finbar

developing better lifestyles

22nd ANNUAL REPORT

06

FOR THE YEAR ENDED 30TH JUNE 2006

CORPORATE DIRECTORY

DIRECTORS

Paul Rengel (Chairman)
John Chan (Managing Director)
Loh Kee Kong
John Cheak
Richard Rimington

COMPANY SECRETARY

Darren Pateman

REGISTERED OFFICE

Level 3
15 Labouchere Road
SOUTH PERTH WA 6151

Telephone: +61 8 9474 4460
Facsimile: +61 8 9474 4458
Email: info@finbar.com.au

POSTAL ADDRESS

PO Box 113
SOUTH PERTH WA 6951

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000

AUDITORS

KPMG
132-158 St Georges Terrace
PERTH WA 6000

SOLICITORS

Chalmers Legal Studio
Studio 7
82 King Street
PERTH WA 6000

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (Perth)
ASX Code: FRI

WEBSITE

www.finbar.com.au

CHAIRMAN'S REPORT

On behalf of the Board of Directors of Finbar International Limited, I am pleased to present your Company's twenty second Annual Report for the fiscal year ended 30 June 2006, which has been a very successful year.

The financial results of the Company and its Controlled entities has continued at a strong profitable level with a net profit after tax at $5,025,000 and with an announced profit projection of $9,500,000 for the current fiscal year ending 30 June 2007.

An interim dividend of $1,032,234 was also paid during the year, with a final payment of $3,560,202 to be made at the end of the first quarter of the current period.

The net asset position of the Company and its Controlled entities has also grown during the year by $14,280,000, funded in part by a successful capital-raising of $12,360,000. With a total of $494,000,000 in future projects under sales contracts, the Company is in a very sound financial position.

Your Company's performance and strength is also reflected in the market value of its listed securities which reached a high of $1.03 per share during the fiscal year and enabled the company to raise new capital at an issue price of $0.80 per share.

Shareholders are no doubt aware of News Media interest in the property sector and that concerns have been expressed over future trends. You may be assured however that your Company continues to operate under carefully established best practice policies in planning future operations. The Company will therefore continue to take a financially prudent and conservative approach to new projects, taking care to cover specific debt with substantial unconditional presales prior to commitment. The directors are confident that this approach will continue to deliver profits and achieve steady growth into the future and enhance the investment value in Finbar for its shareholders.

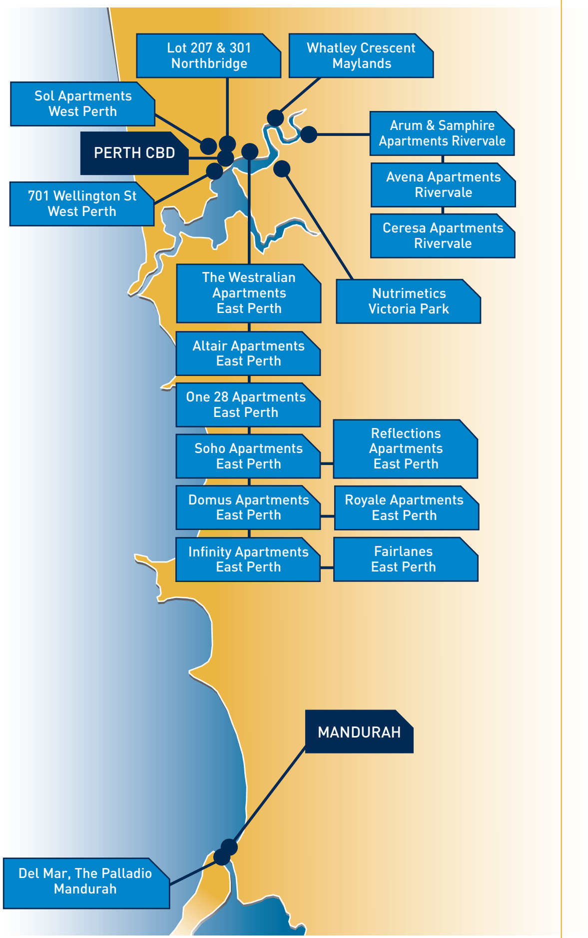
My report would not be complete without a commendation for the continued dedicated efforts and enthusiasm of the Executive Directors and our Staff. Good people make success happen at Finbar and I congratulate them on another year of outstanding contribution. I also thank my fellow Non-Executive Directors for their support and independent council.

Finbar has enjoyed strong support from shareholders both old and new and I thank you all for your continued interest in the Company and ask you to read the attached report and to participate in the Annual General Meeting of your Company.

Yours faithfully,

Paul Anthony Rengel
Chairman of Directors

MANAGING DIRECTOR'S REVIEW



The 2005-2006 financial year has been an excellent one for the Company, at a time when the booming resources sector and high population growth rate are driving house prices and bricks and mortar investments to record highs.

Increasingly unaffordable houses in Perth's inner suburbs, coupled with rising fuel and parking costs, are influencing growing demand from young professionals for affordable apartments near public transport hubs and the city centre.

These factors have contributed to Finbar's growth this year which has seen the Company commence or continue construction on 10 projects, with another six properties acquired for future development.

During the year, the Company's share price doubled. This is very pleasing as it is now starting to reflect Finbar's position as market leader in inner city residential developments. This substantial increase is recognition of the Company's intrinsic value.

Our excellent relationships with major banking institutions, State Government and local councils continues to add value and strengthen our position in the industry and enable us to complete exciting projects with attractive margins in areas of high demand.

Although skilled labour and materials shortages are causing significant delays in areas of the industry, Finbar provides for substantial cost contingencies and for delays in construction times when assessing the feasibility of projects and allocating capital. Additionally, the Company maintains established relationships with experienced, independent builders who build exclusively for the Company. This ensures there are no delays in sourcing suitable contractors in this busy building market.

With projects now being completed and a solid project pipeline established and growing, the cyclical nature of profit earning, due to revenue being reported only on project completion, will smooth and give shareholders greater confidence in their investments.

This year has also seen shareholders benefit from the start of a new twice-yearly dividend payment policy. This has been a deliberate strategic decision by the Company to allow shareholders to enjoy investment income twice a year. The policy provides for 50 to 60 per cent of Company after tax profit to be paid to shareholders in the form of dividends, with the balance retained for continued growth of the Company.

Excitingly, this year's icon project – Reflections Towers – purchased last year has sold out. The two, 24-storey towers, situated on Terrace Road East Perth, achieved the highest price ever for an apartment along that strip - $3.7 million. The Company is now achieving prices in the $12,000 per square metre range which is very encouraging and reflects the employment and wealth in the State currently.

This sales success is on the back of the complete sell out on 10 major Company projects with $494 million dollars of sales under contract and due for completion over the next three years.

Moving forward, and building on this year's excellent results, the Company will continue to improve and increase the core business in a manageable way, focusing on continuing to increase the number of apartments developed and sold. Currently, the Company is building approximately 400 apartments per year, up from 150 – 200 previously, and is confident of further increases in activity.

Additionally, the Company recently acquired property with land suitable to build approximately 10,000 square metres of office space. This comes at a time when office space is constrained and demand high, and will provide the Company with another avenue for profit.

The Company is also considering the formation of a commercial property trust from which Finbar would develop the property for the fund, retain an interest in, and receive a recurrent fee for fund management.

With our market leadership recognised, a good project pipeline established, new opportunities to come on stream, and greater returns being given to shareholders, I look forward to 2006 -2007 and building on this significant foundation for future growth and profitability.

John Chan

Managing Director

CORPORATE STRUCTURE

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

THE WESTRALIAN – 78 TERRACE ROAD, EAST PERTH

APARTMENTS
96 – 2 and 3 bedroom

COMMERCIAL
2

AVERAGE SALE PRICE TO DATE
$812,577

% SOLD
99%

SALES TO DATE
$79,720,000

APPROXIMATE END VALUE
$79,820,000

COMPLETION DATE
Completed

PROJECT COMPANY
78 Terrace Road
Joint Venture Pty Ltd

ARUM & SAMPHIRE – 11 & 15 TANUNDA DRIVE, RIVERVALE

APARTMENTS
93 – 2 and 3 bedroom

COMMERCIAL
4

AVERAGE SALE PRICE TO DATE
$288,698

% SOLD
99%

SALES TO DATE
$27,715,000

APPROXIMATE END VALUE
$28,100,000

COMPLETION DATE
Completed

PROJECT COMPANY
Rivervale Concepts Pty Ltd

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

ALTAIR – 132 TERRACE ROAD, EAST PERTH

APARTMENTS
120 – 1, 2 and 3 bedroom

COMMERCIAL
3

AVERAGE SALE PRICE TO DATE
$659,018

% SOLD
100%

SALES TO DATE
$81,059,166

APPROXIMATE END VALUE
$81,059,166

ESTIMATED COMPLETION DATE
March Quarter 2007

PROJECT COMPANY
132 Terrace Road
Joint Venture Pty Ltd

ONE 28 – 128 ADELAIDE TERRACE, EAST PERTH

APARTMENTS
103 – 1, 2 and 3 bedroom

COMMERCIAL
1

AVERAGE SALE PRICE TO DATE
$321,448

% SOLD
100%

SALES TO DATE
$33,430,550

APPROXIMATE END VALUE
$33,430,550

ESTIMATED COMPLETION DATE
December Quarter 2006

PROJECT COMPANY
175 Hay Street
Joint Venture Pty Ltd

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

AVENA – 18 TANUNDA DRIVE, RIVERVALE

APARTMENTS
76

COMMERCIAL
0

AVERAGE SALE PRICE TO DATE
$572,500

% SOLD
100%

SALES TO DATE
$43,510,000

APPROXIMATE END VALUE
$43,510,000

ESTIMATED COMPLETION DATE
March Quarter 2007

PROJECT COMPANY
Rivervale Concepts Pty Ltd

SOHO – 188 ADELAIDE TERRACE, EAST PERTH

APARTMENTS
78 – 1, 2 and 3 bedroom

COMMERCIAL
2

AVERAGE SALE PRICE TO DATE
$327,950

% SOLD
100%

SALES TO DATE
$26,236,000

APPROXIMATE END VALUE
$26,236,000

ESTIMATED COMPLETION DATE
June Quarter 2007

PROJECT COMPANY
188 Adelaide Terrace
Joint Venture Pty Ltd

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

DEL MAR – 3 THE PALLADIO, MANDURAH OCEAN MARINA

APARTMENTS
49 – 1, 2 and 3 bedroom

COMMERCIAL
0

AVERAGE SALE PRICE TO DATE
$581,224

% SOLD
100%

SALES TO DATE
$28,480,000

APPROXIMATE END VALUE
$28,480,000

ESTIMATED COMPLETION DATE
September Quarter 2007

PROJECT COMPANY
Finbar International Limited

SOL – 19 CARR STREET, WEST PERTH

APARTMENTS
60 – 2 and 3 bedroom

COMMERCIAL
0

AVERAGE SALE PRICE TO DATE
$374,167

% SOLD
100%

SALES TO DATE
$22,450,000

APPROXIMATE END VALUE
$22,450,000

ESTIMATED COMPLETION DATE
June Quarter 2007

PROJECT COMPANY
17-19 Carr Street Pty Ltd

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

INFINITY – 131 ADELAIDE TERRACE, EAST PERTH

APARTMENTS
109 – 1, 2 and 3 bedroom

COMMERCIAL
2

AVERAGE SALE PRICE TO DATE
$382,793

% SOLD
100%

SALES TO DATE
$42,490,000

APPROXIMATE END VALUE
$42,490,000

ESTIMATED COMPLETION DATE
September Quarter 2007

PROJECT COMPANY
135 Adelaide Terrace
Developments Pty Ltd

CERESA – 12 TANUNDA DRIVE, RIVERVALE

APARTMENTS
113 – 2 and 3 bedroom

COMMERCIAL
0

AVERAGE SALE PRICE TO DATE
$577,124

% SOLD
100%

SALES TO DATE
$65,215,000

APPROXIMATE END VALUE
$65,215,000

ESTIMATED COMPLETION DATE
December Quarter 2007

PROJECT COMPANY
Rivervale Concepts Pty Ltd

CURRENT PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

REFLECTIONS – 98 & 100 TERRACE ROAD, EAST PERTH

APARTMENTS
138 – 2 and 3 bedroom

COMMERCIAL
4

AVERAGE SALE PRICE TO DATE
$836,245

% SOLD
100%

SALES TO DATE
$118,746,818

APPROXIMATE END VALUE
$118,746,818

ESTIMATED COMPLETION DATE
March Quarter 2009

PROJECT COMPANY
Burt Way Developments Pty Ltd

DOMUS – 375 HAY STREET, EAST PERTH

APARTMENTS
80 – 1 and 2 bedroom

COMMERCIAL
1

AVERAGE SALE PRICE TO DATE
$399,321

% SOLD
100%

SALES TO DATE
$32,345,000

APPROXIMATE END VALUE
$32,345,000

ESTIMATED COMPLETION DATE
March Quarter 2008

PROJECT COMPANY
375 Hay Street Pty Ltd

FUTURE PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

ROYALE – 369 HAY STREET, EAST PERTH

APARTMENTS
193 – 1, 2 and 3 bedroom

COMMERCIAL
4

AVERAGE SALE PRICE TO DATE
$471,466

% SOLD
68%

SALES TO DATE
$62,705,000

APPROXIMATE END VALUE
$96,057,000

ESTIMATED COMPLETION DATE
March Quarter 2009

PROJECT COMPANY
375 Hay Street Pty Ltd

WHATLEY CRESCENT ELEVATION

GUILDFORD ROAD ELEVATION

WHATLEY CRESCENT - MAYLANDS

APPROXIMATE APARTMENTS
131

APPROXIMATE COMMERCIAL
0

APPROXIMATE END VALUE
$55,000,000

ESTIMATED COMPLETION DATE
Stage 1 – December Quarter 2008
Stage 2 – September Quarter 2009

PROJECT COMPANY
Lot 1 to 10 Whatley Crescent Pty Ltd

FUTURE PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

LOT 207 & 301 LAKE STREET - NORTHBRIDGE

APPROXIMATE APARTMENTS
31 – 2 and 3 bedroom

APPROXIMATE COMMERCIAL
6

APPROXIMATE END VALUE
$18,500,000

ESTIMATED COMPLETION DATE
March Quarter 2008

PROJECT COMPANY
Lake Street Pty Ltd

301 LAKE STREET

207 LAKE STREET

701 WELLINGTON STREET – WEST PERTH

APPROXIMATE APARTMENTS
110

APPROXIMATE COMMERCIAL
3

APPROXIMATE END VALUE
$55,455,000

ESTIMATED COMPLETION DATE
September Quarter 2008

PROJECT COMPANY
701 Wellington Street Pty Ltd

FUTURE PROECTS (CURRENT AS OF 15 SEPTEMBER 2006)

FAIRLANES – 175 ADELAIDE TERRACE, EAST PERTH

APPROXIMATE APARTMENTS
192

APPROXIMATE COMMERCIAL
4

APPROXIMATE END VALUE
$80,000,000

ESTIMATED COMPLETION DATE
September Quarter 2009

PROJECT COMPANY
175 Adelaide Terrace Pty Ltd

NUTRIMETICS – 59 ALBANY HIGHWAY, VICTORIA PARK

APPROXIMATE APARTMENTS
75

APPROXIMATE COMMERCIAL
119

APPROXIMATE END VALUE
$60,000,000

ESTIMATED COMPLETION DATE
Stage 1 – June Quarter 2009
Stage 2 – September Quarter 2009

PROJECT COMPANY
59 Albany Highway Pty Ltd

FINBAR INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

ABN 97 009 113 473
ACN 009 113 473

FINANCIAL REPORT

For the year ended 30th June 2006

CONTENTS

DIRECTORS' REPORT

For the Year Ended 30 June 2006

The Directors present their report together with the financial report of Finbar International Limited ('the Company') and of the consolidated entity, being the Company and its Controlled Entities, for the financial year ended 30 June 2006 and the audit report thereon.

CONTENTS OF DIRECTORS' REPORT

1 Directors

The Directors of the Company at any time during or since the end of the financial period are:

Non Executive (Independent) Director

Paul Anthony RENGEL (Chairperson) **Director and Chairperson since 22 May 1992** **Age: 65**

Mr Rengel joined the Board in 1992 and has a Bachelor of Commerce degree from the University of Western Australia. Mr Rengel is a Fellow of the Australian Institute of Chartered Accountants, and is an associate of the Australian Institute of Company Directors and the Australian Institute of Management. Mr Rengel is a partner of Moore Stephens BG Chartered Accountants and has 33 years experience in public practice in international firms. Mr Rengel was a Director of the listed company Computronics Holdings Limited in the last three years.

Non Executive Director

John Boon Heng CHEAK **Director since 28 April 1993** **Age: 63**

Joining the Board in 1993, Mr Cheak has a Bachelor of Economics degree from the University of Western Australia. Mr Cheak is also a Director of Zicom Group Limited, CH Offshore Limited (Singapore) and Scomi Marine Bhd (Malaysia). The other listed companies of which Mr Cheak has been a Director in the last three years include Environmental Solutions International Limited and Chuan Hup Holdings Limited (Singapore).

Non Executive Director

Kee Kong LOH **Director since 28 April 1993** **Age: 54**

Joining the Board in 1993, Mr Loh has a degree in accountancy from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is also a Director of Cedar Woods Properties Limited and PCI Limited (Singapore). The other companies of which Mr Loh has been a director in the last three years are PT Rig Tenders Tbk, Chuan Hup Holdings Limited (Singapore) and CH Offshore Limited (Singapore).

Executive Director

John CHAN (Managing Director) **Director and Managing Director since 27 April 1995** **Age: 58**

Joining the Board in 1995, Mr Chan has a Bachelor of Science degree from Monash University and a Master of Business Administration degree from the University of Queensland. Mr Chan has vast experience as a Director in public companies in the areas of trading, manufacturing, finance and property development both in Australia and overseas. Mr Chan is also a Director of Finbar's controlled and jointly controlled entities.

Executive Director

Richard Dean RIMINGTON **Director since 27 April 1995** **Age: 46**

Joining the Board in 1995, Mr Rimington is a property developer with 21 years experience in land subdivision, development construction, and marketing experience in medium to high density residential housing. Mr Rimington is responsible for the project management and site identification of Company projects. Mr Rimington is also a Director of Finbar's controlled and jointly controlled entities.

2 Company Secretary

Darren John PATEMAN **Company Secretary since 28 February 1996** **Age: 37**

Mr Pateman joined the Company as Administrator in 1995 and was appointed Company Secretary in 1996. Coming from a background of real estate, Mr Pateman was appointed General Manager in 2003 and Chief Executive Officer in 2006. Mr Pateman is also the Company Secretary of Finbar's controlled and jointly controlled entities.

3 Directors' Meetings

The number of Directors' meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings Held	Board Meetings Attended
Paul Anthony RENGEL	3	2
John Boon CHEAK	3	1
Kee Kong LOH	3	3
John CHAN	3	3
Richard Dean RIMINGTON	3	3

4 Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial period, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and Senior Executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The Board is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and executive management.

Board Processes

The Company is not currently considered to be of the size, nor are its affairs of such complexity to justify the establishment of separate committees, or a formal Board charter or a code of conduct. Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full Board.

In addition to Board meetings, the Board communicate regularly and attend to the majority of the governance matters via circular resolution.

The agenda for meetings is prepared in conjunction with the Chairperson, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions.

Director Education

Directors have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' report on Page 15 of this report.

The composition of the Board is determined using the following principles:

- The Board shall comprise Directors with a range of expertise encompassing the current and proposed activities of the Company;
- Have a Non Executive Independent Director as Chairperson;
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments are referred to shareholders at the next opportunity for re-election in the general meeting;
- New Directors are provided the opportunity to meet with management and familiarise themselves with the business operations of the Company;
- The procedures for the election and retirement of Directors are governed by the Company's constitution and the listing Rules of the Australian Stock Exchange Limited (ASX).

An Independent Director is a Director who is not a member of management (a Non Executive Director) and who:

- Holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- Has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member;
- Is not a material* supplier or customer of the Company, or another group member, or an officer of or otherwise associated directly or indirectly with a material* supplier or customer;
- Has no material* contractual relationship with the Company or another group member other than as a Director of the Company;
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

** The Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lessor of at least five per cent of the relevant Director-related business' revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The Board currently consists of one Independent Director and four Non Independent Directors. The Company does not have a nomination or remuneration committee as the Company is not currently considered to be of the size nor have the shareholder spread to warrant the appointment of additional Independent Directors. The Company Chairman is a Non Executive Independent Director who holds this position in the interests of minority shareholders.

4 Corporate Governance Statement (Continued)

4.2 Remuneration Report

4.2.1 Principles of Remuneration - Audited

Remuneration is referred to as remuneration throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. Key management personnel includes the Section 300A Directors and executives for the Company and the consolidated entity.

Remuneration levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board obtains independent advice on the appropriateness of remuneration packages of both the Company and consolidated group given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the consolidated entity performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth;
- the amount of incentives within each key management person's remuneration.

Remuneration packages include a mix of fixed remuneration and long-term performance-based incentives.

Fixed Remuneration
Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the Directors' and Senior Executives' remuneration is competitive in the market place.

Performance Linked Remuneration
Performance linked remuneration includes long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Option Plan 2003 (see Note 20 to the Consolidated Financial Statements). The Board did not exercise any discretion on the payment of options as the plan provides for no such discretion.

Long Term Incentive
Options are issued under the Executive Option Plan 2003 (made in accordance with thresholds set in the plan approved by shareholders at the 26 June 2003 General Meeting), and it provides for key management personnel to receive up to an annual aggregate of five per cent of fully paid issued shares by way of options over ordinary shares, for no consideration.

Consequences of Performance on Shareholders Wealth
In considering the consolidated entity's performance and benefits for shareholders wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years:

	2005	2004	2003	2002
Net profit attributable to equity holders of the parent **(calculated under Australian GAAP)**	$6,578,450	$4,474,948	$3,141,396	$2,114,881
Dividends paid	$0.02	$0.01	$0.01	$0.01
Change in share price	$0.13	$0.00	$0.04	($0.03)
Return on capital employed	13.11%	12.79%	9.75%	6.59%
Return on ordinary shareholders equity	17.35%	14.41%	10.74%	8.10%

	2006	2005
Net profit attributable to equity holders of the parent **(calculated under AIFRS)**	$5,025,449	$5,672,748
Dividends paid	$0.04	$0.02
Change in share price	$0.47	$0.14
Return on capital employed	8.69%	12.95%
Return on ordinary shareholders equity	10.26%	16.34%

Net profit amounts for years 2002 to 2005 were calculated in accordance with previous Australian GAAP. The net profit amount for 2006 with comparative figures for 2005 have been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on net profit of transition to AIFRS see Note 31 to the Consolidated Financial Statements.

Dividends, changes in share price, and return of capital are included in the total shareholder return (TSR) calculation which is one of the performance criteria assessed for the LTI. The other performance criteria assessed for the LTI is growth in earnings per share, which takes into account the consolidated entity's net profit.

The overall level of key management personnel's remuneration takes into account the performance of the consolidated entity over a number of years. Over the past four years the consolidated entity's profit from ordinary activity after income tax has grown at an average rate of 34.41% per annum. During the same period average executives remuneration has grown by approximately 12.38% per annum.

The Board considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence for this is the very strong growth in profits in recent years.

Service Contracts

No service contracts (except as detailed at Paragraph 4.2.2 of this Directors Report) have been entered into by the consolidated entity's for Executive Directors and Senior Executives, including the Managing Director and Company Secretary.

Directors – Audited

Total remuneration for all Directors, last voted upon by shareholders at the 2004 year AGM, is not to exceed $156,997 per annum and are set based on advice from external advisors with reference to fees paid to other Directors of comparable companies. Directors' base fees are presently up to $156,997 per annum.

The Chairperson receives up to twice the base fee. Directors' fees cover all main Board activities.

4 Corporate Governance Statement (Continued)

4.2.2 Directors & Executive Officers' Remuneration (Company and Consolidated) - Audited

Details of the nature and amount of each major element of remuneration of each Director of the Company and of the named Company Executive who receive the highest remuneration during the financial year ended 30 June 2006 are:

	Salary and Fees	Superannuation	Management Fees (*)	Options Issued (**)	Total
	$	$	$	$	$
Executive Director					
Mr John Chan	24,187	2,177	*	-	26,364
Mr Richard Dean Rimington	24,187	2,177	*	-	26,364
Non Executive Director					
Mr Paul Anthony Rengel	39,545	-		-	39,545
Mr John Cheak	26,364	-		-	26,364
Mr Kee Kong Loh	26,364	-		-	26,364
Officer					
Mr Darren John Pateman	11,009	991	*	-	12,000
	151,656	**5,344**		**-**	**157,000**

Details of the nature and amount of each major element of the emolument of each Director of the Company and the named Officers of the Company receiving the highest remuneration during the financial year 30 June 2005 are:

	Salary and Fees	Superannuation	Management Fees (*)	Options Issued	Total
	$	$	$	$	$
Executive Director					
Mr John Chan	24,187	2,177	*	-	26,364
Mr Richard Dean Rimington	24,187	2,177	*	-	26,364
Non Executive Director					
Mr Paul Anthony Rengel	39,541	-		-	39,541
Mr John Cheak	26,364	-		-	26,364
Mr Kee Kong Loh	26,364	-		-	26,364
Officer					
Mr Darren John Pateman	11,009	991	*	-	12,000
	151,652	**5,345**		**-**	**156,997**

*** Management Fees:**

The Company has entered into a management agreement ("the agreement") with J&R Management Pty Ltd ("J&R Management") for the provision of executive management, project management and company secretarial services to the Company for a period of three years from 1 July 2004. The agreement was signed on 16 December 2004. Mr John Chan and Mr Richard Dean Rimington are Directors and shareholders of J&R Management. Mr Darren John Pateman is a shareholder of J&R Management. The agreement provides for the payment of a commission of eight per cent of pre-tax profits of the Company in each financial year.

The management agreement includes a clause to pay J & R Management fifty percent of the management fee payable to the Company by Boas Gardens Estate Pty Ltd.

The terms and conditions of the transactions with J&R Management are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to J&R Management were as follows:

		Consolidated		The Company	
	Note	**2006**	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Monthly fee	a)	425,376	415,000	425,376	415,000
Eight per cent of Pre-tax Company profits	b)	(51,615)	(47,190)	(51,615)	(47,190)
Eight per cent of Pre-tax Jointly Controlled entities profits	c)	185,172	876,872	185,172	876,872
Eight per cent of Pre-tax Controlled entities profits		106,723	-	106,723	-
Fifty per cent of Boas Gardens Estate Pty Ltd management fee		(4,461)	16,213	(4,461)	16,213
		661,195	**1,260,895**	**661,195**	**1,260,895**

The calculation of management fees for 2006 are based on AIFRS profit calculations, after adjustment to AIFRS for the calculation of prior year management fees.

a) The monthly fee payable to J&R Management is $35,448 per month (2005: $34,583 per month).

b) The calculation of the eight per cent of Pre-tax Company profits does not include the Share of net profits of Jointly Controlled entities' accounted for using the equity method, and does not include the net profits of Controlled entities'.

c) The calculation of the eight per cent of Pre-tax Jointly Controlled entities profits is calculated on the Company's interest in the Jointly Controlled entities'.

4 Corporate Governance Statement (Continued)

4.2.3 Equity Instruments - Audited

All options refer to options over ordinary shares of Finbar International Limited, which are exercisable on a one-for-one basis under the Executive Option Plan 2003.

4.2.3.1 Options and Rights over Equity Instruments Granted as Remuneration

Details on options over ordinary shares in the Company that were granted as remuneration to each key management person and employees during the reporting period and since the end of the reporting period, and details on options that were vested during the reporting period are as follows:

	Number of Options Granted during 2006	Number of Options Granted after Balance Date	Grant Date	Number of Options Vested during 2006	Exercise Price per Option	Expiry Date
Executive Director						
Mr John Chan	-	1,950,000	3 July 2006	-	$0.40	3 July 2009
Mr Richard Dean Rimington	-	1,400,000	3 July 2006	-	$0.40	3 July 2009
Non Executive Director						
Mr Paul Anthony Rengel	-	500,000	3 July 2006	-	$0.40	3 July 2009
Officer						
Mr Darren John Pateman	-	1,000,000	3 July 2006	-	$0.40	3 July 2009
Employee						
Mr Edward Guy Bank	-	250,000	3 July 2006	-	$0.40	3 July 2009

The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable after one year from the grant date. For options granted since the end of the financial year, the earliest exercise date is 3 July 2007.

These options do not entitle the holder to participate in any share issue of the company or any other body corporate.

Further details, including grant dates and exercise dates regarding options granted to executives under the Executive Option Plan 2003 are in Note 20 to the Consolidated Financial Statements.

4.2.3.2 Modifications of Terms of Equity-settled Share-based Payment Transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as remuneration to a key management person) have been altered or modified by the issuing entity during the reporting period.

4.2.3.3 Exercise of Options Granted as Remuneration

During the reporting period, the following shares were issued on the exercise of options previously granted as remuneration (granted 5 September 2003):

	Number of Shares	Amount Paid per Share
Executive Director		
Mr John Chan	1,286,828	$0.30
Mr Richard Dean Rimington	1,000,000	$0.30
Non Executive Director		
Mr Paul Anthony Rengel	600,000	$0.30
Mr John Cheak	450,000	$0.30
Mr Kee Kong Loh	450,000	$0.30
Officer		
Mr Darren John Pateman	700,000	$0.30
Total Options Exercised	**4,486,828**	

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

All of the options exercised relate to options with a vesting date prior to 1 January 2005 and therefore fall outside AASB2 Share Based Payments.

4.3 Audit Committee

The Managing Director and the Group Accountant declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 30 June 2006 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The Company does not have a formally constituted audit committee. The Board monitors the need fo form an audit committee on a periodic basis. The responsibilities of the Board include:

· reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Equivalents to International Reporting Standards (AIFRS), and assessing whether the financial information is adequate for shareholder needs;

· assessing corporate risk assessment processes;

· reviewing the Company's policies and procedures for convergence with Australian Equivalents to International Reporting Standards (AIFRS) for reporting periods beginning on 1 July 2005;

· assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;

· reviewing whether provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;

4 Corporate Governance Statement (Continued)

4.3 Audit Committee (Continued)

- assessing the adequacy of the internal control framework and the Company's ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary;
- monitoring fraud control and monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and approval of the financial report;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The Board considers annually the necessity to request the attendance of the auditors at annual general meetings so as to be available to answer shareholder questions about the conduct of the audit and content of the auditor's report.

4.4 Risk Management

Oversight of the Risk Management
The Board oversees the establishment, implementation, and annual review of the Company's risk management procedures. Management has established and implemented informal risk management procedures for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. The Managing Director and the Group Accountant have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity, and Jointly Controlled entities.

Risk Profile
Major risks arise from such matters as actions by competitors, government policy changes, difficulties in appointed builders sourcing raw materials and skilled labour, environment, property, and financial reporting.

The Board adopts practices to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist.

Risk Management and Compliance Control
The consolidated entity strives to ensure that its products are of the highest standard.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;

- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see next page);
- environmental regulation compliance (see below).

Quality and Integrity of Personnel
Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial Reporting
The Managing Director and the Group Accountant have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

There is a comprehensive accounting system. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly. Procedures are in place to ensure price sensitive information is reported to the Australian Stock Exchange (ASX) in accordance with Continuous Disclosure Requirements.

Convergence with Australian equivalents to International Financial Reporting Standards (AIFRS) has been a key financial reporting project during the financial year ended 30 June 2006.

Details of the impact of transition from previous Australian Generally Accepted Accounting Principles (AGAAP) to AIFRS on the financial report for the financial year ended 30 June 2006 is included in Note 31 to the Consolidated Financial Statements.

A review is undertaken at year end of all related party transactions.

Environmental Regulation
The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

The Board is not aware of any significant breaches of environmental regulations during the period covered by this report.

4.5 Ethical Standards

All Directors, Managers and Employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Conflict of Interest
Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and consolidated entity are set out in Note 27 to the Consolidated Financial Statements.

Code of Conduct
All Directors, Managers and Employees are expected maintain high ethical standards including the following:

- aligning the behaviour of the Board and Management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;

4 Corporate Governance Statement (Continued)

4.5 Ethical Standards (Continued)

- employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets;
- compliance with laws;
- reporting of unethical behaviour.

Trading in General Company Securities by Directors and Employees
The key elements of the Trading in Company securities by Directors and Employees Policy are:

- identification of those restricted from trading - Directors and Senior Executives including all staff of J & R Management Pty Ltd may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - except between three and 30 days after either the release of the Company's half-year and annual results to the Australian Stock Exchange ('ASX'), the Annual General Meeting or any major announcement;
  - whilst in possession of price sensitive information not yet released to the market;
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade;
- identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

4.6 Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Managing Director, the Company Secretary and the Group Accountant are responsible for interpreting the company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered;
- the Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;

- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the external auditor being requested to attend the annual general meetings to answer questions concerning the conduct of the audit, the preparation, and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder on request.

5 Principal Activities

The principal activities of the consolidated entity during the course of the financial period continued to be property investment and development.

The Company's focus is the development of medium to high-density residential buildings in the Perth metropolitan area by way of direct ownership, ownership through fully owned Subsidiaries or by Jointly Controlled entities involvement through companies registered specifically to conduct the development.

There were no significant changes in the nature of the activities of the Company during the financial period.

6 Operating and Financial Review

Operating Results

The net profit of the Company after income tax amounted to:	$5,668,957	(2005)	$5,621,752
The net profit of the consolidated group after income tax amounted to:	$5,025,449	(2005)	$5,672,748

Shareholder Returns

	AIFRS 2006	AIFRS 2005	AGAAP 2004	AGAAP 2003	AGAAP 2002
Net profit attributable to equity holders of the parent	$5,025,449	$5,672,748	$4,474,948	$3,141,396	$2,114,881
Basic EPS	$0.05	$0.06	$0.05	$0.04	$0.02
Dividends paid	$4,098,936	$1,793,737	$897,366	$897,366	$909,486
Dividends paid per share	$0.04	$0.02	$0.01	$0.01	$0.01
Market price per share	$0.88	$0.41	$0.27	$0.27	$0.23
Change in Share Price	$0.47	$0.14	$0.00	$0.04	$0.04
Return on Capital Employed	8.69%	12.95%	12.79%	9.75%	6.59%
Return on Ordinary Shareholders Equity	10.26%	16.34%	14.41%	10.74%	8.10%

6 Operating and Financial Review (Continued)

Net profit amounts for years 2002 to 2004 were calculated in accordance with previous Australian GAAP. Net profit amounts for 2005 and 2006 has been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on net profit of transition to AIFRS see Note 31 to the Consolidated Financial Statements.

Returns to shareholders increase through both dividends and capital growth. Dividends for 2006 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Review of Operations
During the period the Company continued to focus on its core activities of residential property development.
The Company has funded its operations from cash reserves together with short-term construction finance which is project specific.
The Company has completed its development of the site at 15 Stone Street (Riverstone) in South Perth. The Company is continuing its development of the site at Mandurah Marina (Del Mar) in Mandurah.

Significant Changes in State of Affairs
In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review.

7 Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per Share	Total Amount $	Franked / Unfranked	Date of Payment
Proposed dividend approved on 22 June 2006				
Final 2006 ordinary	3.00	3,560,202	Franked*	29 September 2006
Total Dividends Approved		**3,560,202**		
Paid During the Year 2006				
Interim 2006 ordinary	1.00	1,032,234	Franked *	28 April 2006
Final 2005 ordinary	3.00	3,066,702	Franked**	30 September 2005
Total Dividends Paid		**4,098,936**		

A final dividend of 3 cents per share was proposed by the Directors of the Company on 22 June 2006. The proposed final dividend will be ratified by the shareholders at the Annual General Meeting of the Company.

Franked dividends declared or paid during the year were franked at the rate of 30%.

	Note	$
Dealt with in the financial report as:		
- Dividends	21	4,098,936

* Paid out of AIFRS profits
** Paid out of old AGAAP profits

8 Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Options over ordinary shares in the Company have been granted as remuneration to each key management person, since the end of the reporting period. Details of those options granted are set out at Paragraph 4.2.3.1 of this Directors Report.

9 Likely Developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

The consolidated entity will continue planned development projects on existing land and will seek new opportunities for the acquisition of future development projects.

Further information about likely developments in the operations of the consolidated entity and the expected results of these operations in future years has not been included in this report as the disclosure of such information would, in the opinion of the Directors', be likely to result in unreasonable prejudice to the consolidated entity.

10 Directors Interests

The relevant interest of each Director in the shares and options over such instruments by the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange Limited in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report is as follows:

Finbar International Limited

Director	Ordinary Shares	Options Issued on 3 July 2006
Mr John Chan	15,842,865	1,950,000
Mr Richard Dean Rimington	4,413,891	1,400,000
Mr Paul Anthony Rengel	623,000	500,000
Mr John Cheak	380,000	-
Mr Kee Kong Loh	1,932,656	-

11 Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its Controlled Entities, except where the liability arises out of the conduct involving a lack of good faith.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

During the year, the Company entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the annual financial report, except where the liability arises out of conduct involving a lack of good faith.

Insurance Premiums

During the financial period the Company has paid insurance premiums of $22,200 (2005: $22,250) in respect of Directors and Officers liability and legal expenses insurance contracts, for Directors and Officers, including Executive Officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

During the financial period 78 Terrace Road Joint Venture Pty Ltd (a Jointly Controlled entity) has paid insurance premiums of $2,662 (2005: $27,778). The insurance premiums relate to:

- Losses that may be incurred by the Company through the death, disability or serious illness of key personnel, John Chan, Richard Dean Rimington and Darren John Pateman;
- Costs and expenses incurred in recruiting suitable replacements upon the death, disability or serious illness of those key personnel.

12 Non-audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1Professional independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in the following table:

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Audit Services				
Auditors of the Company				
Audit and review of the financial reports (KPMG Australia)	92,196	34,122	92,196	34,122
Audit Services				
Auditors of the Jointly Controlled Entities				
Audit and review of the financial reports (KPMG Australia)	20,000	45,325	20,000	45,325
Services Other Than Statutory Audit				
Taxation compliance services	7,100	8,600	7,100	8,600

13 Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on Page 79 forms part of the Directors' Report for the financial year ended 30 June 2006.

Dated at Perth this Thirteenth day of 2006

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

John Chan

Managing Director

INCOME STATEMENTS

For the Year Ended 30 June 2006

		Consolidated		The Company	
	Note	**2006**	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Revenue		8,140,004	5,328,974	8,140,004	5,328,974
Cost of sales		(5,582,156)	(3,131,623)	(5,582,156)	(3,131,623)
Gross Profit		2,557,848	2,197,351	2,557,848	2,197,351
Other income	2	186,866	147,566	126,841	59,912
Administrative expenses		(1,397,613)	(1,855,442)	(1,362,234)	(1,843,678)
Other expenses	3	(30,738)	(45,468)	(30,738)	(45,427)
Profit before Financing Costs		1,316,363	444,007	1,291,717	368,158
Financial income	6	972,767	177,442	1,623,801	175,094
Financial expenses	6	(16,460)	(14,121)	(15,912)	(13,908)
Net Financing Income		956,307	163,321	1,607,889	161,186
Share of Jointly Controlled entities' net profit	15	3,598,473	5,226,397	3,599,473	5,226,397
Profit before Income Tax Expense		5,871,143	5,833,725	6,499,079	5,755,741
Income tax expense	7	(845,694)	(160,977)	(830,122)	(133,989)
Profit for the year		5,025,449	5,672,748	5,668,957	5,621,752
Attributable to:					
Equity holders of the parent		5,025,470	5,672,748	5,668,957	5,621,752
Minority interest		(21)	-	-	-
Profit for the year		5,025,449	5,672,748	5,668,957	5,621,752
Earnings per Share for Profit Attributable to the Ordinary Equity Holders of the Company:					
Basic earnings per share (cents per share)	8	4.89	6.00		
Diluted earnings per share (cents per share)	8	4.89	5.73		
Dividends per ordinary share (cents per share)	21	4.00	2.00		

The Income Statements are to be read in conjunction with the Notes to the Consolidated Financial Statements set out on Pages 36 to 76.

FINBAR INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2006

	Share Capital	Consolidated Retained Earnings	Total Equity
	$	$	$
Opening balance at 1 July 2004	23,259,061	4,327,650	27,586,711
Profit for the year	-	5,672,748	5,672,748
Shares issued – net of share issue cost and tax	3,249,079	-	3,249,079
Dividends to shareholders	-	(1,794,732)	(1,794,732)
Closing balance at 30 June 2005	26,508,140	8,205,666	34,713,806
Opening balance at 1 July 2005	26,508,140	8,205,666	34,713,806
Profit for the year	-	5,025,449	5,025,449
Shares issued – net of share issue cost and tax	13,353,677	-	13,353,677
Dividends to shareholders	-	(4,098,936)	(4,098,936)
Closing balance at 30 June 2006	39,861,817	9,132,179	48,993,996

Amounts are stated net of tax

	Share Capital	The Company Retained Earnings	Total Equity
	$	$	$
Opening balance at 1 July 2004	23,259,061	4,327,650	27,586,711
Profit for the year	-	5,621,752	5,621,752
Shares issued – net of share issue cost and tax	3,249,079	-	3,249,079
Dividends to shareholders	-	(1,794,732)	(1,794,732)
Closing balance at 30 June 2005	26,508,140	8,154,670	34,662,810
Opening balance at 1 July 2005	26,508,140	8,154,670	34,662,810
Profit for the year	-	5,668,957	5,668,957
Shares issued – net of share issue cost and tax	13,353,672	-	13,353,672
Dividends to shareholders	-	(4,098,936)	(4,098,936)
Closing balance at 30 June 2006	39,861,812	9,724,691	49,586,503

Amounts are stated net of tax

The Statement of Changes in Equity are to be read in conjunction with the Notes to the Consolidated Financial Statements set out on Pages 36 to 76.

FINBAR INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

BALANCE SHEETS

For the Year Ended 30 June 2006

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	9	14,073,801	2,473,837	13,481,094	2,401,784
Trade and other receivables	10	1,196,752	2,109,722	4,676,599	2,064,570
Inventories	11	5,356,446	8,586,533	-	8,586,533
Loans to related parties	12	182,713	231,018	182,713	231,018
Investments	13	-	-	1	-
Other assets		-	3,848	-	-
Total Current Assets		20,809,712	13,404,958	18,340,407	13,283,905
Non Current Assets					
Trade and other receivables	10	13,811,910	18,737,703	23,812,035	22,019,671
Inventories	11	18,160,701	5,588,281	5,936,881	342,709
Investments	13	-	-	16	4
Investments in Jointly Controlled entities'	15	4,069,508	5,162,474	4,070,449	5,162,474
Property, plant and equipment	17	950,972	893,183	950,972	893,183
Deferred tax assets	16	32,644	-	322,810	-
Total Non Current Assets		37,025,735	30,381,641	35,093,163	28,418,041
Total Assets		57,835,447	43,786,599	53,433,570	41,701,946
LIABILITIES					
Current Liabilities					
Trade and other payables	18	2,217,186	729,707	373,463	723,039
Interest bearing loans and borrowings	19	5,888,601	8,214,412	2,477,062	6,214,412
Income tax payable	14	735,664	50,336	996,542	59,507
Total Current Liabilities		8,841,451	8,994,455	3,847,067	6,996,958
Non Current Liabilities					
Deferred tax liabilities	16	-	78,338	-	42,178
Total Non Current Liabilities		-	78,338	-	42,178
Total Liabilities		8,841,451	9,072,793	3,847,067	7,039,136
Net Assets		48,993,996	34,713,806	49,586,503	34,662,810
EQUITY					
Issued capital		39,861,817	26,508,140	39,861,812	26,508,140
Retained earnings		9,132,179	8,205,666	9,724,691	8,154,670
Total Equity	21, 30	48,993,996	34,713,806	49,586,503	34,662,810
Attributable to:					
Equity holders of the parent		48,994,012	34,713,806	49,586,503	34,662,810
Minority interest		(16)	-	-	-
Total Equity		48,993,996	34,713,806	49,586,503	34,662,810

The Balance Sheets are to be read in conjunction with the Notes to the Consolidated Financial Statements set out on Pages 36 to 76.

STATEMENTS OF CASH FLOWS

For the Year Ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Cash Flows from Operating Activities					
Cash receipts from customers		7,865,155	4,125,909	7,776,088	4,068,268
Cash paid to suppliers and employees		(14,749,918)	(14,098,737)	(3,839,300)	(8,972,271)
Cash (used in)/generated from operations		(6,884,763)	(9,972,828)	3,936,788	(4,904,003)
Interest paid		(577,534)	(336,719)	(152,650)	(197,164)
Income taxes (paid)/refunded		(112,113)	55,593	(99,043)	55,630
Net Cash (used in)/generated from Operating Activities	25	(7,574,410)	(10,253,954)	3,685,095	(5,045,537)
Cash Flows from Investing Activities					
Interest received		689,190	177,442	673,393	175,094
Dividends received from Jointly Controlled entities		4,691,500	1,785,000	4,691,500	1,785,000
Acquisition of subsidiary, net of cash acquired		-	-	(14)	(2)
Acquisition of property, plant and equipment		(108,545)	(62,246)	(108,545)	(62,246)
Acquisition of other assets		-	(3,848)	-	-
Loans to related party		(182,686)	-	(182,686)	-
Loans to Controlled entities		-	-	(10,367,876)	(3,281,968)
Loans to Jointly Controlled entities		(3,156,815)	(7,556,258)	(2,839,123)	(7,556,258)
Repayment of loans from Jointly Controlled entities		10,164,193	8,394,453	10,164,192	8,394,453
Net Cash provided by/(used in) Investing Activities		12,096,837	2,734,543	2,030,841	(545,927)
Cash Flows from Financing Activities					
Proceeds from issue of share capital		13,200,665	3,249,079	13,200,660	3,249,079
Proceeds from borrowings		6,402,727	8,214,412	2,688,569	6,214,412
Repayment of borrowings		(8,425,919)	(700,000)	(6,425,919)	(700,000)
Dividends paid		(4,099,936)	(1,793,737)	(4,099,936)	(1,793,737)
Net Cash received from Financing Activities		7,077,537	8,969,754	5,363,374	6,969,754
Net increase in cash and cash equivalents		11,599,964	1,450,343	11,079,310	1,378,290
Cash and cash equivalents at 1 July		2,473,837	1,023,494	2,401,784	1,023,494
Cash and Cash Equivalents at 30 June	9	14,073,801	2,473,837	13,481,094	2,401,784

The Statements of Cash Flows are to be read in conjunction with the Notes to the Consolidated Financial Statements set out on Pages 36 to 76.

CONTENTS OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Note

Finbar International Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprise the Company and its Subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in Jointly Controlled entities.

The financial report was authorised for issue by the Directors on 13 September 2006.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs'), adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with the Australian Accounting Standards, being AIFRS, and IFRS and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in Note 31.

1. Significant Accounting Policies (Continued)

(b) Basis of Preparation

The financial report is presented in Australian dollars.

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements (only standards applicable to the Company and consolidated entity have been listed):

- AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for the annual reporting periods beginning on or after 1 January 2006;
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of Subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Joint Ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly Controlled Entities
In the consolidated financial report, investments in Jointly Controlled entities are accounted for using equity accounting principles. Investments in Jointly Controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the Jointly Controlled entity's net profit or loss is recognised in the consolidated Income Statements from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

In the Company's financial statements, investments in Jointly Controlled entities are carried at cost.

Jointly Controlled Operations
The interest of the Company and of the consolidated entity in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions Eliminated on Consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with Jointly Controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in Jointly Controlled entities" and "Share of net profit of Jointly Controlled entities" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the Jointly Controlled entities or, if not consumed or sold by the Jointly Controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1. Significant Accounting Policies (Continued)

(ii) Subsequent Costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation and Amortisation

All assets have limited useful lives and are depreciated/amortised using the straight line method or reducing balance method over their useful lives. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in the current and future periods only.

The estimated useful lives in the current and comparative periods are as follows:

Buildings	40 years
Office furniture, fixtures and fittings	5 - 25 years
Plant and equipment	3 - 10 years

There has been no charge in these rates since the prior financial year.

(e) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (h)).

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Land Held for Development

Land held for development and resale is valued at the lower of cost and realisable value. Cost includes the cost of acquisition, development, interest on funds borrowed for the development and holding costs until the completion of the development.

Interest and holding charges incurred after full completion of the development are expensed.

Construction Work in Progress

Work in progress is carried at the lower of cost and net realisable value.

Cost includes land, development costs and other costs directly related to specific projects, and those which are attributable to project activity in general and which can be allocated to specific projects on a reasonable basis.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances short term bills, and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (f)) and deferred tax assets (see accounting policy (p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (h)(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

(i) Calculation of Recoverable Amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of Impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

Current accounting policy

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Comparative period policy

A financial asset was derecognised when the contractual right to receive or exchange cash flows no longer existed. A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

1. Significant Accounting Policies (Continued)

(i) Share Capital

(i) Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared by shareholders.

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Interest-bearing Borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

Bank loans are recognised at their principal amount. Interest expense is accrued at the contracted rate and included in Note 18 Trade and Other Payables.

(k) Employee Benefits

(i) Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Long-term Service Benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(iv) Share-based Payment Transactions

The share option program allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Trade and Other Payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 60-day terms.

(n) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

(i) Property Development Sales

Revenue from the sale of residential, retail, commercial and industrial property is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing managerial involvement to the degree usually associated with ownership.

(ii) Property Development Supervision Fees

Revenue from services rendered, including fees arising from the provision of development project management services, is recognised in the income statement in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to an assessment of the costs. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the revenue cannot be measured reliably, the costs incurred or to be incurred cannot be measured reliably, or the stage of completion cannot be measured reliably.

(iii) Management Fee Income

Management fee revenue is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date.

Performance fee income is recognised when the amount can be measured reliably or when contractually due.

(o) Expenses

(i) Net Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(ii) Management Fees

Management fees expense is recognised as it accrues in accordance with underlying contractual terms.

(iii) Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

1. Significant Accounting Policies (Continued)

(p) Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(q) Segment Reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company operates predominantly in the property development sector.

The Company operates wholly in one geographical segment being Western Australia.

(r) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

2 Other Income

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Rental income	118,185	141,606	58,160	53,952
Commissions	-	4,008	-	4,008
Forfeited deposits	-	1,000	-	1,000
Other	68,681	952	68,681	952
Total Other Income	186,866	147,566	126,841	59,912

3 Other Expenses

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Rental expenses	30,738	45,468	30,738	45,427
Total Other Expenses	30,738	45,468	30,738	45,427

4 Personnel Expenses

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Wages and salaries	76,583	20,000	76,583	20,000
Superannuation contributions	10,200	2,769	10,200	2,769
Directors and Officers fees	151,656	151,652	151,656	151,652
Directors and Officers fees - superannuation contributions	5,344	5,345	5,344	5,345
Total Personnel Expenses	243,783	179,766	243,783	179,766

5 Auditors' Remuneration

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Audit Services				
Auditors of the Company				
Audit and review of the financial reports (KPMG Australia)	92,196	34,122	92,196	34,122
Audit Services				
Auditors of the Jointly Controlled Entities				
Audit and review of the financial reports (KPMG Australia)	20,000	45,325	20,000	45,325
Services Other Than Statutory Audit				
Taxation compliance services	7,100	8,600	7,100	8,600

6 Net Financing Costs

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Interest income	(972,767)	(177,442)	(1,623,801)	(175,094)
Financial Income	(972,767)	(177,442)	(1,623,801)	(175,094)
Interest expense	13,825	10,688	13,671	10,687
Bank charges	2,635	3,433	2,241	3,221
Financial Expenses	16,460	14,121	15,912	13,908
Net Financing (Income)/Costs	(956,307)	(163,321)	(1,607,889)	(161,186)

Analysis of Financial Expenses	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Total financial expenses	885,525	300,629	259,335	171,460
Less:				
Financial expenses capitalised to inventory	(869,065)	(286,508)	(243,423)	(157,552)
Add:				
Financial expenses relating to property developments sold	43,893	87,639	43,893	87,639
	60,353	101,760	59,805	101,547
Made up of:				
Financial expenses relating to property developments sold	43,893	87,639	43,893	87,639
Financial expenses relating to administration	16,460	14,121	15,912	13,908
	60,353	101,760	59,805	101,547

Financial expenses were capitalised to work in progress at a weighted average rate of 7.3% (2005: 7.3%)

7 Income Tax Expense

Recognised in Income Statement

	Consolidated		The Company	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
Current Tax Expense				
Current year	736,691	328,702	(381,619)	187,962
Adjustments for prior years	(1,192)	(16,997)	(1,128)	(16,997)
	735,498	311,705	(382,747)	170,965
Deferred Tax Expense				
Origination and reversal of temporary differences	110,196	(150,728)	1,212,870	(36,976)
	110,196	(150,728)	1,212,870	(36,976)
Total Income Tax Expense in Income Statement	845,694	160,977	830,122	133,989

Numerical Reconciliation between Tax Expense and Pre-tax Net Profit

	Consolidated		The Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Profit before Income Tax Expense	5,871,143	5,833,725	6,499,079	5,755,741
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	1,761,343	1,750,118	1,949,724	1,726,722
Increase in income tax expense due to:				
Non-deductible expenses	4,620	6,034	2,264	2,443
Tax effect on inter-company interest	201,362	-	-	-
Decrease in income tax expense due to:				
Tax effect of share of Jointly Controlled entities' net profit	(1,079,542)	(1,567,919)	(1,079,842)	(1,567,919)
Tax incentives not recognised in income statement	(40,896)	(10,260)	(40,896)	(10,260)
	846,887	177,973	831,250	150,986
Over provided in prior years	(1,192)	(16,996)	(1,128)	(16,997)
Income Tax Expense on Pre-tax Net Profit	845,694	160,977	830,122	133,989

8 Earnings per Share

Basic Earnings per Share

The calculation of basic earnings per share at 30 June 2006 was based on the profit attributable to ordinary shareholders of $5,025,470 (2005: $5,672,748) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 102,858,850 (30 June 2005: 94,594,110), calculated as follows:

Profit Attributable to Ordinary Shareholders

	Consolidated 2006 $	Consolidated 2005 $
Profit Attributable to Ordinary Shareholders	5,025,470	5,672,748

Weighted Average Number of Ordinary Shares

		2006 $	2005 $
Issued ordinary shares at 1 July		98,736,576	89,736,576
Effect of shares issued	15 December 2004		4,857,534
Effect of shares issued	15 August 2005	2,062,958	
Effect of shares issued	8 September 2005	848,630	
Effect of shares issued	20 March 2006	279,452	
Effect of shares issued	8 June 2006	931,233	
Weighted Average Number of Ordinary Shares at 30 June		102,858,850	94,594,110

Diluted Earnings per Share

The calculation of basic earnings per share at 30 June 2006 was based on the profit attributable to ordinary shareholders of $5,025,470 (2005: $5,672,748) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 102,858,850 (30 June 2005: 99,080,938), calculated as follows:

Profit Attributable to Ordinary Shareholders (Diluted)

	Consolidated 2006 $	Consolidated 2005 $
Profit Attributable to Ordinary Shareholders (Diluted)	5,025,470	5,672,748

Weighted Average Number of Ordinary Shares (Diluted)

	2006 $	2005 $
Weighted average number of ordinary shares at 30 June	102,858,850	94,594,110
Effect of share options on issue	-	4,486,828
Weighted Average Number of Ordinary Shares (Diluted) at 30 June	102,858,850	99,080,938

9 Cash and Cash Equivalents

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Bank balances	2,137,275	2,453,837	1,544,568	2,381,784
Call deposits	11,936,526	20,000	11,936,526	20,000
Total Cash and Cash Equivalents	14,073,801	2,473,837	13,481,094	2,401,784

10 Trade and Other Receivables

	Consolidated		The Company	
Current	2006	2005	2006	2005
	$	$	$	$
Other trade receivables and prepayments	1,196,752	2,109,722	451,893	2,064,570
Amounts receivable from Controlled entities	-	-	4,224,706	
Total Current Trade and Other Receivables	1,196,752	2,109,722	4,676,599	2,064,570

Non Current	2006	2005	2006	2005
	$	$	$	$
Amounts receivable from Controlled entities	-	-	10,322,192	3,281,968
Amounts receivable from Jointly Controlled entities	13,811,910	18,737,703	13,489,843	18,737,703
Total Non Current Trade and Other Receivables	13,811,910	18,737,703	23,812,035	22,019,671

11 Inventories

	Consolidated		The Company	
Current	2006	2005	2006	2005
	$	$	$	$
Work in progress	5,356,446	8,586,533	-	8,586,533
Total Current Inventories	5,356,446	8,586,533	-	8,586,533

Non Current	2006	2005	2006	2005
	$	$	$	$
Work in progress	18,160,701	5,588,281	5,936,881	342,709
Total Non Current Inventories	18,160,701	5,588,281	5,936,881	342,709

12 Loans to Related Parties

	Consolidated		The Company	
Current	**2006**	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Loans to Directors	182,713	-	182,713	-
Loans to other related parties	-	231,018	-	231,018
Total Loans to Related Parties	182,713	231,018	182,713	231,018

13 Investments

	Consolidated		The Company	
Current	**2006**	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Investments in Controlled entities - at cost	-	-	1	-
Total Current Investments	-	-	1	-

Non Current	**2006**	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Investments in Controlled entities - at cost	-	-	16	4
Total Non Current Investments	-	-	16	4

14 Current Tax Liabilities

The current tax liability for the consolidated entity of $735,664 (2005: $50,336) and for the Company of $996,542 (2005: $59,507) represent the amount of income taxes payable in respect of current and prior periods.

15 Investments in Jointly Controlled entities'

Jointly Controlled Entities

The consolidated entity accounts for investments in Jointly Controlled entities using the equity method.

The consolidated entity has the following investments in Jointly Controlled entities:

Name	Principal Activities	Country	Reporting Date	Ownership 2006	Ownership 2005
59 Albany Highway Joint Venture Pty Ltd*	Property Development	Australia	30 June	46.15%	-
78 Terrace Road Joint Venture Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
132 Adelaide Terrace Joint Venture Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
175 Hay Street Joint Venture Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
188 Adelaide Terrace Joint Venture Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
375 Hay Street Pty Ltd*	Property Development	Australia	30 June	50.00%	-
701 Wellington Street Pty Ltd*	Property Development	Australia	30 June	50.00%	-
Boas Gardens Estate Pty Ltd	Property Development	Australia	30 June	50.00%	50.00%
Dome Langley Park Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
Hamersley Road Joint Venture Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%
Rivervale Concepts Pty Ltd*	Property Development	Australia	30 June	50.00%	50.00%

* Jointly Controlled entities entered into with Wembley Lakes Estates Pty Ltd. Richard Dean Rimington is a Director of Wembley Lakes Estates Pty Ltd. John Chan and Richard Dean Rimington have interests in but not control of Wembley Lakes Estates Pty Ltd.

Net Profit/(Loss) Recognised from Jointly Controlled Entities	Revenues (100%)	Profit/(Loss) (100%)	Net Profit/(Loss) Recognised
2006	**$**	**$**	**$**
59 Albany Highway Joint Venture Pty Ltd**	-	(2,168)	(1,001)
78 Terrace Road Joint Venture Pty Ltd	34,740,727	3,680,309	1,840,155
132 Adelaide Terrace Joint Venture Pty Ltd	26,115	12,279	(10,462)
175 Hay Street Joint Venture Pty Ltd	393,895	56,738	28,369
188 Adelaide Terrace Joint Venture Pty Ltd	17,896,309	757,036	370,934
375 Hay Street Pty Ltd	14,221	3,439	1,720
701 Wellington Street Pty Ltd	-	(2,136)	(1,068)
Boas Gardens Estate Pty Ltd	1,823,937	(85,697)	(42,848)
Dome Langley Park Pty Ltd	-	(1,761)	(880)
Hamersley Road Joint Venture Pty Ltd	188	(4,372)	(2,186)
Rivervale Concepts Pty Ltd	16,549,283	2,831,480	1,415,740
	71,444,675	7,245,146	3,598,473

** 59 Albany Highway Joint Venture Pty Ltd is a Jointly Controlled entity of 59 Albany Highway Pty Ltd which is a Controlled entity of Finbar

15 Investments in Jointly Controlled entities' (Continued)

Net Profit/(Loss) Recognised from Jointly Controlled Entities	Revenues (100%)	Profit/(Loss) (100%)	Net Profit/(Loss) Recognised
2005	**$**	**$**	**$**
78 Terrace Road Joint Venture Pty Ltd	37,450,143	4,324,120	2,162,060
132 Adelaide Terrace Joint Venture Pty Ltd	24,042	(1,159)	-
175 Hay Street Joint Venture Pty Ltd	14,859,838	2,249,833	1,124,916
188 Adelaide Terrace Joint Venture Pty Ltd	9,896	(6,270)	-
Boas Gardens Estate Pty Ltd	28,840,664	2,738,593	1,369,297
Dome Langley Park Pty Ltd	-	-	-
Hamersley Road Joint Venture Pty Ltd	423	(7,325)	(3,663)
Rivervale Concepts Pty Ltd	8,690,258	1,154,220	573,787
	89,875,264	10,452,012	5,226,397

Investments in Jointly Controlled Entities Net Assets	Total Assets (100%)	Total Liabilities (100%)	Net Assets as Reported by Jointly Controlled Entities	Share of Jointly Controlled Entities Net Assets Equity Accounted
2006	**$**	**$**	**$**	**$**
59 Albany Highway Joint Venture Pty Ltd**	598,928	600,967	(2,038)	(941)
78 Terrace Road Joint Venture Pty Ltd	1,661,595	709,312	952,283	476,141
132 Adelaide Terrace Joint Venture Pty Ltd	37,957,488	37,978,410	(20,922)	(10,461)
175 Hay Street Joint Venture Pty Ltd	21,065,670	18,750,064	2,315,606	1,157,803
188 Adelaide Terrace Joint Venture Pty Ltd	7,717,198	6,975,327	741,871	370,935
375 Hay Street Pty Ltd	9,490,298	9,486,857	3,441	1,721
701 Wellington Street Pty Ltd	612,184	614,317	(2,134)	(1,067)
Boas Gardens Estate Pty Ltd	218,226	44,091	174,135	87,068
Dome Langley Park Pty Ltd	2	1,761	(1,759)	(879)
Hamersley Road Joint Venture Pty Ltd	574	1,254	(681)	(340)
Rivervale Concepts Pty Ltd	30,937,607	26,958,552	3,979,055	1,989,528
	110,259,770	102,120,913	8,138,857	4,069,508

** 59 Albany Highway Joint Venture Pty Ltd is a Jointly Controlled entity of 59 Albany Highway Pty Ltd which is a Controlled entity of Finbar

Investments in Jointly Controlled Entities Net Assets	**Total Assets (100%)**	**Total Liabilities (100%)**	**Net Assets as Reported by Jointly Controlled Entities**	**Share of Jointly Controlled Entities Net Assets Equity Accounted**
2005	**$**	**$**	**$**	**$**
78 Terrace Road Joint Venture Pty Ltd	28,899,868	24,557,893	4,341,975	2,170,987
132 Adelaide Terrace Joint Venture Pty Ltd	17,963,830	17,997,031	(33,201)	1
175 Hay Street Joint Venture Pty Ltd	5,991,927	3,733,060	2,258,867	1,129,434
188 Adelaide Terrace Joint Venture Pty Ltd	15,712,477	15,727,642	(15,165)	1
Boas Gardens Estate Pty Ltd	2,614,998	55,165	2,559,833	1,279,916
Dome Langley Park Pty Ltd	1,532	1,530	2	1
Hamersley Road Joint Venture Pty Ltd	17,406	715	16,691	8,346
Rivervale Concepts Pty Ltd	24,050,087	22,902,510	1,147,577	573,788
	95,252,125	84,975,546	10,276,579	5,162,474

Results of Jointly Controlled Entities	**Consolidated**	
	2006	**2005**
	$	**$**
Share of Jointly Controlled Entities profit before income tax	5,182,145	7,468,654
Share of income tax expense	(1,559,487)	(2,242,648)
Share of Jointly Controlled Entities net profit- as disclosed by Jointly Controlled Entities	3,622,658	5,226,006
Adjustments:		
- recognised losses	(24,185)	(3,323)
- unrecognised losses	-	3,714
Share of Jointly Controlled Entities Net Profit Accounted for using the Equity Method	3,598,473	5,226,397

The consolidated entity did not recognise losses relating to 132 Adelaide Terrace Joint Venture Pty Ltd totalling $579 in 2005 and 188 Adelaide Terrace Joint Venture Pty Ltd totalling $3,135 in 2005.

Commitments	**Consolidated**	
	2006	**2005**
	$	**$**
Share of Jointly Controlled entities development commitments contracted but not provided for or payable:		
Within one year	69,447,884	34,185,940
One year or later and no later than five years	2,779,541	4,407,700
Total Jointly Controlled Entities Commitments	72,227,425	38,593,640

Guarantees

Jointly Controlled Entities

The Company has provided a $10,000,000 limited guarantee and indemnity to National Australia Bank Limited for security on a finance facility in 132 Adelaide Terrace Joint Venture Pty Ltd.

The Company has provided a $5,000,000 limited guarantee and indemnity to Westpac Banking Corporation for security on a finance facility in 175 Hay Street Joint Venture Pty Ltd.

The Company has provided a $4,000,000 limited guarantee and indemnity to Bank of Western Australia Ltd for security on a finance facility in 188 Adelaide Terrace Joint Venture Pty Ltd.

16 Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities
Deferred tax assets and liabilities are attributable to the following:

	Consolidated					
	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
Property, plant and equipment	-	-	-	(34)	-	(34)
Inventories	-	-	986,491	100,460	986,491	100,460
Interest bearing loans and borrowings	(78,284)	(8,493)	-	-	(78,284)	(8,493)
Other items	(940,851)	(13,573)	-	-	(940,851)	(13,573)
Tax value of loss carry-forwards recognised	-	(22)	-	-	-	(22)
Tax (assets)/liabilities	(1,019,135)	(22,088)	986,491	100,426	(32,644)	78,338
Set off of tax	986,491	22,088	(986,491)	(22,088)	-	-
	(32,644)	-	-	78,338	(32,644)	78,338

	The Company					
	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
Property, plant and equipment	-	-	-	(34)	-	(34)
Inventories	-	-	435,437	60,232	435,437	60,232
Interest Bearing loans and borrowings	(18,758)	(4,425)	-	-	(18,758)	(4,425)
Other items	(739,489)	(13,573)	-	-	(739,489)	(13,573)
Tax value of loss carry-forwards recognised	-	(22)	-	-	-	(22)
Tax (assets)/liabilities	(758,247)	(18,020)	435,437	60,198	(322,810)	42,178
Set off of tax	435,437	18,020	(435,437)	(18,020)	-	-
	(322,810)	-	-	42,178	(322,810)	42,178

Movement in Temporary Differences During the Year

	Consolidated			
	Balance 1 July 2005	Recognised in Income	Recognised in Equity	Balance 30 June 2006
	$	$	$	$
Property, plant and equipment	(34)	34	-	-
Inventories	100,460	886,031	-	986,491
Interest bearing loans and borrowings	(8,493)	(69,791)	-	(78,284)
Other items	(13,573)	(927,278)	-	(940,851)
Tax value of loss carry-forwards recognised	(22)	22	-	-
	78,338	(110,982)	-	(32,644)

	The Company			
	Balance 1 July 2005	Recognised in Income	Recognised in Equity	Balance 30 June 2006
	$	$	$	$
Property, plant and equipment	(34)	34	-	-
Inventories	60,232	375,205	-	435,437
Interest bearing loans and borrowings	(4,425)	(14,333)	-	(18,758)
Other items	(13,573)	(725,916)	-	(739,489)
Tax value of loss carry-forwards recognised	(22)	22	-	-
	42,178	(364,988)	-	(322,810)

Movement in Temporary Differences During the Year

	Consolidated			
	Balance 1 July 2004	Recognised in Income	Recognised in Equity	Balance 30 June 2005
	$	$	$	$
Property, plant and equipment	-	(34)	-	(34)
Inventories	27,828	72,632	-	100,460
Interest bearing loans and borrowings	(4,832)	(3,661)	-	(8,493)
Other items	(1,199)	(12,374)	-	(13,573)
Tax value of loss carry-forwards recognised	-	(22)	-	(22)
	21,797	56,541	-	78,338

	The Company			
	Balance 1 July 2004	Recognised in Income	Recognised in Equity	Balance 30 June 2005
	$	$	$	$
Property, plant and equipment	-	(34)	-	(34)
Inventories	27,828	32,404	-	60,232
Interest bearing loans and borrowings	(4,832)	407	-	(4,425)
Other items	(1,199)	(12,374)	-	(13,573)
Tax value of loss carry-forwards recognised	-	(22)	-	(22)
	21,797	20,381	-	42,178

17 Property, Plant and Equipment

	Consolidated				
	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Cost					
Balance at 1 July 2005	828,651	175,363	39,971	38,455	1,082,440
Acquisitions	37,516	63,366	4,833	4,824	110,539
Balance at 30 June 2006	866,167	238,729	44,804	43,279	1,192,979

	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Depreciation					
Balance at 1 July 2005	74,649	81,026	26,782	6,800	189,257
Depreciation charge for the year	21,688	25,954	3,046	2,062	52,750
Balance at 30 June 2006	96,337	106,980	29,828	8,862	242,007
Carrying Amounts					
At 1 July 2005	754,002	94,337	13,189	31,655	893,183
At 30 June 2006	769,830	131,749	14,976	34,417	950,972

	The Company				
	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Cost					
Balance at 1 July 2005	828,651	175,363	39,971	38,455	1,082,440
Acquisitions	37,516	63,366	4,833	4,824	110,539
Balance at 30 June 2006	866,167	238,729	44,804	43,279	1,192,979

	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Depreciation					
Balance at 1 July 2005	74,649	81,026	26,782	6,800	189,257
Depreciation charge for the year	21,688	25,954	3,046	2,062	52,750
Balance at 30 June 2006	96,337	106,980	29,828	8,862	242,007
Carrying Amounts					
At 1 July 2005	754,002	94,337	13,189	31,655	893,183
At 30 June 2006	769,830	131,749	14,976	34,417	950,972

			Consolidated		
	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Cost					
Balance at 1 July 2004	798,450	144,175	39,971	38,455	1,021,051
Acquisitions	30,201	31,188	-	-	61,389
Balance at 30 June 2005	828,651	175,363	39,971	38,455	1,082,440

	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Depreciation					
Balance at 1 July 2004	54,521	63,433	23,485	5,133	146,572
Depreciation charge for the year	20,128	17,593	3,297	1,667	42,685
Balance at 30 June 2005	74,649	81,026	26,782	6,800	189,257
Carrying Amounts					
At 1 July 2004	743,929	80,742	16,486	33,322	874,479
At 30 June 2005	754,002	94,337	13,189	31,655	893,183

17 Property, Plant and Equipment (Continued)

	The Company				
	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Cost					
Balance at 1 July 2004	798,450	144,175	39,971	38,455	1,021,051
Acquisitions	30,201	31,188	-	-	61,389
Balance at 30 June 2005	828,651	175,363	39,971	38,455	1,082,440

	Offices	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	$	$	$	$	$
Depreciation					
Balance at 1 July 2004	54,521	63,433	23,485	5,133	146,572
Depreciation charge for the year	20,128	17,593	3,297	1,667	42,685
Balance at 30 June 2005	74,649	81,026	26,782	6,800	189,257
Carrying Amounts					
At 1 July 2004	743,929	80,742	16,486	33,322	874,479
At 30 June 2005	754,002	94,337	13,189	31,655	893,183

18 Trade and Other Payables

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Trade and other payables	1,564,005	78,920	92,350	78,553
Other payables and accrued expenses	653,181	650,787	281,113	644,486
Total Trade and Other Payables	2,217,186	729,707	373,463	723,039

At 30 June 2006, Trade and other payables include retentions of $11,093 (2005:$Nil) relating to construction contracts in progress.

19 Interest Bearing Loans and Borrowings

This note provides information about the contractual terms of the consolidated entity's interest bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate risk see Note 22.

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Commercial bills - secured	5,888,601	8,214,412	2,477,062	6,214,412
Bank Overdrafts	-	-	-	-
Total Interest Bearing Loans and Borrowings	5,888,601	8,214,412	2,477,062	6,214,412

Financing Facilities	2006	2005	2006	2005
	$	$	$	$
Facilities available:				
Bank overdrafts	791,000	-	400,000	-
Standby commercial bill facility	930,000	700,000	930,000	700,000
Commercial bills - secured	27,279,000	8,032,000	14,000,000	6,032,000
Total Facilities Available	29,000,000	8,732,000	15,330,000	6,732,000
Facilities utilised at balance date:				
Bank overdrafts	-	-	-	-
Standby commercial bill facility	-	700,000	-	700,000
Commercial bills - secured	5,888,601	7,514,412	2,477,062	5,514,412
Total Facilities Utilised	5,888,601	8,214,412	2,477,062	6,214,412
Facilities not utilised at balance date:				
Bank overdrafts	791,000	-	400,000	-
Standby commercial bill facility	930,000	-	930,000	-
Commercial bills - secured	21,390,399	517,588	11,522,938	517,588
Total Facilities Not Utilised	23,111,399	517,588	12,852,938	517,588

Financing Arrangements

Bank overdrafts

The total bank overdraft of the Company is secured by a set off agreement against receipt of Goods & Services Tax credits. Interest on bank overdrafts is charged at prevailing market rates.

The total bank overdraft of the Controlled Entity is secured by a registered mortgage debenture over the Controlled Entity's assets and undertakings with a carrying amount of $391,000 (2005: $Nil). The bank overdraft is payable on demand and is subject to annual review.

Standby commercial bill facility

The standby facility with National Australia Bank is secured by registered first mortgage over Level 3, 15 Labouchere Road, South Perth. The carrying amount of these land and buildings at 30 June 2006 was $769,830 (2005: $754,002).

Guarantees

The Company has provided a $118,125 limited guarantee and indemnity to National Australia Bank for security on a bank guarantee in Burt Way Developments Pty Ltd. This guarantee is supported by a first registered mortgage over Level 3, 15 Labouchere Road, South Perth.

Commercial bills

Commercial bills are denominated in Australian dollars (refer Note 22). The commercial bills amount in current liabilities comprises the consolidated entity's bank loan payable within one year ($5,888,601) net of cash on deposit in the consolidated entity's operating accounts with these banks.

The commercial bills loans are secured by registered first mortgages over the development property land and buildings of the consolidated entity to the extent of $27,279,000 (2005: $8,032,000).

The loans bear interest at the banks' prime rates plus 0% to 1.4% (2005: 0% to 1.4%), payable monthly.

20 Employee Benefits

Share Based Payments

At 26 June 2003, the Company established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company. On 3 July 2006, a further grant on similar terms has been offered to these employee groups.

Options are issued under the Executive Option Plan 2003 (made in accordance with thresholds set in plans approved by shareholders at the 26 June 2003 General Meeting), and it provides for Directors and Senior Executives to receive up to an annual aggregate of 5% of fully paid issued shares by way of options over ordinary shares for no consideration.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Options Granted		Exercise Price	Vesting Conditions	Financial Years in which Grant Vests	Expiry Date
	Number	Date				
Executive Director						
Mr John Chan	1,950,000	3 July 2006	$0.40	*	3 July 2007	3 July 2009
Mr Richard Dean Rimington	1,400,000	3 July 2006	$0.40	*	3 July 2007	3 July 2009
Non Executive Director						
Mr Paul Anthony Rengel	500,000	3 July 2006	$0.40	*	3 July 2007	3 July 2009
Officer						
Mr Darren John Pateman	1,000,000	3 July 2006	$0.40	*	3 July 2007	3 July 2009
Employee						
Mr Edward Guy Bank	250,000	3 July 2006	$0.40	*	3 July 2007	3 July 2009
Total Options Granted	5,100,000					

* Vesting Conditions - No sooner than 12 months from date of grant and based on continuing employment.

During the year 4,486,828 share options were exercised (2005: $Nil). The weighted average share price at the dates of exercise was $0.45.

No options were granted during the financial year. Options have been granted since the end of the financial year.

	Weighted Average Exercise Price 2006	Number of Options 2006	Weighted Average Exercise Price 2005	Number of Options 2005
Outstanding at the beginning of the period	$0.30	4,486,828	$0.30	4,486,828
Exercised during the period		(4,486,828)		-
Granted during the period		-		-
Outstanding at the End of the Period		-	$0.30	4,486,828
Exercisable at the End of the Period		-		4,486,828
Granted since the end of the period	$0.40	5,100,000		-

21 Capital and Reserves

Reconciliation of Movement in Capital and Reserves Attributable to Equity Holders

	Consolidated		
	Share Capital	**Retained Earnings**	**Total Equity**
	$	**$**	**$**
Balance at 1 July 2004	23,259,061	4,327,650	27,586,711
Profit for the year	-	5,672,748	5,672,748
Shares issued – net of share issue cost and tax	3,249,079	-	3,249,079
Dividends to shareholders	-	(1,794,732)	(1,794,732)
Balance at 30 June 2005	26,508,140	8,205,666	34,713,806
Balance at 1 July 2005	26,508,140	8,205,666	34,713,806
Profit for the year	-	5,025,449	5,025,449
Shares issued – net of share issue cost and tax	13,353,677	-	13,353,677
Dividends to shareholders	-	(4,098,936)	(4,098,936)
Balance at 30 June 2006	39,861,817	9,132,179	48,993,996

Reconciliation of Movement in Capital and Reserves Attributable to Equity Holders

	The Company		
	Share Capital	**Retained Earnings**	**Total Equity**
	$	**$**	**$**
Balance at 1 July 2004	23,259,061	4,327,650	27,586,711
Profit for the year	-	5,621,752	5,621,752
Shares issued – net of share issue cost and tax	3,249,079	-	3,249,079
Dividends to shareholders	-	(1,794,732)	(1,794,732)
Balance at 30 June 2005	26,508,140	8,154,670	34,662,810
Balance at 1 July 2005	26,508,140	8,154,670	34,662,810
Profit for the year	-	5,668,957	5,668,957
Shares issued – net of share issue cost and tax	13,353,672	-	13,353,672
Dividends to shareholders	-	(4,098,936)	(4,098,936)
Balance at 30 June 2006	39,861,812	9,724,691	49,586,503

Share Capital	The Company Ordinary shares	
	2006	**2005**
On issue at 1 July	98,736,576	89,736,576
Issued for cash (Executive share options)	4,486,828	9,000,000
Issued for cash (Executive share options)	15,450,000	-
On Issue at 30 June – Fully Paid	118,673,404	98,736,576

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

21 Capital and Reserves (Continued)

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year are:

	Cents per Share	Total Amount $	Franked / Unfranked	Date of Payment
Proposed dividend approved on 22 June 2006				
Final 2006 ordinary	3.00	3,560,202	Franked*	29 September 2006
Total Dividends Approved		3,560,202		
Paid During the Year 2006				
Interim 2006 ordinary	1.00	1,032,234	Franked *	28 April 2006
Final 2005 ordinary	3.00	3,066,702	Franked**	30 September 2005
Total Dividends Paid - 2006		4,098,936		
Paid During the Year 2005				
Final 2004 ordinary	2.00	1,794,732	Franked**	22 November 2004
Total Dividends Paid - 2005		1,794,732		

Franked dividends declared or paid during the year were franked at the rate of 30%.

A final dividend of 3 cents per share was proposed by the Directors of the Company on 22 June 2006. The proposed final dividend will be ratified by the shareholders at the Annual General Meeting of the Company.

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2006 and will be recognised in subsequent financial reports.

* Paid out of AIFRS profits
** Paid out of old AGAAP profits

Dividend Franking Account	**The Company 2006 $**	**2005 $**
30% franking credits available to shareholders of Finbar International Limited for subsequent financial years	1,570,743	1,300,685

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

22 Financial Instruments

Exposure to credit and interest rate risks arise in the normal course of the consolidated entity's business.

Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the consolidated entity. Given their high credit ratings, management does nor expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Effective Interest Rates and Repricing Analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

			Consolidated 2006		
	Note	Effective Interest Rate	Total	6 Months or Less	1-3 Years
			$	$	
Cash and cash equivalents	9	3.7%	14,073,801	14,073,801	
Loans to Jointly Controlled entities*	10	10.8%	13,811,910		13,811,910
Secured bank loans:					
Commercial bills	19	7.3%	(5,888,601)	(5,888,601)	
			21,997,110	8,185,200	13,811,910

			The Company 2006		
	Note	Effective Interest Rate	Total	6 Months or Less	1-3 Years
			$	$	
Cash and cash equivalents	9	3.7%	13,481,094	13,481,094	
Loans to Jointly Controlled entities*	10	10.8%	13,489,843		13,489,843
Loans to Controlled entities	10	10.6%	14,546,898	4,224,706	10,322,192
Secured bank loans:					
Commercial bills	19	7.3%	(2,477,062)	(2,477,062)	
			39,040,773	15,228,738	23,812,035

* A loan amount of $3,500,000 was made by the Company to 132 Terrace Road Developments Pty Ltd (a Jointly Controlled Entity) on 2 February 2005. Interest has been charged at a rate of 7.5% on this loan. The loan amount has been included in the total.

22 Financial Instruments (Continued)

			Consolidated		
			2005		
	Note	Effective Interest Rate	Total	6 Months or Less	1-3 Years
			$	$	
Cash and cash equivalents	9	3.7%	2,473,837	2,473,837	
Loans to Jointly Controlled entities*	10	0.0%	18,737,703		18,737,703
Secured bank loans:					
Commercial bills	19	7.3%	(7,514,412)	(7,514,412)	
Standby commercial bill facility	19	7.3%	(700,000)	(700,000)	
			12,997,128	(5,740,575)	18,737,703

			The Company		
			2005		
	Note	Effective Interest Rate	Total	6 Months or Less	1-3 Years
			$	$	
Cash and cash equivalents	9	3.7%	2,401,784	2,401,784	
Loans to Jointly Controlled entities*	10	0.0%	18,737,703		8,737,703
Loans to Controlled entities	10	0.0%	3,281,968		3,281,968
Secured bank loans:					
Commercial bills	19	7.3%	(5,514,412)	(5,514,412)	
Standby commercial bill facility	19	7.3%	(700,000)	(700,000)	
			18,207,043	(3,812,628)	22,019,671

* A loan amount of $3,500,000 was made by the Company to 132 Terrace Road Developments Pty Ltd (a Jointly Controlled Entity) on 2 February 2005. Interest has been charged at a rate of 7.5% on this loan. The loan amount has been included in the total.

Fair Values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

		Consolidated	
	Note	Carrying Amount	Fair Value
		2006	2006
		$	$
Trade and other receivables	10	1,196,752	1,196,752
Cash and cash equivalents	9	14,073,801	14,073,801
Loans to Jointly Controlled entities	10	13,811,910	13,811,910
Secured bank loans	19	(5,888,601)	(5,888,601)
Trade and other payables	18	(2,217,186)	(2,217,186)
		20,976,676	20,976,676
Unrecognised (losses)/gains			-

	Note	The Company Carrying Amount 2006 $	The Company Fair Value 2006 $
Trade and other receivables	10	451,893	451,893
Cash and cash equivalents	9	13,481,094	13,481,094
Loans to Controlled entities	10	14,546,898	14,546,898
Loans to Jointly Controlled entities	10	13,489,843	13,489,843
Secured bank loans	19	(2,477,062)	(2,477,062)
Trade and other payables	18	(373,463)	(373,463)
		39,119,203	39,119,203
Unrecognised (losses)/gains			-

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest Bearing Loans and Borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and Other Receivables/Payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Loans to Controlled Entities and Jointly Controlled Entities

Fair value is calculated based on discounted expected future principal and interest cash flows.

23 Capital and Other Commitments

	Consolidated		The Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Commitments and Contingent Liabilities				
Property Development				
Contracted but not provided for and payable:				
Within one year	48,198,201	-	9,641,000	-
Later than one year	30,405,433	-	662,028	-
Total Property Development Commitments	78,603,634	-	10,303,028	-
Property Development - Jointly Controlled Entities				
Contracted but not provided for and payable:				
Within one year	69,447,884	34,185,940	69,447,884	34,185,940
Later than one year	2,779,541	4,407,700	2,779,541	4,407,700
Total Property Development Commitments - Jointly Controlled Entities	72,227,425	38,593,640	72,227,425	38,593,640
Consolidated Entity's Share of Property Development - Jointly Controlled Entities				
Contracted but not provided for and payable:				
Within one year	34,723,942	17,092,970	34,723,942	17,092,970
Later than one year	1,389,771	2,203,850	1,389,771	2,203,850
Total Share of Property Development Commitments - Jointly Controlled Entities	36,113,713	19,296,820	36,113,713	19,296,820
Consolidated Entity's Property Development Commitments including Jointly Controlled Entities				
Contracted but not provided for and payable:				
Within one year	82,922,143	17,092,970	44,364,942	17,092,970
Later than one year	31,795,204	2,203,850	2,051,799	2,203,850
Total Property Development Commitments including Jointly Controlled Entities	114,717,347	19,296,820	46,416,741	19,296,820

24 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Consolidated		The Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Guarantees				
The Company has guaranteed the bank facilities of certain Controlled entities:	13,788,125	2,000,000	13,788,125	2,000,000
The Company has jointly guaranteed the bank facilities of certain Jointly Controlled entities:	19,000,000	750,646	19,000,000	750,646

25 Reconciliation of Cash Flows from Operating Activities

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Cash Flows from Operating Activities					
Operating profit after income tax		5,025,449	5,672,748	5,668,957	5,621,752
Adjustments for:					
Depreciation	17	31,062	22,557	31,062	22,557
Amortisation	17	21,688	20,128	21,688	20,128
Amortisation - Incorporation costs		3,848	-	-	-
Interest received	6	(972,767)	(177,442)	(1,623,801)	(175,094)
Share of net profit of Jointly Controlled entities' accounted for using the equity method	15	(3,598,473)	(5,226,397)	(3,599,473)	(5,226,397)
Income tax expense	7	845,694	160,977	830,122	133,989
Operating Profit before Changes in Working Capital and Provisions		1,356,501	472,571	1,328,555	396,935
Increase in trade and other receivables		(660,270)	(1,473,762)	(186,207)	(1,428,651)
Decrease/(increase) in current inventories		3,230,087	(3,912,390)	8,586,533	(3,912,390)
Increase in non-current inventories		(12,572,420)	(5,253,195)	(5,594,172)	(7,623)
Increase/(Decrease) in trade and other payables		1,183,805	(142,770)	(350,571)	(149,438)
Cash Generated from Operating Activities		(7,462,297)	(10,309,547)	3,784,138	(5,101,167)
Income taxes paid		(112,113)	55,593	(99,043)	55,630
Net Cash generated from Operating Activities		(7,574,410)	(10,253,954)	3,685,095	(5,045,537)

The increases and decreases in trade and other receivables as well as trade and other payables reflect only those changes that relate to operating activities. The remaining increases and decreases relate to investing activities.

26 Consolidated Entities

	Country of Incorporation	Shareholding	Ownership Interest	
		$	2006	2005
Parent Company				
Finbar International Limited				
Subsidiaries				
17-19 Carr Street Pty Ltd	Australia	1	100%	100%
59 Albany Highway Pty Ltd	Australia	11	68.75%	-
135 Adelaide Terrace Developments Pty Ltd	Australia	1	100%	100%
175 Adelaide Terrace Pty Ltd	Australia	1	100%	-
Burt Way Developments Pty Ltd	Australia	1	100%	100%
Lake Street Pty Ltd	Australia	1	100%	-
Lot 1 to 10 Whatley Crescent Pty Ltd	Australia	1	100%	100%
		17		

In the financial statements of the Company, investments in Controlled entities are measured at cost and included with current and non-current investments. Refer to Note 13.

Guarantees

Controlled Entities

The Company has provided a $11,670,000 limited guarantee and indemnity to National Australia Bank Limited for security on a finance facility in 17-19 Carr Street Pty Ltd.

The Company has provided a $2,000,000 limited guarantee and indemnity to National Australia Bank for security on a finance facility in Lake Street Pty Ltd.

The Company has provided a $118,125 limited guarantee and indemnity to National Australia Bank for security on a bank guarantee in Burt Way Developments Pty Ltd.

27 Related Parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive Director
Mr John Chan
Mr Richard Dean Rimington
Non Executive Director
Mr Paul Anthony Rengel
Mr John Cheak
Mr Kee Kong Loh
Officer
Mr Darren John Pateman

Loans to Related Parties (Consolidated)
Details regarding loans outstanding at the reporting date to related parties at any time in the reporting period, are as follows:

	Balance 1 July 2005	Balance 30 June 2006	Interest Paid and Payable in the Reporting Period	Highest Balance in Period
	$	$	$	$
Directors				
Mr Paul Anthony Rengel	-	182,713	-	182,713

Loans totalling $182,713 (2004: $Nil), approved by the members at the Annual General Meeting of the Company held on 28 November 2005, were made to Directors and their related parties during the year. The recipient of this loan was Mr Paul Anthony Rengel.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the consolidated entity to related parties, and the number of individuals in each group, are as follows:

	Opening Balance	Closing Balance	Interest Paid and Payable in the Reporting Period	Number in Group at 30 June 2006
	$	$	$	
Directors				
Total for related parties 2006	-	182,713	-	1
Total for related parties 2005	-	-	-	-

For all loans to related parties, interest is payable at prevailing market rates, currently 7.05% p.a. The principal amounts are repayable at any time on before 3 March 2007. Interest is payable at the termination of the loan. Interest received on the loans totalled $Nil (2005: $Nil) consolidated, and $Nil (2005: $Nil) the Company. No amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

Other Related Party Transactions with the Company or its Controlled Entities
The Company received rental income and reimbursement of outgoings from J & R Management for the use of office space within the offices at Level 3, 15 Labouchere Road, South Perth.

Other than as outlined above, the terms and conditions of the transactions with Directors and Director related entities were no more favourable than those available, or which might be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

The value of transactions during the year with Directors and their Director-related entities were as follows:

Director	Director-related Entity	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
		$	$	$	$
Mr John Chan and Mr Richard Dean Rimington	J&R Management Pty Ltd				
	Management fee paid	661,195	1,260,895	661,195	1,260,895
	Rent and outgoings received	(29,486)	(24,892)	(29,486)	(24,892)

27 Related Parties (Continued)

Amounts payable to and receivable from Directors and their Director-related entities at balance date arising from these transactions were as follows:

	Director-related Entity	Consolidated		The Company	
		2006	2005	2006	2005
		$	$	$	$
Current Trade and Other Receivables	Rent and outgoings received	17,348	14,754	17,348	14,754
		17,348	14,754	17,348	14,754
Current Trade and Other Payables	Management fee	235,818	533,380	235,818	533,380

From time to time, key management personnel of the Company or its Controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity customers.

Equity Instruments

All options refer to options over ordinary shares of Finbar International Limited, which are exercisable on a one-for-one basis under the Executive Option Plan 2003.

Options and Rights over Equity Instruments Granted as Remuneration

The movement during the reporting period in the number of options over ordinary shares in Finbar International Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Granted in Year	Exercised in Year	Held at 30 June 2006	Vested During the Year	Vested and Exercisable at 30 June 2006
Directors						
Mr John Chan	1,286,828	-	(1,286,828)	-	-	-
Mr Richard Dean Rimington	1,000,000	-	(1,000,000)	-	-	-
Mr Paul Anthony Rengel	600,000	-	(600,000)	-	-	-
Mr John Cheak	450,000	-	(450,000)	-	-	-
Mr Kee Kong Loh	450,000	-	(450,000)	-	-	-
Officer		-				
Mr Darren John Pateman	700,000	-	(700,000)	-	-	-
	4,486,828	-	(4,486,828)	-	-	-

No options held by key management personnel are vested but not exercisable.

Further details, including grant dates and exercise dates regarding options granted to executives under the Executive Option Plan 2003 are in Note 20.

Movements in Shares

The movement during the reporting period in the number of ordinary shares in Finbar International Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Received on Exercise of Options	Change in Indirect Holdings	Change in Direct Holdings	Held at 30 June 2006
Directors					
Mr John Chan	16,866,969	1,286,828	(2,310,932)	-	15,842,865
Mr Richard Dean Rimington	7,190,248	1,000,000	(3,776,357)	-	4,413,891
Mr Paul Anthony Rengel	23,000	600,000		-	623,000
Mr John Cheak	23,553,996	450,000	(23,553,996)	(70,000)	380,000
Mr Kee Kong Loh	23,605,996	450,000	(23,605,996)	1,480,656	1,930,656
Officer					
Mr Darren John Pateman	-	700,000	-	211,175	911,175
	71,240,209	4,486,828	(53,247,281)	1,621,831	24,101,587

No shares were granted to key management personnel during the reporting period as remuneration.

28 Non-key Management Personnel Disclosures

Identity of Related Parties

The consolidated entity has a related party relationship with its Subsidiaries (see Note 26), Jointly Controlled entities (see Note 15) and with its key management personnel (see Note 27).

Other Related Party Transactions

Subsidiaries

Loans are made by the Company to wholly owned Subsidiaries for capital purchases. Loans outstanding between the Company and its Controlled Entities are at call and are interest bearing. During the year ended 30 June 2006, such loans to subsidiaries totalled $14,546,898 (2005: $3,281,968). These loans have been recognised as an additional investment in subsidiaries.

Jointly Controlled Entities

Loans are made by the Company to Jointly Controlled entities for capital purchases. Loans outstanding between the Company and its Jointly Controlled Entities are at call and are interest bearing. During the year ended 30 June 2006, such loans to subsidiaries totalled $13,489,843 (2005: $18,737,703). These loans have been recognised as an additional investment in Jointly Controlled entities.

29 Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

On 3 July 2006 a total of 5,100,000 options were issued to key management personnel and employees. Details of the grant of options is set out in Paragraph 4.2.3.1 of the Directors report.

30 Changes in Accounting Policy

In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

There has been no impact as a result of the change in accounting policy to AASB 132 and AASB 139 in the current period.

31 Explanation of Transition to AIFRSs

As stated in Significant Accounting Policies Note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

31 Explanation of Transition to AIFRSs (Continued)

Reconciliation of Equity		Consolidated						The Company					
		Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs
	Note	1 July 2004			30 June 2005			1 July 2004			30 June 2005		
		$	$	$	$	$	$	$	$	$	$	$	$
Assets													
Cash and cash equivalents		1,023,494	-	1,023,494	2,473,837	-	2,473,837	1,023,494	-	1,023,494	2,401,784	-	2,401,784
Trade and other receivables	31a	4,408,778	(3,772,861)	635,917	2,109,722	-	2,109,722	4,408,778	(3,772,861)	635,917	2,064,570	-	2,064,570
Inventories	31a	2,063,060	2,611,083	4,674,143	9,236,313	(649,780)	8,586,533	2,063,060	2,611,083	4,674,143	9,236,313	(649,780)	8,586,533
Loans to related parties		-	-	-	231,018	-	231,018	-	-	-	-	-	-
Other assets		-	-	-	3,848	-	3,848	-	-	-	231,018	-	231,018
Income tax receivables		109,730	-	109,730	-	-	-	109,730	-	109,730	-	-	-
Total Current Assets		7,605,062	(1,161,778)	6,443,284	14,054,738	(649,780)	13,404,958	7,605,062	(1,161,778)	6,443,284	13,933,685	(649,780)	13,283,905
Trade and other receivables		19,806,631	-	19,806,631	18,737,703	-	18,737,703	19,806,631	-	19,806,631	22,019,671	-	22,019,671
Inventories		335,086	-	335,086	5,588,281	-	5,588,281	335,086	-	335,086	342,709	-	342,709
Investments in Jointly controlled entities'		6,362,636	(4,641,561)	1,721,075	10,843,583	(5,681,109)	5,162,474	6,362,636	(4,641,561)	1,721,075	10,843,583	(5,681,109)	5,162,474
Investments		-	-	-	-	-	-	-	-	-	4	-	4
Property, plant and equipment		874,480	-	874,480	893,183	-	893,183	874,480	-	874,480	893,183	-	893,183
Deferred tax assets		6,030	-	6,030	49,448	(49,448)	-	6,030	-	6,030	45,380	(27,360)	18,020
Total Non-Current Assets		27,384,863	(4,641,561)	22,743,302	36,112,198	(5,730,557)	30,381,641	27,384,863	(4,641,561)	22,743,302	34,144,530	(5,708,469)	28,436,061
Total Assets		34,989,925	(5,803,339)	29,186,586	50,166,936	(6,380,337)	43,786,599	34,989,925	(5,803,339)	29,186,586	48,078,215	(6,358,249)	41,719,966

31 Explanation of Transition to AIFRSs (Continued)

Reconciliation of Equity		Consolidated						The Company					
		Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs
	Note	1 July 2004			30 June 2005			1 July 2004			30 June 2005		
		$	$	$	$	$	$	$	$	$	$	$	$
Liabilities													
Trade and other payables	31a	1,160,732	(288,685)	872,047	729,707	-	729,707	1,160,732	(288,685)	872,047	723,039	-	723,039
Interest bearing loans and borrowings		700,000	-	700,000	8,214,412	-	8,214,412	700,000	-	700,000	6,214,412	-	6,214,412
Income tax payable		-	-	-	50,336	-	50,336	-	-	-	59,507	-	59,507
Provisions	31a,31b	1,794,732	(1,794,732)	-	2,962,097	(2,962,097)	-	1,794,732	(1,794,732)	-	2,962,097	(2,962,097)	-
Total Current Liabilities		3,655,464	(2,083,417)	1,572,047	11,956,552	(2,962,097)	8,994,455	3,655,464	(2,083,417)	1,572,047	9,959,055	(2,962,097)	6,996,958
Deferred tax liabilities	31a	289,755	(261,927)	27,828	300,246	(221,908)	78,338	289,755	(261,927)	27,828	260,018	(199,820)	60,198
Total Non-Current Liabilities		289,755	(261,927)	27,828	300,246	(221,908)	78,338	289,755	(261,927)	27,828	260,018	(199,820)	60,198
Total Liabilities		3,945,219	(2,345,343)	1,599,876	12,256,798	(3,184,005)	9,072,793	3,945,219	(2,345,343)	1,599,876	10,219,073	(3,161,917)	7,057,156
Net Assets		31,044,706	(3,457,996)	27,586,710	37,910,138	(3,196,332)	34,713,806	31,044,706	(3,457,996)	27,586,710	37,859,142	(3,196,332)	34,662,810
Equity													
Issued capital		23,259,061	-	23,259,061	26,508,140	-	26,508,140	23,259,061	-	23,259,061	26,508,140	-	26,508,140
Retained earnings		7,785,645	(3,457,996)	4,327,650	11,401,998	(3,196,332)	8,205,666	7,785,645	(3,457,996)	4,327,650	11,351,002	(3,196,332)	8,154,670
Total Equity		31,044,706	(3,457,996)	27,586,710	37,910,138	(3,196,332)	34,713,806	31,044,706	(3,457,996)	27,586,710	37,859,142	(3,196,332)	34,662,810

31 Explanation of Transition to AIFRSs (Continued)

Notes to the Reconciliation of Equity

(a) Revenue Recognition

Under Australian Generally Accepted Accounting Principles ("AGAAP") profit is brought to account in accordance with UIG 53 in that it is recognised using the percentage of completion method when a stage of project completion can be reliably determined, costs to date can be clearly identified, and both total project revenues to be received and costs to complete can be reliably measured. In the majority of instances, under AIFRSs profit and revenues will be recognised on settlement resulting in a deferral of both profit and revenue.

The impact of the change in policy for both the consolidated entity and the company is:

	Consolidated		The Company	
	1 July 2004	30 June 2005	1 July 2004	30 June 2005
	$	$	$	$
- reduction in trade and other receivables	(3,772,861)	-	(3,772,861)	-
- increase/(reduction) in inventories	2,611,083	(649,780)	2,611,083	(649,780)
- reduction in investments accounted for using the equity method	(4,641,561)	(5,681,109)	(4,641,561)	(5,681,109)
- reduction in deferred tax assets	-	(49,448)	-	(27,360)
- reduction in trade and other payables	288,685	-	288,685	-
- reduction in deferred tax liability	261,927	221,908	261,927	199,820
- reduction in provisions	1,794,732	2,962,097	1,794,732	2,962,097
Total Adjustment to Equity	(3,457,996)	(3,196,332)	(3,457,996)	(3,196,332)

(b) Provision for Dividends

Under AGAAP, a liability for dividends is recognised when dividends are declared, determined or publicly recommended. In contrast AIFRSs prohibits the recognition of liabilities for dividends that were declared after the reporting date. Dividends are declared when they are appropriately authorised and no longer at the discretion of the Company. This results in a deferral of the date that provisions for dividends are recognised.

The impact of the change in policy for both the consolidated entity and company is

	Consolidated		The Company	
	30 June 2004	30 June 2005	30 June 2004	30 June 2005
	$	$	$	$
- increase in retained earnings	1,794,732	2,962,097	1,794,732	2,962,097
- increase in provisions	(1,794,732)	(2,962,097)	(1,794,732)	(2,962,097)

(c) Cash Flow Statement

There are no other material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

(d) Summary of Impact on Retained Earnings

	Consolidated	The Company
	$	$
Retained earnings as at 1 July 2004 under AGAAP	7,785,645	7,785,645
AIFRS reconciliation:		
- Reversal of dividend provision	1,794,732	1,794,732
- After tax profit impact from revenue deferral in associated entities	(3,002,277)	(3,002,277)
- After tax profit impact from revenue deferral in consolidated group/parent entity	(2,250,450)	(2,250,450)
Retained Earnings as at 1 July 2004 under AIFRS	4,327,650	4,327,650

31 Explanation of Transition to AIFRSs (Continued)

Reconciliation of Profit for 2005		Consolidated			The Company		
		Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs
	Note	30 June 2005			30 June 2005		
		$	$	$	$	$	$
Revenue	31a	5,810,864	(481,890)	5,328,974	5,810,864	(481,890)	5,328,974
Cost of sales	31a	(3,834,158)	702,535	(3,131,623)	(3,834,158)	702,535	(3,131,623)
Gross Profit		1,976,706	220,645	2,197,351	1,976,706	220,645	2,197,351
Operating income		147,566	-	147,566	59,912	-	59,912
Administrative expenses		(1,855,442)	-	(1,855,442)	(1,843,678)	-	(1,843,678)
Other expenses		(45,468)	-	(45,468)	(45,427)	-	(45,427)
Profit before Financing Costs		223,362	220,645	444,007	147,513	220,645	368,158
Financial income	31a	174,771	2,671	177,442	172,423	2,671	175,094
Financial expenses		(14,121)	-	(14,121)	(13,908)	-	(13,908)
Net Financing Income		160,650	2,671	163,321	158,515	2,671	161,186
Share of Jointly Controlled entities' net profit	31a	6,265,945	(1,039,548)	5,226,397	6,265,945	(1,039,548)	5,226,397
Profit before Income Tax Expense		6,649,957	(816,232)	5,833,725	6,571,973	(816,232)	5,755,741
Income tax expense	31a	(71,506)	(89,471)	(160,977)	(44,518)	(89,471)	(133,989)
Profit for the year		6,578,451	(905,703)	5,672,748	6,527,455	(905,703)	5,621,752
Earnings per Share for Profit Attributable to the ordinary Equity Holders of the Company							
Basic earnings per share (cents per share)	8	6.95	(0.95)	6.00			
Diluted earnings per share (cents per share)	8	6.64	(0.91)	5.73			

DIRECTORS' DECLARATION

In the opinion of the Directors of Finbar International Limited ('the Company'):

1. a) the financial statements and notes, (including the remuneration disclosures that are contained in sections 4.2.1 to 4.2.3 of the Remuneration report in the Directors' report) set out on Pages 32 to 76, are in accordance with the Corporations Act 2001, including:

    i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

   b) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

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

2. There are reasonable grounds to believe that the Company and the Controlled entities identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject to.

3. The Directors have been given the declarations by the Managing Director and the Group Accountant for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth this Thirteenth day of September 2006.

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

John Chan

Managing Director

INDEPENDENT AUDIT REPORT TO MEMBERS OF FINBAR INTERNATIONAL LIMITED

KPMG

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Finbar International Limited (the "Company") and Finbar International Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 4.2.1, 4.2.2 and 4.2.3 of the directors' report and not in the financial report.

The Remuneration report also contains information not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Audit opinion

In our opinion:

(1) the financial report of Finbar International Limited is in accordance with:

a) the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and

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

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in sections 4.2.1, 4.2.2 and 4.2.3 of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Robert Kelly

Robert Kelly

Partner

Perth 13 September 2006

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATION ACT 2001

To: the Directors of Finbar International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Robert Kelly

R C KELLY
Partner
Perth 13 September 2006

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 30 June 2006)

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder Name	Number	%
Chuan Hup Holdings	23,553,996	19.85
Apex Equity Holdings Berhad	13,977,746	11.78
Hamlet Management Limited	8,248,098	6.95
Blair Park Pty Ltd	7,878,636	6.64

Voting rights

Ordinary shares

Refer to Note 21 in the Notes to Consolidated Financial Statements

Options

Refer to Note 20 in the Notes to Consolidated Financial Statements

Distribution of Equity Security Holders

Range	Holder of Holders	Ordinary Shares	Options
1-1000	97	35,918	-
1,001-5,000	143	458,377	-
5,001-10,000	99	816,995	-
10,001-100,000	232	7,832,824	-
100,001-over	77	109,529,290	-
	648	118,673,404	-

The number of shareholders holding less than a marketable parcel of ordinary shares is 72.

Stock Exchange

The Company is listed on the Australian Stock Exchange. The home exchange is Perth.

ASX Code: FRI

Other information

Finbar International Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Twenty Largest Shareholders:

	Number of Ordinary Shares Held	%
Chuan Hup Holdings	23,553,996	19.85
Apex Equity Holdings Berhad	13,977,746	11.78
Hamlet Management Limited	8,248,098	6.95
Blair Park Pty Ltd	7,878,636	6.64
JP Morgan Nominees Australia Limited	3,243,750	2.73
Apex Investments Pty Ltd	3,158,375	2.66
Invia Custodian Pty Ltd White A/C	3,125,000	2.63
Mr Ah Hwa Lim	2,970,716	2.50
Charldon Inc	2,721,932	2.29
National Nominees Limited	2,477,175	2.09
Dynamic Corporation Pty Ltd	2,469,476	2.08
Baguio International Limited	2,400,000	2.02
Zero Nominees Pty Ltd	2,310,656	1.95
Mr Guan Seng Chan	1,962,239	1.65
Mr Wan Soon Chan	1,514,305	1.28
Maju Makmur Nominees	1,369,862	1.15
Mr John Chan	1,339,985	1.13
Mr Toru Fujii	1,264,628	1.07
ANZ Nominees Limited Cash Income A/C	1,188,614	1.00
Mr Paul Anthony Johnstone	1,170,000	0.99
Top 20	88,345,189	74.44

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