b>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Group has no authorised capital or par value in respect of its shares.

#### (a) Movements in Ordinary Shares

	2012 \$'000	2011 \$'000
At the beginning of the year	28,714	24,372
Shares issued during the year		
Issue of shares under the Dividend re-investment plan for the fully franked dividend paid in 3 December 2010	-	3,522
Issue of shares under the Dividend re-investment plan for the fully franked dividend paid in 3 June 2011	-	2,272
Shares bought back during the year	(28,307)	(1,452)
At reporting date	<b>407</b>	<b>28,714</b>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 17 Contributed Equity continued

#### (a) Movements in Ordinary Shares continued

	2012 No.	2011 No.
At the beginning of the year	39,322,478	37,644,466
Shares issued during the year		
Issue of shares under the Dividend re-investment plan for the fully franked dividend paid on 3 December 2010	-	1,431,766
Issue of shares under the Dividend re-investment plan for the fully franked dividend paid on 3 June 2011	-	851,246
Shares bought back during the year	<u>(13,762,867)</u>	<u>(605,000)</u>
At reporting date	<u>25,559,611</u>	<u>39,322,478</u>

Management completed an On-Market Share Buy-back of 13,762,867 shares on 12 June 2012, 13,500,000 of these shares were purchased from Mr Lev Mizikovsky or his associates as approved at the Annual General meeting on 25 November 2011, and the remainder of the shares were bought from other shareholders participating on the market share buyback. Shares on issue after the buy-back and cancellation amounted to 25,559,611. Shares were bought back at \$2.06 cents.

#### (b) Capital Management

Management controls the capital of the Group in order to maintain a conservative debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group is required to maintain a current ratio of 1:1 under its licensing conditions with the Queensland Building Services Authority.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of financial position.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Group completed an On-Market Share Buyback which had received Shareholder approval at the Annual General Meeting held on 25 November 2011. Approval enabled the Group to acquire and cancel 13,762,867 shares, of which 13,500,000 could be purchased from interests associated with Mr. Lev Mizikovsky. The completion of this On-Market Share Buyback resulted in the reduction of ordinary shares on issue by 35%. The Group, prior to the On-market Share Buyback had 39,322,478 Ordinary Shares on issue, the number of Ordinary Shares on issue is now 25,559,611.

#### (c) Dividend Re-investment Plan

Tamawood established a Dividend Re-investment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares are issued under the plan at 3% discount to the weighted average ex-dividend quoted market price for the five business days following ex-dividend quotation.

Dividend Re-investment Plan was suspended on 24 February 2012.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 18 Reserves

#### Asset Revaluation Reserve

The asset revaluation reserve has been transferred to retained earnings on disposal of land and buildings. Shareholder approval was received at the Annual General Meeting held on 25 November 2011, for the disposal of these land and buildings. Land and buildings were sold at valuation.

### 19 Related Party Transactions and Key Management Personnel

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable to them than those available or which might be expected to be available on similar transactions to non-director entities on an arm's length basis.

#### On-market share buy-back – Mr Lev Mizikovsky

During the period, Tamawood purchased 13,500,000 shares from interests associated with Mr Lev Mizikovsky ("Mizikovksy") at a price of \$2.06 per share (total \$27,810,000) as part of the on-market share buy-back undertaken by the Company on the 12 June 2012. The on-market share buy-back was approved by shareholders of the Company for the purposes of section 257C Corporations Act 2002 (Cth) at the Annual General Meeting of the Company on 25 November 2011 ("AGM").

At the AGM, shareholders of the Company also approved the sale of up to 13,500,000 shares by Mizikovsky to the Company as part of the on-market buy back on exactly the same terms offered to all other shareholders. This approval was given pursuant to Listing Rule 10.1 which requires that where a director intends to dispose of a substantial asset to the Company (that is, an asset with a value of more than 5% of the net equity interests of the Company), shareholder approval must be sought, and shareholders must be provided with an independent experts report prior to voting on the matter which provides an opinion as to the fairness and reasonableness of the proposed transaction.

PKF Corporate Advisory (East Coast) Pty Limited ABN 70 050 038 170 ("PKFCA") prepared the required independent expert's report which concluded that the purchase of up to 13,500,000 shares from Mizikovsky as part of the on-market buy back in the price range at which the buy-back took place was fair and reasonable to all shareholders. A full copy of the report is available from the Company on request. Accordingly, the terms on which the shares were purchased from Mizikovsky were no more favourable to Mizikovsky than would be reasonable in the circumstances if the Company and Mizikovsky were dealing at arm's length. Further, the terms of the buy-back have been approved by shareholders of the Company and deemed fair and reasonable by PKFCA for the reasons set out in the independent experts report.

#### Sale of properties – Mr Lev Mizikovsky

During the period, the Company sold 38 Ready-to-Occupy homes and 3 commercial properties to Mizikovsky. The total funds received for these properties was \$21,583,000 inclusive of GST. At the AGM, shareholders of the Company approved the purchase of up to 141 Ready-to-Occupy homes and three commercial properties with the following addresses, 1821 Ipswich Road, Rocklea, QLD, 50 Lawrence Drive, Nerang, QLD and 922 Gympie Road, Chermiside, QLD by Mizikovsky pursuant to Listing Rule 10.1 which requires that where a director intends to purchase a substantial asset from the Company (that is, an asset with a value of more than 5% of the net equity interests of the Company), shareholder approval must be sought, and shareholders must be provided with an independent experts report prior to voting on the matter which provides an opinion as to the fairness and reasonableness of the proposed transaction.

Chesterton Valuations (Qld) Pty Ltd trading as Chesterton Corporate Property Advisers ABN 96 108 543 415 ("CCPA") provided a written valuation of the fair market value for each of the properties that would potentially be sold to Mizikovsky. On the basis of this valuation report PKFCA provided an independent expert's report which concluded that the purchase of the properties by Mizikovsky at fair market value as reported by CCPA was fair and reasonable to all shareholders. A full copy of the report and the valuation

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 19 Related Party Transactions and Key Management Personnel continued

are available from the Company on request.

The property assets were sold to Mizikovsky at their fair market value, which is the value as assessed in the valuation report prepared by CCPA. Accordingly, the terms on which the properties were sold were no more favourable to Mizikovsky than would be reasonable in the circumstances if the Company and Mizikovsky were dealing at arms length. Further, the terms of the sale have been approved by shareholders of the Company and deemed fair and reasonable by PKFCA for the reasons set out in the independent experts report.

During the year there were 18 "Ready-to-Occupy" houses sold to third parties with sales of \$6,521,864 exclusive of GST which were financed by Mizikovsky.

#### (a) Transactions with Related Parties

##### (i) Sale of goods and services

	2012	2011
	\$	\$
<b>Mr L Mizikovsky - Non-executive Director</b>		
Sale of 38 Ready-to-Occupy homes in QLD from Tamawood Commercial Property Pty Ltd. These properties were sold as per valuation as approved at the Annual General Meeting held 25 November 2011.	<b>13,420,909</b>	-
Sale of 1821 Ipswich Road, Rocklea, QLD from Tamawood Commercial Property Pty Ltd. This commercial property was at valuation approved at the Annual General Meeting held 25 November 2011.	<b>5,400,000</b>	-
Sale of 992 Gympie Road, Chermside, QLD from Tamawood Commercial Property Pty Ltd. This commercial property was sold to at valuation approved at the Annual General Meeting held 25 November 2011.	<b>1,000,000</b>	-
Sale of 50 Lawrence Drive, Nerrang, QLD from Tamawood Commercial Property Pty Ltd. This commercial property was sold to at valuation approved at the Annual General Meeting held 25 November 2011.	<b>420,000</b>	-
Sale of eight lots of land at Yamanto - QLD from Tamawood Commercial Property Pty Ltd with an average sale price of \$248,750 per lot.	-	1,990,000
Eight construction contracts with an average price of \$205,373 per contract were entered into with Dixonbuild Pty Ltd.	-	1,524,658
<b>Mr A Thomas - Non-executive Director</b>		
Royalties received by Dixon Systems Pty Ltd under franchise agreement	<b>264,715</b>	162,773

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 19 Related Party Transactions and Key Management Personnel continued

#### (ii) Purchases

	2012	2011
	\$	\$
<b>Mr L Mizikovsky - Non-executive Director</b>		
Rental payments for the premises 241 Milton Road, Milton QLD	43,159	84,975
Payments and other costs for use of premises in Cairns	73,973	50,996
Mr A Thomas - Director Tamawood Limited		
Royalties received by Dixon Systems Pty Ltd under franchise agreement	162,362	196,771

#### (iii) Trade and other receivables

Key management personnel:

##### - Mr L Mizikovsky - Non-executive Director

- Debtors account relating to building contracts with Dixonbuild Pty Ltd

	-	908,660
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##### - Mr A Thomas - Non-executive Director

- Debtors account relating to Dixon Systems Pty Ltd for royalties

	107,836	13,092
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- Debtors account relating to SolarpowerRex Pty Ltd for generation of renewable energy certificates

	2,940	27,835
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Amounts receivable from related parties for the sale and purchases of goods and services are unsecured and interest free and are included in the balances of trade and other receivables. Balances are settled within trading terms or as per agreement with the Board. No provisions for doubtful debts have been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

### (b) Key Management Personnel Compensation

	2012	2011
	\$	\$
<b>Short-term employee benefits</b>		
- Cash & salary & fees	1,235,285	1,203,084
- Non cash benefits	21,412	34,934
<b>Post-employment benefits</b>		
- Superannuation	83,993	99,022
<b>Long-term benefits</b>	6,586	6,362
	<u>1,347,276</u>	<u>1,343,402</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 19 Related Party Transactions and Key Management Personnel continued

#### (c) Key Management Personnel Interest in Shares

	Balance 01/07/2011	Purchased/ (Sold)	On-Market Share Buy- back	Balance 30/06/2012
	No.	No.	No.	No.
<b>Directors' Interest</b>				
L Mizikovsky	29,395,447	(1,435,579)	(13,500,000)	14,459,868
R Lynch	32,052	500,000	-	532,052
A Thomas	536,004	50,000	-	586,004
R Dudurovic	1,680	101,000	-	102,680
KJ Daly (resigned 25 November 2011)	127,903	-	-	127,903
	<b>30,093,086</b>	<b>(784,579)</b>	<b>(13,500,000)</b>	<b>15,808,507</b>
<b>Other Key Management Personnel Interest</b>				
M Fennell	67,079	(65,079)	-	2,000
T Bartholomaeus	63,001	500,000	-	563,001
C Jackson	3,505	46,495	-	50,000
G Acton	35,000	48,943	-	83,943
	<b>168,585</b>	<b>530,359</b>	<b>-</b>	<b>698,944</b>
	<b>30,261,671</b>	<b>(254,220)</b>	<b>(13,500,000)</b>	<b>16,507,451</b>
	Balance 1/07/2010	Purchased/ (Sold)	Net Change Other	Balance 30/06/2011
	No.	No.	No.	No.
<b>Directors' Interest</b>				
KJ Daly	127,903	-	-	127,903
L Mizikovsky	28,121,045	1,274,402	-	29,395,447
R Lynch	32,052	-	-	32,052
A Thomas	536,004	-	-	536,004
R Dudurovic	1,680	-	-	1,680
	<b>28,818,684</b>	<b>1,274,402</b>	<b>-</b>	<b>30,093,086</b>
<b>Other Key Management Personnel Interest</b>				
M Fennell	67,079	-	-	67,079
T Bartholomaeus	63,001	-	-	63,001
C Jackson	3,505	-	-	3,505
G Acton	83,943	(48,943)	-	35,000
	<b>217,528</b>	<b>(48,943)</b>	<b>-</b>	<b>168,585</b>
	<b>29,036,212</b>	<b>1,225,459</b>	<b>-</b>	<b>30,261,671</b>

No shares were granted as compensation in current or previous years.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 20 Auditor's Remuneration

	2012	2011
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Audit and review fees	84,738	104,776
- Taxation fees	14,874	2,600
- General accounting services relating to QBSA, On-market Share Buyback, divestment of subsidiary and other general accounting advise	73,431	34,212
	<u>173,043</u>	<u>141,588</u>

### 21 Commitments

#### Operating Lease Commitments

	\$'000	\$'000
Payable - minimum lease payments		
- not later than 12 months	438	352
- between 12 months and 5 years	1,255	463
	<u>1,693</u>	<u>815</u>

The leases for office space at the following locations in Queensland are as follows:-

Ipswich Road	- The lease term is 4 years with CPI reviews.
Lawrence Drive	- The lease term is 4 years with CPI reviews.
Chermside	- The lease term is 4 years with CPI reviews
Alexandra Headland	- The lease term is 5 years with CPI reviews
Toowoomba	- The lease term is 4 years with CPI reviews.
Capalaba	- The lease term is 4 years with CPI reviews.

The Group had no other significant capital expenditure or lease commitments at the reporting date (2011: none).

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 22 Controlled Entities

Name	Country of incorporation	Percentage Owned 2012	Percentage Owned 2011
<b>Parent Entity:</b>			
Tamawood Limited	Australia		
<b>Subsidiaries of parent entity:</b>			
DixonSeq Pty Ltd	Australia	<b>100%</b>	100%
Affordable Homebuilding Solutions Pty Ltd	Australia	<b>100%</b>	100%
Dixon Build Pty Ltd	Australia	<b>100%</b>	100%
Dixon Projects Pty Ltd	Australia	<b>100%</b>	100%
Dixon Systems Pty Ltd	Australia	<b>100%</b>	100%
DixonRes Pty Ltd	Australia	<b>100%</b>	100%
High Level Marketing Pty Ltd	Australia	<b>100%</b>	100%
SolarRex Limited <sup>^</sup>	Australia	<b>70%</b>	0%
SolarpowerRex Pty Ltd <sup>^</sup>	Australia	<b>70%</b>	100%
Tamawood Commercial Property Pty Ltd	Australia	<b>100%</b>	100%
Tamawood Finance Pty Ltd	Australia	<b>100%</b>	100%
Tamawood Research & Development Pty Ltd	Australia	<b>100%</b>	100%
Tamawood SEQ Franchise Pty Ltd	Australia	<b>100%</b>	100%
Tamawood Services Pty Ltd	Australia	<b>100%</b>	100%
Tamawood Share Scheme Pty Ltd	Australia	<b>100%</b>	100%
<b>Control lost over entities in the year</b>			
Resiweb Limited *	Australia	<b>0%</b>	100%

#### Resiweb Pty Ltd\*

ResiWeb Pty Ltd was converted to a public unlisted company on the 24 February 2011. On 1 April 2012, the Group divested its equity interest in the subsidiary Resiweb Limited ("Resiweb") by way of an in-specie distribution to Tamawood shareholders. The distribution was on a 1 for 1 basis, and there was no value placed on the Resiweb shares.

Resiweb continues to be responsible for the on-going support of Tamawood's project management software including, back-office and client interface processes.

#### SolarRex Ltd<sup>^</sup>

Subsequent to the end of financial year ended 30 June 2011, Tamawood Limited established a wholly owned publicly unlisted entity SolarRex Ltd ("SolarRex") with share capital of 700 ordinary shares at \$1 each fully paid. SolarpowerRex Pty Ltd is a wholly subsidiary of SolarRex Limited.

On 19 July 2011 SolarRex was incorporated with a total share capital of 700 of \$1 ordinary shares, fully paid and beneficially owned. Subsequently, further shares were issued, and transferred so that Mr Geoff Acton became owner of 25% of SolarRex, by receiving 250 \$1 fully paid ordinary shares, resulting in 1,000 ordinary shares of \$1.00 each being on issue.

The issue of shares to Mr Acton replaces his percentage of profits and losses which he was entitled to receive as part of his remuneration package which expired on 30 June 2011. The share allotment in SolarRex forms part of his remuneration to continue to manage the Renewable Energy trading business.

His previous commission related agreement expired in June 2011. Mr Acton has received no commission

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 22 Controlled Entities continued

under the terms of his new service agreement.

Mr Kerry Daly and Mr Rade Dudurovic became owners of 2.5% each of SolarRex, by receiving 25 \$1 fully paid ordinary shares each, of which 25 ordinary shares were transferred from Tamawood to Mr Daly and Mr Dudurovic. The issue of shares to Mr Daly and Mr Dudurovic is to provide a level of remuneration, as these Mr Daly and Mr Dudurovic receive no remuneration in the form of Directors' fees in their capacity as Directors of SolarRex.

### 23 Cash Flow Information

#### Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax

	Note	2012 \$'000	2011 \$'000
Profit for the year		8,397	6,738
Depreciation		268	362
Profit on disposal of property, plant and equipment		261	-
Other		(81)	199
Change in operating assets and liabilities;			
(Increase)/decrease in trade and other receivables		1,776	(1,443)
(Decrease) in provision for doubtful receivables		(360)	-
(Increase)/decrease in inventories	23(b)	99	(14,988)
(Increase)/decrease in other assets		14	(249)
Increase/(decrease) in trade payables and other payables		(2,962)	8,154
Increase/(decrease) in current tax liabilities		115	(1,011)
Increase/(decrease) in deferred tax liabilities		281	(1,028)
Increase/(decrease) in provisions		(19)	(40)
		<u>7,789</u>	<u>(3,306)</u>
<b>(a) Reconciliation of On Market Share Buyback</b>			
Shares bought back in year		(28,307)	(1,452)
Non-cash impact of shares bought back from Mr Lev Mizikovsky		27,812	-
<b>Cash paid for buy back of shares</b>		<u>(495)</u>	<u>(1,452)</u>
<b>(b) Reconciliation of Movement in Inventories</b>			
(Increase)/decrease in inventories per the Consolidated Statement of Financial Position		21,089	(14,988)
Less: Non-cash impact of sale of inventories to Mr Lev Mizikovsky and sales of inventories financed by a company associated with Mr Lev Mizikovsky		(20,990)	-
<b>Net decrease/(increase) in inventories</b>		<u>99</u>	<u>(14,988)</u>

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 23 Cash Flow Information continued (c) Non-cash Transactions with Mr Mizikovsky

	2012 \$'000	2011 \$'000
Amounts owing to Mr Mizikovsky (Shares Bought Back)	(27,812)	-
Amounts owing by Mr Mizikovsky		
- Sales of Ready-to-Occupy and sales of Ready-to-Occupy to third parties financed by Mr Mizikovsky	20,990	-
- Sale of three (3) commercial properties included in property, plant and equipment	6,820	-
- Other	2	-
Net amount owing to/by Mr Mizikovsky	-	-

### 24 Financial Risk Management

#### (a) Financial Risk Management Policies

The Group is primarily exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst remaining ultimately responsible for them, it has delegated the authority to management for developing and operating processes that ensure the effective implementation of the objectives and policies of the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impact may be material.

The Group's financial instruments consist mainly of short term financing loan, deposits with banks, short-term investments, accounts receivable and payable and borrowings.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

#### (b) Market Risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return. Market risk exposures comprise mainly interest rate risk and foreign currency risk.

##### (i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed by ensuring that any excess cash within the Group is utilised in reducing the borrowing facility.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 24 Financial Risk Management continued

#### *Sensitivity analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity reported at the end of the reporting period would have been effected by changes in the relevant risk variable that management considers to be reasonably possible. This sensitivity assumes that the movement in particular variable is independent of other variables.

	<b>Profit</b>	<b>Equity</b>
	<b>1% increase in interest rate \$'000</b>	<b>1% increase in interest rate \$'000</b>
2012	<b>16</b>	<b>16</b>
2011	<b>29</b>	<b>29</b>

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

The sensitivity analysis is performed on the same basis as in 2011.

#### **(c) Credit Risk**

The objective of the Group is to minimize the risk of loss from credit risk exposure. Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligations, resulting in the Group incurring a financial loss. For the Group this arises primarily from receivables due from construction activities, and deposits with banks.

There is no significant concentration of credit risk with respect to current and non-current receivables as the Group has a large number of customers. The nature of the Group's business is such that 55% (2011 - 43%) of the Group's current trade debtors were individual contracts which were secured by external lending institutions. The largest single construction debtor was approximately \$117,000 (2011 - \$908,000) and the amount will be received as per agreement in September 2012. The remainder of the Group's current trade debtors is represented by debtors of the Renewable Energy business. The largest debtor was for \$1,742,785 (2011 - \$2,035,000) and the amount was received on 11 July 2012. Therefore, the Group does not have any material credit risk exposure to any single receivable or group of receivables. The Board believe that the Group's debtors are adequately diversified therefore ensuring the Group does not have significant credit risk.

The Group's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9. Refer to note 9 for ageing analysis and movement in provision for impairment of receivables.

#### **(d) Liquidity Risk**

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments as they fall due, e.g. funding work-in-progress. The Group's objective is to ensure as much as possible that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Group is required to maintain a current ratio of 1:1 under its licensing conditions with the Queensland Building Services Authority. The Group achieves the required ratios by holding sufficient cash in liquid form, and monitors timing of commitments.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 24 Financial Risk Management continued

#### (d) Liquidity Risk continued

Contractual cashflows from trade and other payables approximate their carrying amount. Trade payables are contractually due within 6 months of year-end.

#### Summary Quantitative Date

	2012 \$'000	2011 \$'000
Current assets	22,733	51,862
Current liabilities	12,592	15,433
Surplus/(deficit)	10,141	36,429

#### Maturity Analysis - Group 2012

	Carrying Amount \$'000	Contractual Cash Flows \$'000	< 6 months \$'000	6-12 months \$'000	1-3 years \$'000	> 3 years \$'000
<b>Financial Liabilities</b>						
Trade and other payables	11,145	11,145	11,145	-	-	-
Borrowings*	-	-	-	-	-	-
<b>Total</b>	11,145	11,145	11,145	-	-	-

\*The Group established a loan facility for \$5,000,000 which was secured by commercial property valued at \$6,606,000. The term of the facility was granted for two years expiring March 2013. Repayment arrangements were interest only payments. The Group has repaid the facility in full.

#### Maturity Analysis - Group 2011

	Carrying Amount \$'000	Contractual Cash Flows \$'000	< 6 months \$'000	6 - 12 months \$'000	1 - 3 years \$'000	> 3 years \$'000
<b>Financial Liabilities</b>						
Trade and other payables	14,107	14,107	14,107	-	-	-
Borrowings	5,000	5,562	188	187	5,187	-
<b>Total</b>	19,107	19,669	14,295	187	5,187	-

#### (e) Fair Values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 24 Financial Risk Management continued

#### (e) Fair Values continued

market bid prices. Where instruments are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Consolidated	Footnote	2012		2011	
		Carrying Value \$'000	Fair value \$'000	Carrying Value \$'000	Fair value \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	i	1,641	1,641	7,891	7,891
Trade and other receivables	i	5,049	5,049	6,825	6,825
<b>Total financial assets</b>		<b>6,690</b>	<b>6,690</b>	<b>14,716</b>	<b>14,716</b>
<b>Financial Liabilities</b>					
Trade and other payables	i	11,145	11,145	14,107	14,107
Borrowings		-	-	5,000	5,000
<b>Total financial liabilities</b>		<b>11,145</b>	<b>11,145</b>	<b>19,107</b>	<b>19,107</b>

The fair values disclosed in the above table have been determined based on the following methodologies:

- i Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.
- ii Fair values are determined using a cash flow model incorporating current commercial borrowing rates.

### 25 Post Balance Date Events

The Directors of the Group are not aware of any significant matters or events since the end of the financial year which could effect the Consolidated Groups' operations, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

### 26 Contingencies

#### Contingent Liabilities

From time to time the Group receives claims from its customers and third parties in relation to rectification to building faults and other claims. The Directors' believe that these types of claims currently outstanding are not material to the results of the financial statements and in any case can be resolved with the respective parties. Other legal claims are adequately covered by its insurance and it is unlikely that the Group will be required to meet the costs of the claims, apart from the normal insurance excess requirements.

Tamawood has a contingent liability with Commonwealth Bank of Australia for the amount of \$1,146,000 representing security for a renewable energy contract which expires in December 2012.

#### Contingent Assets

At reporting date the Group has no contingent assets.

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 27 Earnings per Share

(a) Reconciliation of earnings used in calculating Earnings per Share

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit attributable to the ordinary equity holders of Tamawood Limited used in calculating basic and diluted earnings per share:-		
From continuing operations	<b>8,259</b>	6,738

(b) Weighted average number of ordinary shares used as the denominator in calculating Earnings per Share

	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted Earnings per Share	<b>38,643,761</b>	38,784,259

# Tamawood Limited

## Notes to the Financial Statements For the Year Ended 30 June 2012

### 28 Company Details

The registered office of the Company is:

**Tamawood Limited**

1821 Ipswich Road

Rocklea

Queensland 4106

The principal places of business are:-

**Dixon Homes**

1821 Ipswich Road

Rocklea

Queensland 4106

**Dixon Homes**

Unit 1

50 Lawrence Drive

Nerang

Queensland 4211

**Dixon Homes**

992 Gympie Road

Chermside

Queensland 4032

**Dixon Homes**

199 Alexandra Parade

Alexandra Headland

Queensland 4572

**Dixon Homes**

39 Old Cleveland Road

Suite 14

Capalaba Business Centre

Queensland 4157

**Dixon Homes**

169 James Street

Toowoomba

Queensland 4350

## INDEPENDENT AUDITOR'S REPORT

To the members of Tamawood Limited

### Report on the Financial Report

We have audited the accompanying financial report of Tamawood Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tamawood Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Tamawood Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

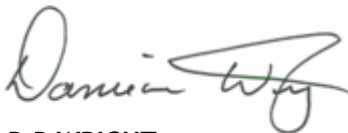
We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Tamawood Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit Pty Ltd**

BDO



**D P WRIGHT**

Director

Brisbane, 17 September 2012

# Tamawood Limited

## Additional Information for Listed Public Companies

The shareholder information set out below was applicable as at Friday, 17 August 2012.

### 1. Distribution of Shareholders

Analysis of number of shareholders by size of holding.

Category of holding	Number	Number of Shares
1 - 1,000	177	105,874
1,001 - 5,000	368	1,109,754
5,001 - 10,000	185	1,470,158
10,001 - 100,000	150	3,762,154
100,001 - and over	<u>22</u>	<u>19,111,671</u>
<b>Total</b>	<b><u>902</u></b>	<b><u>25,559,611</u></b>

### 2. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

	Number of Shares	Percentage of total shares
Rainrose Pty Ltd	7,172,685	28.06
Ankla Pty Ltd	5,286,476	20.68
Nowcastle Pty Ltd	1,434,027	5.61
Ripeland Pty Ltd	546,579	2.14
R&S Lynch Superannuation Fund	500,000	1.96
Bart Inc Family Trust	500,000	1.96
Stoddart Building Products Pty Ltd	473,825	1.85
National Nominees Limited	444,640	1.74
AB Thomas Superannuation Fund	375,225	1.47
Bradshaw Pty Ltd	339,314	1.33
Superfun Superfund	331,924	1.30
Sunstar Australia Pty Ltd	300,864	1.18
Meritbrook Pty Ltd	203,863	0.80
General Packaging Pty Ltd	200,000	0.78
Andrew Thomas	160,000	0.63
Mr Lev Mizikovsky	151,101	0.59
Rollee Pty Ltd	137,688	0.54
Kreskin Pty Ltd	127,903	0.50
Mr Frank Siew Khoon Mok	110,000	0.43
JP Morgan Nominees Australia Limited	<u>107,877</u>	<u>0.42</u>
<b>Total</b>	<b><u>18,903,991</u></b>	<b><u>73.97</u></b>

# Tamawood Limited

## Additional Information for Listed Public Companies

### 3. Unmarketable Parcels

The number of shareholdings held in less than marketable parcels is 38 amounting to 3,841 ordinary shares.

### 4. Substantial Shareholders

As at Friday 17 August 2012 the substantial shareholders were as follows:

<b>Shareholder</b>	<b>Number of Shares</b>
Rainrose Pty Ltd	7,172,685
Ankla Pty Ltd	5,286,476
Nowcastle Pty Ltd	1,434,027

### 5. Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

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

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

### Registered Office

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

### Share Registry

The register of holders of ordinary shares of the Company is kept at the office of Link Market Services Limited, ANZ Building, Level 15, 324 Queen Street, Brisbane Queensland 4000.