

# **CONCENTRATED CAPITAL LIMITED**

**ABN 34 087 730 667**

## **Financial Report**

**for the year ended 30 June 2005**

**CORPORATE INFORMATION**

**ABN 34 087 730 667**

**Registered Office**

Level 2  
409 St Kilda Road  
Melbourne Vic 3004  
Phone: (03) 9820 2087

**Solicitors**

Deacons  
Level 24  
385 Bourke Street  
Melbourne Vic 3000  
Phone: (03) 8686 6571

**Bankers**

National Australia Bank Limited

**Share Register**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Vic 3067  
Phone: 1300 137 328

**Auditors**

Ernst & Young  
Level 28  
120 Collins Street  
MELBOURNE VIC 3000

**Website Address**

[www.concentratedcapital.com.au](http://www.concentratedcapital.com.au)

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## Chairman's Report

For the year ended 30 June 2005, Concentrated Capital Limited has continued to invest in convertible notes issued by Persia Petroleum Services plc, made further cash calls and investments in Avalon and made additional investments into the West Pine Ridge Project to maintain its interests.

Additionally, Concentrated Capital Limited has undertaken a further capital raising which has allowed it to make further investment in Persia Petroleum Services plc and to meet ongoing obligations associated with West Pine Ridge and Avalon.

During the year, the Board resolved to sell its interest in Concentrated Coal Pty Ltd which held the interests in the Surat basin and hand back the exploration licences (EPC 812 and EPC 814). In part this decision was driven by the lack of finances within the company to undertake further exploration and further by the lack of infrastructure and in particular railroads that were expected to be developed by the Queensland Government.

Concentrated Capital Limited continues to be a passive investor in oil and gas related sectors, however as advised to the annual general meeting held in November 2004, the Board is actively seeking opportunities to acquire a business which would provide liquidity to Concentrated Capital Limited shareholders and access a listing on the ASX. To this end, the Board has appointed a corporate advisor to assist in this process and is currently reviewing a number of opportunities. At present, the Board has not been able to identify an opportunity that it believes as being worthwhile to take to shareholders.

Income earned from the investment in convertible notes in Persia Petroleum Services plc enables the company to meet its operating expenses as when they become due. The terms and conditions of these convertible notes has been varied in the past 6 months to allow conversion at a 35% discount to listing rather than the previous year's stated 30% discount to listing. Additionally, your board has been advised by the Board of Persia Petroleum Services plc that an additional mezzanine funding of £2 million has been received. We understand that it is envisaged that Persia Petroleum Services plc will seek to list on a recognised Stock Exchange on or before 31 December 2005.

Increased oil and gas prices over the financial year have resulted in additional revenue being received through its investment in Avalon. These additional revenues have been reinvested in the development of prospective and productive fields held by Avalon. It is also noted that the increase in energy prices has resulted in a number of investors who would otherwise seek to acquire prospective fields in the United States holding back and waiting for a consolidation of energy prices and therefore a consolidation of value before determining whether it is appropriate to acquire such fields. The outcome is that whilst Avalon receives greater income from its productive fields, the opportunities to sell prospective fields has diminished over the past 12 months. We are also advised by the operator of Avalon that it is intended to reduce the activities within Avalon over the next few years and focus solely on its current properties rather than seeking to acquire new properties.

In respect to the West Pine Ridge Project, a horizontal drilling program was undertaken and if successful was likely to result in a significant oil and gas discovery. We have been subsequently advised by the operator that the sidetrack was abandoned due to technical problems and a farmout partner is being sought to redrill this project. Our options in this respect are now the subject of Board consideration.

On behalf of the Board, I would like to thank all shareholders for their continuing support and I look forward to advising of further developments in each of your Company's investments as they eventuate.



.....  
Hamish M Giles

Chairman

Signed this      28th      day of September 2005

## Directors' Report

Your directors submit their report for the year ended 30 June 2005.

### DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

##### **Hamish M Giles LLB, B.Ec. (Chairman of Directors and Company Secretary)**

Mr Giles is founder and a director of a Melbourne based consultancy firm Salmon Giles Pty Ltd which offers strategic consultancy services in areas including human resource management consulting, strategic industrial relations consulting, accounting and tax planning services, remuneration structuring, personal wealth and contingency services.

Mr Giles established Salmon Giles Pty Ltd 17 years ago after working with Arthur Andersen and McIntosh Securities. Mr Giles has qualifications in Law and Accounting and provides advice in relation to enterprise bargaining, innovative remuneration and incentive arrangements, business consulting and taxation planning. His clients include government, city councils, the health care industry and a wide range of private companies and high net worth individuals.

Mr Giles is Chairman of the Audit and Compliance Committee and Nominations Committee of the Company.

During the past three years Mr Giles has also served as a director of the following other listed companies:

- HarvestRoad Limited\* (6 years)

\* denotes current directorship

##### **Christopher Kenneth George Rowe B.A., M.A., (Economics and Law) (Non Executive Director)**

Mr Rowe migrated to Western Australia in 1970 and began legal practice with a leading commercial law firm. He became a Partner of the firm in 1972 where he practiced in the areas of corporate advisory, commercial, mining and taxation law for clients predominantly associated with the mining and general resources sector.

In 1979, Mr Rowe was appointed executive chairman of Cultus Petroleum N.L (ASX and Alberta) and other associated companies including Southern Ventures N.L (ASX). He remained in that position until 1990. Mr Rowe was responsible for the day to day activities of Cultus and completed a number of capital raisings during that time in Australia, England and Canada. During this period the group was involved in exploration activities which resulted in oil and gas discoveries in the United States, Australia and New Zealand, and the discovery of the Gabanintha Gold Mine at Meekatharra.

In 1990, Mr Rowe left Cultus to take a position as Counsel assisting the Western Australian Royal Commission into the Commercial Activities of the Government and Other Matters.

Since 1993, Mr Rowe has been a principal of Thames Capital (Thames) and in 2001 was appointed Executive Chairman of Hawkesbridge Private Equity a wholesale private equity fund manager based in Sydney.

Mr Rowe is currently a director of Unilink Data Systems Pty Ltd (Chairman) Persia Petroleum Services plc (Executive Director) and is on the Advisory Board of Avalon Oil & Gas Group (Midland, Texas).

For four years from 1993 he served on the Environmental Protection Authority in Western Australia, the final six months as deputy chairman.

Mr Rowe is Chairman of the Strategic Review and Operations Committee of the Company and a member of the Nominations Committee.

During the past three years Mr Rowe has also served as a director of the following other listed companies:

- Northern Star Resources N.L\* (2 years)

\* denotes current directorship

## Directors' Report continued

### **Peter Reilly** BBAC, CA (Non Executive Director and Company Secretary)

Mr Reilly has 30 years experience and achievement in Senior Executive roles most recently as Managing Director Chief Executive Officer of Ausdoc Group Limited.

Ausdoc was a publicly listed company with operations involved in couriers, express freight, processing and delivery of business mail, records management and logistics operating in Australia, New Zealand and Canada. Peter has successfully built high performance teams, developed and implemented financial and business plans, undertaken acquisitions and divestments and tapped into capital markets.

From a base in 1991 of A\$42m revenue and A\$6m EBITA under the stewardship of Peter, Ausdoc grew to a market capitalization in excess of A\$200m, an enterprise value of A\$350m and over 2,000 employees.

Mr Reilly has undertaken a number of strategic acquisitions, divestments and business developments within Ausdoc and brings to the Board of Concentrated Capital Limited, significant commercial experience as a Public Company Director.

Mr Reilly is Chairman of the Risk Management Committee of the Company and a member of the Audit and Compliance Committee and Strategic Review and Operations Committee.

Mr Reilly is currently a director of Ausdoc Holdings Pty Ltd, Acumentum Pty Ltd and Residential Aged Services Pty Ltd.

During the past three years, Mr Reilly has also served as a director of the following other listed companies:

- Tolhurst Noall Group Limited\* (5 months)
- CPI Group Limited\* (4 years)
- AUSDOC Group Limited (16 years)
- Freightways Express Limited (6 years)

\*denotes current directorship

## COMPANY SECRETARIES

### **Hamish Giles**

Refer to page 5.

### **Peter Reilly**

Refer above.

### **Richard Baker** B.Ec, C.P.A

Mr Baker is a director of Salmon Giles Pty Ltd and specialises in corporate advice and taxation consulting.

Prior to his appointment at Salmon Giles Pty Ltd he held several financial controller positions in the construction services and retailing industries.

## Directors' Report continued

### Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Concentrated Capital Limited were:

	Ordinary Shares Fully Paid	Options over Ordinary Shares
	Number	Number
H. Giles	198,333	375,000
P. Reilly	2,290,000	-
C. Rowe	47,917	-
	<b>2,536,250</b>	<b>375,000</b>

### EARNINGS PER SHARE

	Cents
Basic earnings per share	(1.76)
Diluted earnings per share	(1.76)

### DIVIDENDS

As the Company sustained a Net Loss attributable to the Members for the year and has no retained profits at the commencement of the year, there will be no Final Dividend paid to the Members.

The company did not pay an Interim Dividend during the year.

## Directors' Report continued

### CORPORATE INFORMATION

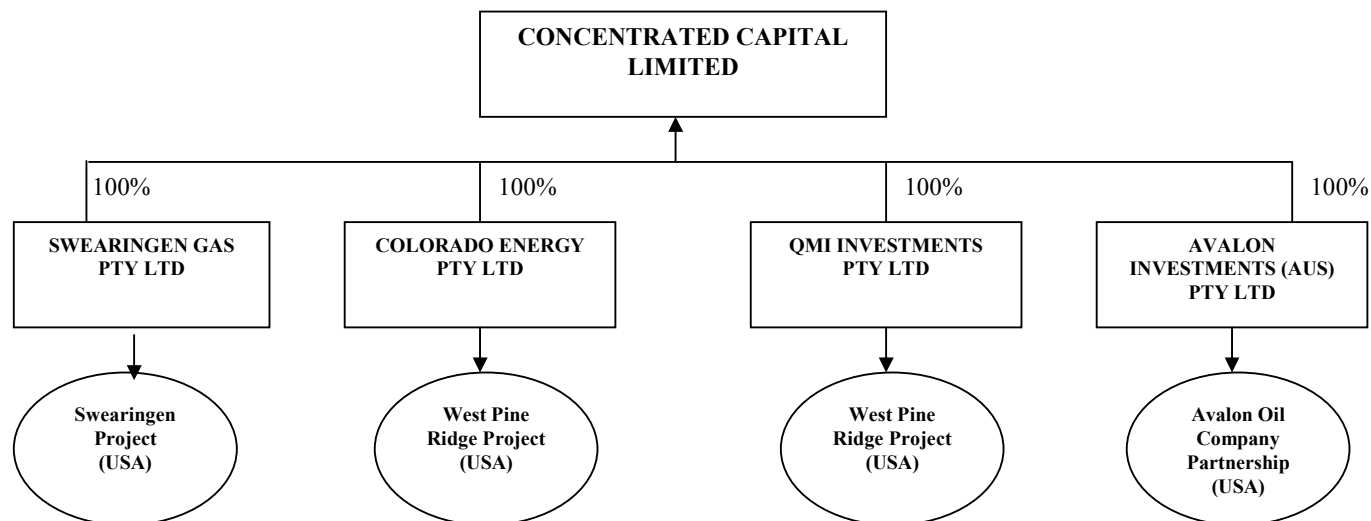
#### Corporate Structure

Concentrated Capital Limited is a company limited by shares and is incorporated and domiciled in Australia. Concentrated Capital Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure:

The Company has 4 wholly owned subsidiaries as follows:

- Swearingen Gas Pty Ltd (ACN 100 609 998);
- Colorado Energy Pty Ltd (ACN 100 609 952);
- QMI Investments Pty Ltd (ACN 099 936 875); and
- Avalon Investments (Aus) Pty Ltd (ACN 103 074 102).

Each of those subsidiaries has been a wholly owned subsidiary since incorporation.



#### Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- Concentrated Capital Limited was formed to raise capital which is in turn lent to its fully owned subsidiaries (listed below) to undertake the investments as listed below. Concentrated Capital Limited also invests directly in its own right by purchasing Convertible Notes in Persia Petroleum Services plc.
- Swearingen Gas Pty Ltd was formed with the intent to farm into the Swearingen Project;
- Colorado Energy Pty Ltd has farmed into the West Pine Ridge Project;
- QMI Investments Pty Ltd has farmed into the West Pine Ridge Project; and
- Avalon Investments (Aus) Pty Ltd has made investments into the Avalon Oil Company Partnership ("Avalon").

There have been no significant changes in the nature of those activities during the year.

#### Employees

The consolidated entity employed three (3) employees as at 30 June 2005 (2004: 4 employees).



## **Directors' Report continued**

### **OPERATING AND FINANCIAL REVIEW**

#### **Group Overview**

Concentrated Capital Limited has, through its subsidiaries, made passive investments in a range of oil and gas related businesses.

The consolidated entity has made a direct investment in convertible notes issued by Persia Petroleum Services plc (formerly Middle Eastern Petroleum Services Limited) which generate a coupon of 10% per annum and which convert into equity at a 35% discount to the listing price when that company is listed.

Colorado Energy Pty Ltd and QMI Investments Pty Ltd hold an equal share in the West Pine Ridge Project which comprises 3,200 acres in Colorado with projected significant oil and gas reserves and Coalbed Methane opportunities.

Avalon Investments (Aus) Pty Ltd holds a 3.91% interest in the Avalon partnership which holds a range of productive and prospective oil and gas leases throughout the United States.

During the year, the shares in Concentrated Coal Pty Ltd were sold and this project has been terminated.

Swearingen Gas Pty Ltd has a pre-emptive right to undertake the Swearingen Gas Project in conjunction with Pooled Mining Investments Limited and during the year no activity was undertaken.

#### **Performance Indicators**

As an investor in passive investments, the consolidated entity's performance is judged by its capacity to make returns on the investments outlaid. At present, Concentrated Capital Limited receives a 10% per annum coupon in respect to the convertible note investment in Persia Petroleum Services plc.

The investment made through a wholly owned subsidiary, Avalon Investments (Aus) Pty Ltd will be realised upon the sale of leases and assets held within the Avalon partnership which will provide a return of capital to the partners. During the year ended 30 June 2005 there were no returns of capital and no sales of assets.

The West Pine Ridge Project will provide returns to the consolidated entity upon the discovery of oil and gas and the recovery of such or in the alternate through the sale of the acreage held by the various partners.

Any returns from Swearingen Gas Pty Ltd will be predicated on the capacity of its partner Pooled Mining Investments Limited, to invest in the Swearingen Project together with the financial resources of the consolidated entity. No activity was undertaken during the year ended 30 June 2005.

#### **Dynamics of the Business**

As a passive investor, the consolidated entity makes returns to shareholders predicated on returns generated through its passive investments.

As the investments are linked to the oil and gas industry, the business in part is therefore driven by demand for oil and gas and the prices of oil and gas. This is of specific relevance to the production generated through Avalon where revenues have increased during the year ending 30 June 2005 however the value of the fields whilst also increasing have led to a number of investors in fields holding back from making investments due to their view that the field values are over-inflated due to over-inflated energy prices.

In respect to the investment in Persia Petroleum Services plc, this is an oil and gas services business based in Iran. Whilst there are political pressures, particularly from the United States, the success of the oil and gas industry within Iran is of vital importance to that country's economy and the investment made in Persia Petroleum Services plc recognises this opportunity and the significant upside that is available from such an investment.

Other assets which are currently non-producing will be impacted by oil and gas prices as they become producing but also the demand for oil and gas which generates oil and gas prices will impact upon the availability of engineering crews and infrastructure including rigs to fulfil drilling programs.

## Directors' Report continued

### Operating Results for the Year

The consolidated entity generated a loss of \$206,955 due to meeting operating expenses during the year and making investments to enhance its holding within Avalon and maintain its interest within the West Pine Ridge Project. Additionally, investments were made in Persia Petroleum Services plc convertible notes which generate a coupon of 10% per annum.

In respect to the West Pine Ridge Project, the manager for the project has advised of a proposal to drill a sidetrack to the existing well upon securing the services of work over rig. If unsuccessful, the project will be terminated. If successful, it is believed that a significant discovery will have been made. In these circumstances, an additional well will be drilled this year. It is likely that when the well count reaches 4 to 5 that mezzanine financing will be sought to rapidly develop the property as there will be the requirements for a number of wells on the property. A possible alternative will be to sell down the interest held by our two subsidiaries by 25% to a local operator so as to fund sufficient wells to allow for bank financing.

Advice received from the Board of Persia Petroleum Services plc indicates that a listing of this company will occur prior to 31 December 2005. We have been further advised that further mezzanine capital has been received by the company in the amount of £2 million and that the company is in active discussions with two or three potential vendors of listed shells on the Alternative Investment Market (AIM) in the United Kingdom whilst still pursuing an IPO opportunity.

During the year, the interest held in Concentrated Coal Pty Ltd which had interests in the Surat basin (EPC 812 and EPC 814) was surrendered and shares in the company were sold. A loss of \$92,985 was brought to account as a result of the termination of these projects. The projects were not pursued due to a lack of financial resources to undertake the projects and further, the failure by the Queensland government to invest in infrastructure which it had previously indicated it would do so to provide rail lines and access to the project areas. The overall cost of undertaking the project and in the event of a successful project the cost of freight and recovery would make the project uneconomical.

No activity was undertaken within Swearingen Gas Pty Ltd.

### Shareholder Returns

The two major activities that Concentrated Capital Limited have undertaken are the investment in the convertible notes issued by Persia Petroleum Services plc and the investment in West Pine Ridge.

The investment in Persia Petroleum Services plc is likely to become liquid by 31 December 2005 as a result of a listing on a recognised Stock Exchange. It is felt that this will provide significant shareholder value as the conversion on the convertible notes is at a 35% discount to the listing price thereby providing a minimum 50% return on the investment upon listing.

The capacity for the West Pine Ridge Project to be a most significant oil and gas discovery still remains notwithstanding the perceived engineering difficulties and faults relating to the first well. Subsequent drilling in the coming financial year will determine the success or otherwise of this investment however the upside is significant whilst the downside of a non-successful drilling will be the plugging and abandoning of the well. In these circumstances, the acreage will be sold to a Coalbed Methane producer and the carrying value of this investment within the balance sheet of the consolidated entity reflects the estimated recoverable value of such an outcome.

### Investments for Future Performance

The company will continue to make investments in the West Pine Ridge Project as and when required in order to maintain its interest whilst the lateral drilling is undertaken. Upon determination as to the success or otherwise of this drilling, the Board will resolve whether further investments should be made.

The Board is currently undertaking due diligence on a number of potential entities and has retained a corporate advisor to review the company's current status on the NSX with a view to move the company to the ASX as soon as possible. This will entail either the West Pine Ridge Project becoming successful or an alternative business being identified and acquired by the consolidated entity with a view to then taking the consolidated entity and the new business acquired to the ASX. This may in turn require a further capital raising to meet the expectations of any new business acquired.

Your company will continue to make investments in Avalon where cash calls are made of your company in order to maintain its current interest.

## Directors' Report continued

### Review of Financial Condition

#### Capital Structure

The capital structure of Concentrated Capital Limited varied through the issue of 523,300 shares (2004: 1,632,477 shares) as a result of directors fees being paid in shares and as a result of the placement made to sophisticated investors during the year to raise capital to undertake further investment in Persia Petroleum Services plc convertible notes and to maintain working capital.

#### Cash from Operations

Net cash flows from operating activities fell from \$333,682 in the previous year to \$146,411 in the current year. The reduction in cash from operating activities was largely due to the reductions of payments to suppliers and employees including the decision to pay directors fees from 1 January 2005 in shares rather than cash, and a reduction in deferred exploration, evaluation and development costs.

There was an increase in receipts from debtors which made full payment in the early part of the calendar year.

#### Liquidity and Funding

The group has raised capital of approximately \$126,345 after costs which presently allows for the group to take advantage of favorable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

### Risk Management

The company has adopted a diversified investment portfolio where it holds passive investments through the Avalon partnership which in turn holds a number of productive and prospective oil and gas fields. The company's direct investments in oil and gas fields are held through its investment in West Pine Ridge and the company has diversified its investment portfolio beyond direct and indirect investment in oil and gas production through its investment in convertible notes in Persia Petroleum Services plc which is essentially a vertically integrated oil and gas services business.

### Statement of Compliance

The report is based on the guidelines in the group of 100 incorporated publications *Guide to the Review of Operations and Financial Condition*.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs since your Board reported at the general meeting in November 2004.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 24 March 2005 the Company issued an Information Memorandum for an Excluded Offer to eligible shareholders of up to 1,500,000 new shares and options at an issue price of 35 cents (\$0.35) per new share with a free attaching option exercisable at 35 cents (\$0.35) on or before 30 June 2006 to raise approximately A\$525,000 (before expenses). The closing date for the excluded offer was 29 April 2005 however the directors have extended the offer and it remains open as at the date of this report.

On 6 July 2005 the Company received a cash call from the Avalon Oil Company of USD5,348 payable by its subsidiary Avalon Investments (Aus) Pty Ltd. This amount was paid on 19 July 2005. The Company also acquired a further percentage interest in the Avalon Oil Company through Avalon Investments (Aus) Pty Ltd paying the cash call of another partner of USD748.

The Company announced that after discussions with the Board of Persia Petroleum Services plc, it is anticipated that this company will list on a recognised Stock Exchange by the end of December 2005. We are advised, that the Board of Persia Petroleum Services plc has a number of options under consideration in respect to the listing and having recently raised £2 million is in a position to undertake its business plan and corporate strategies.

The Company advised that the terms under which its investment in convertible notes in Persia Petroleum Services plc were originally undertaken have been varied to allow the company to obtain a 35% (rather than 30%) discount in respect to the conversion of the convertible note to shares at the date of listing.

## **Directors' Report continued**

In respect to the West Pine Ridge Project, a horizontal drilling program was undertaken and if successful was likely to result in a significant oil and gas discovery. We have been subsequently advised by the operator that the sidetrack was abandoned due to technical problems and a farmout partner is being sought to redrill this project. Our options in this respect are now the subject of Board consideration.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Your Board expects to be able to deliver to shareholders advice at the annual general meeting of the Board deliberations in respect to West Pine Ridge. Additionally, your Board expects to be able to advise as to the outcome of the recognized Stock Exchange listing of Persia Petroleum Services plc and the then carrying value of the investments made in the convertible notes issued by Persia Petroleum Services plc.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The company is not aware of any breaches of any relevant environmental protection legislation in relation to licenses issued to the company or its subsidiaries and in respect to the activities of Avalon in which the company is a partner.

### **SHARE OPTIONS**

#### **Unissued Shares**

As at the date of this report there were 375,000 unissued ordinary shares under options. Refer to Note 12 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

#### **Shares issued as a result of the exercise of options**

During the financial year, no employees or directors have exercised any options to acquire fully paid ordinary shares in Concentrated Capital Limited.

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the Company did not undertake to insure Directors of the Company.

## **Directors' Report continued**

### **REMUNERATION REPORT**

This report outlines the remuneration arrangements in place for directors and executives of Concentrated Capital Limited (the company).

#### **Remuneration philosophy**

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

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

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Mandatory requirement for directors to sacrifice a portion of their fees to acquire shares in the company at market price

#### **Remuneration Committee**

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors and senior management.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

#### **Remuneration structure**

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

#### **Non-executive director remuneration**

##### **Objective**

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

##### **Structure**

The remuneration policy for non – executive directors is designed to remunerate non – executive directors for their time, commitment and responsibilities.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

It is the Board's policy that no employment contracts are entered into with non-executive Directors and that no additional fees are payable to non-executive Directors for occupying a position on a sub-committee of the Board.

It was resolved in the Directors meeting of 31 January 2005 that all director remuneration be paid as shares in the Company (at the weighted average of shares traded on NSX in the past 4 weeks prior to allotment) from 1 January 2005 until 30 June 2005 to preserve present cash resources to meet further investment obligations and operating expenses. Cash resources of the Company would be reviewed at that time to determine whether directors remuneration would revert to being paid as a combination of cash payments and fully paid shares.

## **Directors' Report continued**

### **REMUNERATION REPORT continued**

#### **Each director receives a fee for being a director of the company.**

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company whose Board he or she sits.

The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 15 of this report.

### **Senior manager and executive director remuneration**

#### **Objective**

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

- align the interests of executives with those of shareholders by requiring a portion of their remuneration to be paid as shares in the Company (refer below);
- link reward with the strategic goals and performance of the company (with regard to previously issued options of the Company); and
- ensure total remuneration is competitive by market standards.

#### **Structure**

Remuneration consists of fixed remuneration as approved at the Annual General Meeting held on 24 November 2003.

It was resolved in the Directors meeting of 31 January 2005 that all director remuneration be paid as shares in the Company (at the weighted average of shares traded on NSX in the past 4 weeks prior to allotment) from 1 January 2005 until 30 June 2005 to preserve present cash resources to meet further investment obligations and operating expenses. Cash resources of the Company would be reviewed at that time to determine whether directors remuneration would revert to being paid as a combination of cash payments and fully paid shares.

No employment contracts have been entered into with senior managers or the executive Director and that no additional fees are payable for occupying a position on a sub-committee of the Board. At present no remuneration is paid to the Company Secretaries.

### **Fixed Remuneration**

#### **Objective**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market, internal and, where appropriate, external advice on policies and practices and ratified at the Annual General Meeting. As noted above, the Board has access to external advice independent of management.

**Directors' Report continued****REMUNERATION REPORT continued****Table 1: Director Remuneration for the year ended 30 June 2005**

	Primary Salary & Fees	Equity Shares	Total
<b>H. Giles</b>			
2005	6,250	23,750	<b>30,000</b>
2004	12,500	17,500	<b>30,000</b>
<b>P. Reilly</b>			
2005	3,750	16,250	<b>20,000</b>
2004	7,500	12,500	<b>20,000</b>
<b>C. Rowe</b>			
2005	2,176	28,750	<b>30,926</b>
2004	-	-	-
<b>Total Remuneration: Specified Directors</b>			
2005	12,176	68,750	<b>80,926</b>
2004	20,000	30,000	<b>50,000</b>

**Table 2: Remuneration of executives for the year ended 30 June 2005**

<b>S. Danne</b>			
2005	-	-	-
2004	22,500	7,500	<b>30,000</b>
<b>R. Baker</b>			
2005	-	-	-
2004	-	-	-
<b>Total Remuneration: Specified Executives</b>			
2005	-	-	-
2004	22,500	7,500	<b>30,000</b>

## Directors' Report continued

### DIRECTORS MEETINGS

The number of meetings of directors (including meetings of Committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees				
		Audit & Compliance	Risk Management	Strategic Review & Operations	Nominations	Remuneration
<b>Number of meetings held:</b>	8	2	1	1	1	1
<b>Number of meetings attended:</b>						
H. Giles	8	2	1	-	1	-
C. Rowe	8	2	1	1	-	1
P. Reilly	8	2	1	1	1	1
R. Baker	-	2	-	-	-	-

### Committee membership

As at the date of this report, the Company had an Audit & Compliance Committee, a Strategic Review and Operations Committee, a Nomination Committee and Remuneration Committee with Board agreed charters all appointed as sub Committees of the Board.

Members acting on the Committees of the Board during the year were:

Audit & Compliance	Risk Management	Strategic Review & Operations	Nominations	Remuneration
H. Giles (Chairman)	P. Reilly (Chairman)	C. Rowe (Chairman)	H. Giles (Chairman)	P. Reilly (Chairman)
P. Reilly	H. Giles	P. Reilly	P. Reilly	C. Rowe
C. Rowe	C. Rowe			
R. Baker				

### TAX CONSOLIDATION

Concentrated Capital Limited and its 100% owned subsidiaries have not formed a tax consolidated group for the purposes of income taxation.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the following declaration from the auditor of Concentrated Capital Limited.



[EY LETTERHEAD]

## **Directors' Report continued**

### **NON-AUDIT SERVICES**

During the year ended 30 June 2005, no non-audit services were provided by the entity's auditor, Ernst & Young.

**Signed in accordance with a resolution of the directors**



.....  
Hamish M Giles  
Chairman

Signed this 28th day of September 2005

## Corporate Governance Statement

The Board of Directors of Concentrated Capital Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Concentrated Capital Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendation). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Concentrated Capital Limited's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interests of stakeholders

Concentrated Capital Limited's corporate governance practices were in place throughout the year ended 30 June 2005 and were fully compliant with the Council's best practice recommendations with the exception the executive director holds positions on all Committees with the exception of the Strategic Review and Operations Committee. It is due to the nature and size of the Company's activities that all executive functions are carried out by the Board.

For further information on corporate governance policies adopted by Concentrated Capital Limited, refer to our website:

[www.concentratedcapital.com.au](http://www.concentratedcapital.com.au)

## Structure of the Board

The skills, experience and expertise relevant to the position of the director held by each director in office at the date of the annual report is included in the Director's Report on page 5 and 6. Directors of Concentrated Capital Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Concentrated Capital Limited are considered to be independent:

Name	Position
H. Giles	Chairperson, Executive Director
P. Reilly	Non-Executive Director
C. Rowe	Non-Executive Director

## Corporate Governance Statement continued

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in office</b>
H. Giles	4 years
P. Reilly	2 years
C. Rowe	2 years

For additional details regarding board appointments, please refer to our website.

### Nomination Committee

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of the director. The Nomination Committee comprises executive and non-executive directors. The Nomination Committee comprised of the following members throughout the year:

H. Giles  
P. Reilly  
C. Rowe

For details of directors' attendance at meetings of the Nomination Committee, refer to page 16 of the Directors' Report.

For additional details regarding the Nomination Committee, please refer to our website.

### Audit & Compliance Committee (assumed the role of Risk Management Committee on 1 July 2004)

The Board has established an Audit and Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Compliance Committee are executive and non-executive directors and the company secretary.

The Committee also undertakes the following:

- To establish a Risk Management process which objectively assesses the risks of the Company in their business activities;
- To provide quantitative and qualitative assessment of risks;
- To develop Risk Action Plans and ensure that management responds to these plans and reports to this Committee as to their response;
- To liaise with the external auditors in respect to their assessment of risks encountered by the Company in its ongoing business activities; and
- To assess the business plans developed by management and independently determine risks associated with those business plans.

## Corporate Governance Statement continued

The members of the Audit and Compliance Committee during the year were:

H. Giles

P. Reilly

C. Rowe

R. Baker

### *Qualifications of the Audit and Compliance Committee*

H. Giles has significant experience as both as an executive and non-executive director of numerous listed and unlisted companies. He has served as the managing director of Salmon Giles Pty Ltd which incorporates accounting and taxation practice. He is a member of the Australian Association of Taxation and Management Accountants and is a registered tax agent. He is also a director of a number of companies where as part of his role, he serves as a chairman on the Audit and Compliance Committee.

C. Rowe has qualifications in both economics and law and has served as an executive and non-executive director of numerous companies whereas part of his role, he serves as a member on the Audit and Compliance Committee.

P. Reilly has qualifications in accounting and has served as an executive and non-executive director of numerous companies whereas part of his role, he serves as a member on the Audit and Compliance Committee.

R. Baker has qualifications in both economics and accounting and is a registered tax agent.

## Strategic Review and Operations Committee

The Board has established a Strategic Review and Operations Committee (“Committee”) to review the operational activities of the Company. As the Company at present has not appointed a Managing Director, this Committee has strategic and operational responsibility and reports directly to the Board. In the event that the Company appoints a Managing Director, then this Committee will support the activities of the Managing Director. The Committee has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances, accept the delegation of Executive power in respect to the operations of the Company or undertake activities in a manner which could be construed to impinge on the Executive role of the Company.

The objectives of the Committee are as follows:

- Provide an interface to the Board on the operational activities of the Company;
- Develop the Business Plan and Budgets for review by the Board;
- To keep the Board apprised of variances against the Business Plan and Budgets;
- To liaise with the Audit and Compliance Committee and assess and determine any risks that may become apparent from an operational stand point; and
- To meet on a regular basis in order to provide executive management to the activities of the Company or in the event of a Managing Director being appointed to support the Managing Director’s activities.

The members of the Strategic Review and Operations Committee during the year were:

P. Reilly

C. Rowe

## Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted two performance evaluations which involved an assessment of each board member’s and key executive’s performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Concentrated Capital Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

## Corporate Governance Statement continued

### Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and the amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow executives to share the rewards of the success of Concentrated Capital Limited.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report on page 13.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established a Remuneration Committee, comprising two non-executive directors.

Members of the Remuneration Committee throughout the year were:

P. Reilly

C. Rowe

For details on the number of meeting of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 16 of the Directors' Report.

## STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	2	<b>71,057</b>	6,318	<b>71,057</b>	6,318
Corporate and administrative expenses		<b>(46,095)</b>	(76,276)	<b>(65,099)</b>	(75,016)
Salaries and employee benefits expense		<b>(80,927)</b>	(80,000)	<b>(80,927)</b>	(80,000)
Write down of deferred exploration, evaluation and development expenditure	3	<b>(150,990)</b>	(250,000)	-	-
Write down of related party receivables	3	-	-	<b>(135,232)</b>	(250,000)
Other expenses from ordinary activities	3	-	(7,058)	-	(7,058)
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(206,955)</b>	(407,016)	<b>(210,201)</b>	(405,756)
<b>INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES</b>	4	-	-	-	-
<b>LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>(206,955)</b>	(407,016)	<b>(210,201)</b>	(405,756)
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF CONCENTRATED CAPITAL LIMITED</b>	13	<b>(206,955)</b>	(407,016)	<b>(210,201)</b>	(405,756)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF CONCENTRATED CAPITAL LIMITED</b>		<b>(206,955)</b>	(407,016)	<b>(210,201)</b>	(405,756)
Basic earnings per share (cents per share)	18	(1.76)	(3.97)		
Diluted earnings per share (cents per share)	18	(1.76)	(3.97)		
Franked dividends per share (cents per share)		-	-		

# STATEMENT OF FINANCIAL POSITION

**AS AT 30 JUNE 2005**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>CURRENT ASSETS</b>					
Cash assets		55,610	106,020	55,606	106,015
Receivables	5	39,199	105,018	389,513	515,802
Prepayments	6	-	23,610	-	23,610
<b>TOTAL CURRENT ASSETS</b>		<b>94,809</b>	234,648	<b>445,119</b>	645,427
<b>NON-CURRENT ASSETS</b>					
Other financial assets	7	845,198	682,346	643,362	500,005
Deferred exploration, evaluation and development costs	9	142,430	219,148	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>987,628</b>	901,494	<b>643,362</b>	500,005
<b>TOTAL ASSETS</b>		<b>1,082,437</b>	1,136,142	<b>1,088,481</b>	1,145,432
<b>CURRENT LIABILITIES</b>					
Payables	10	20,297	62,142	20,297	62,142
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,297</b>	62,142	<b>20,297</b>	62,142
<b>TOTAL LIABILITIES</b>		<b>20,297</b>	62,142	<b>20,297</b>	62,142
<b>NET ASSETS</b>		<b>1,062,140</b>	1,074,000	<b>1,068,184</b>	1,083,290
<b>EQUITY</b>					
Contributed equity	11	1,866,750	1,671,655	1,866,750	1,671,655
Retained profits	13	(804,610)	(597,655)	(798,566)	(588,365)
<b>TOTAL EQUITY</b>		<b>1,062,140</b>	1,074,000	<b>1,068,184</b>	1,083,290



## STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees		(89,909)	(211,459)	(246,665)	(195,646)
GST refund received		16,517	16,796	11,354	15,633
Interest received		1,419	4,540	1,419	4,540
Deferred exploration, evaluation and development costs		(74,438)	(143,557)	-	-
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	14(a)	(146,411)	(333,680)	(233,892)	(175,473)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investments in partnership		(19,494)	(30,178)	-	-
Purchase of shares		-	-	-	-
Purchase of convertible notes		(99,850)	(500,000)	(99,850)	(500,000)
Advances to related parties		-	-	67,988	(188,385)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(119,344)	(530,178)	(31,862)	(688,385)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of ordinary shares		250,371	687,549	250,371	687,549
Proceeds from exercise of options		-	15,300	-	15,300
Payment of share issue costs		(35,026)	(26,489)	(35,026)	(26,489)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		215,345	676,360	215,345	676,360
NET INCREASE/(DECREASE) IN CASH HELD		(50,410)	(187,498)	(50,409)	(187,498)
Add opening cash brought forward		106,020	300,576	106,015	300,571
Effects of exchange rates on cash		-	(7,058)	-	(7,058)
<b>CLOSING CASH CARRIED FORWARD</b>	14(b)	55,610	106,020	55,606	106,015

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 30 JUNE 2005

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

#### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Concentrated Capital Limited (the parent company) and all entities that Concentrated Capital Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

#### (c) Foreign Currencies

##### *Translation of foreign currency transactions*

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

#### (d) Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

#### (e) Deferred exploration, evaluation and development costs

##### *Costs carried forward*

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

##### *Amortisation*

Costs carried forward in relation to a producing area of interest will be amortised on a production output basis, over the economic life of the area, pending commencement of production.

#### (f) Receivables

Trade receivables are recognised at original invoice amounts less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

# NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

#### (h) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

#### (i) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

#### (j) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### (k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Rendering of services*

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

Where service income cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

##### *Interest*

Control of the right to receive the interest payment.

#### (l) Taxes

##### *Income taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

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

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (m) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

##### (n) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary share that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary share and dilutive potential ordinary shares, adjusted for any bonus element.

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Revenue from services		10,000	-	10,000	-
Total revenues from operating activities		10,000	-	10,000	-
<b>Revenues from non-operating activities</b>					
Interest		60,958	6,318	60,958	6,318
Proceeds from disposal of controlled entity		99	-	99	-
Total revenues from non-operating activities		61,057	6,318	61,057	6,318
<b>Total revenues from ordinary activities</b>		<b>71,057</b>	<b>6,318</b>	<b>71,057</b>	<b>6,318</b>

**NOTES CONTINUED****YEAR ENDED 30 JUNE 2005**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>3. EXPENSES AND LOSSES/(GAINS)</b>					
<b>a) Losses/(gains)</b>					
Net foreign currency (gains)/losses		-	7,058	-	7,058
<b>b) Specific Items</b>					
Provision for Write down of Deferred Exploration, Evaluation and Development Costs		150,990	250,000	-	-
Provision of Write down of related party receivables		-	-	135,232	250,000

**4. INCOME TAX**

No income tax is payable by the parent company or any subsidiary company within the consolidated entity as the companies are in a current tax loss position.

**Income tax losses**

The parent company has tax losses of A\$123,342 at reporting date. The future income tax benefit arising from these tax losses has not been brought to account at reporting date, as realisation of the benefit is not regarded as virtually certain. The parent company was a Pooled Development Fund up until 16 March 2004. On this date the Pooled Development Fund Licence was relinquished, and consequently accumulated tax losses to that date may not be deductible in future years. Since 16 March 2004 the Company has accumulated tax losses of A\$123,342.

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

**Tax consolidation**

Concentrated Capital Limited and its 100% owned subsidiaries have not formed a tax consolidated group as at the date of this report. The position of the Board regarding tax consolidation is to review the necessity and/ or benefits of tax consolidation during the current financial year.

**NOTES CONTINUED****YEAR ENDED 30 JUNE 2005**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>5. RECEIVABLES (CURRENT)</b>					
Trade debtors		11,000	-	11,000	-
Sundry debtors		25,745	16,018	25,746	8,502
Other receivables		2,454	89,000	2,454	89,000
Amounts other than trade debts receivable from related parties:					
Wholly-owned group – controlled entities		-	-	501,303	668,300
Provision for write down of related party receivables		-	-	(150,990)	(250,000)
		<b>39,199</b>	<b>105,018</b>	<b>389,513</b>	<b>515,802</b>

**Terms and conditions**

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Details of the terms and conditions of related party receivables are set out in Note 21.

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>6. PREPAYMENTS</b>					
Capital Raising Costs Deferred		-	23,610	-	23,610
		<b>-</b>	<b>23,610</b>	<b>-</b>	<b>23,610</b>

## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
7. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost					
Shares – Unlisted		-	-	4	5
3.91% (2004: 3.56%) interest in the Avalon Oil Company Partnership		201,840	182,346	-	-
Convertible Note – Persia Petroleum Services plc		643,358	500,000	643,358	500,000
		845,198	682,346	643,362	500,005

The Convertible Note will earn a coupon of 10% per annum and subject to the listing of Persia Petroleum Services plc on AIM, will convert into shares in the listed entity at 65% (2004: 70%) of the issue price. The Convertible Note expires on 30 June 2006.

**8. INTERESTS IN SUBSIDIARIES**

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2005 %	2004 %	2005 \$	2004 \$
Concentrated Coal Pty Ltd	Australia	-	100	-	1
QMI Investments Pty Ltd	Australia	100	100	1	1
Swearingen Gas Pty Ltd	Australia	100	100	1	1
Colorado Energy Pty Ltd	Australia	100	100	1	1
Avalon Investments (Aus) Pty Ltd	Australia	100	100	1	1

**Disposal of controlled entity**

On 30 June 2005, Concentrated Capital Limited disposed 100% of the voting share capital of Concentrated Coal Pty Ltd, an unlisted Australian company holding only cash assets. Details of the disposal are as follows:

	\$
Proceeds on disposal:	
- debtors	100
The carrying amounts of assets and liabilities disposed of by major class are:	
- cash	1
Net assets of entity sold	1
Profit on disposal	99

## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>9. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>				
Exploration, evaluation and development costs carried forward in respect of mining, oil and gas areas of interest				
Pre-production				
– exploration and evaluation phases	293,420	469,148	-	-
Provision for write down of Deferred Exploration, Evaluation and Development Costs	(150,990)	(250,000)	-	-
	<b>142,430</b>	<b>219,148</b>	<b>-</b>	<b>-</b>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining, oil and gas areas to which the deferred costs relate. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Consolidated Deferred Exploration, Evaluation and Development costs are allocated between the entities as follows:

	2005	2004
Concentrated Coal Pty Ltd	-	92,985
QMI Investments Pty Ltd	71,215	60,000
Swearingen Gas Pty Ltd	-	6,163
Colorado Energy Pty Ltd	71,215	60,000
	<b>142,430</b>	<b>219,148</b>

Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>10. PAYABLES</b>				
Trade creditors	1,397	16,453	1,397	16,453
Other creditors	18,900	45,689	18,900	45,689
	<b>20,297</b>	<b>62,142</b>	<b>20,297</b>	<b>62,142</b>

- (i) – Trade creditors are non-interest bearing and are normally settled on 30 day terms.  
(ii) Other creditors are non-interest bearing and have an average term of 3 months.



## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>11. CONTRIBUTED EQUITY</b>					
<b>(a) Issued and paid up capital</b>					
Ordinary shares fully paid		<b>1,866,750</b>	1,671,655	<b>1,866,750</b>	1,671,655
		<b>1,866,750</b>	1,671,655	<b>1,866,750</b>	1,671,655

CONSOLIDATED				
(b) Movements in share on issue	Notes	2005		2004
		Number of Shares	\$	Number of Shares
Beginning of the financial year		<b>11,803,810</b>	1,671,655	<b>10,171,333</b>
Issued during the year				
- public equity raising		-	-	<b>40,000</b>
- issued in lieu of services	(i)	<b>114,584</b>	68,750	<b>208,750</b>
- private equity raising	(ii)	<b>408,716</b>	161,371	<b>1,213,727</b>
- less issue costs		-	(35,026)	-
- exercise of options		-	-	<b>170,000</b>
End of the financial year		<b>12,327,110</b>	1,866,750	<b>11,803,810</b>

- (i) On 2 May 2005, 25,000 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$15,000.  
On 7 June 2005, 41,667 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$25,000.  
On 30 June 2005, 47,917 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$28,750.
- (ii) On 31 August 2004, 91,573 shares were issued at A\$0.55 each pursuant to a Rights Issue. Capital of A\$50,365 was raised. Each share issued had one attaching option exercisable at A\$0.35 on or before 30 June 2006.  
On 30 June 2005, 317,143 shares were issued at A\$0.35 each pursuant to an underwriting of a private placement. Capital of A\$111,000 was raised. Each share issued by virtue of the underwriting had two attaching options exercisable at A\$0.35 on or before 30 June 2006.

**(c) Terms and conditions of contributed equity***Ordinary Shares*

Ordinary Shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 11. CONTRIBUTED EQUITY (continued)

(d) Share options	2005		2004	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	2,938,727	0.24	1,895,000	0.159
- granted under Employee Share Scheme	-	-	-	-
- issued	725,859	0.35	1,213,727	0.35
- forfeited	-	-	-	-
- exercised	-	-	(170,000)	0.09
Balance at end of year	3,664,586	0.26	2,938,727	0.24

The following table summarises information about options outstanding and exercisable at 30 June 2005:

Option price		Outstanding		Exercisable	
		Number of options	Weighted Average option price	Number of options	Weighted Average option price
\$0.10	Exercisable by 18/04/07	575,000 (1)	0.10	575,000	0.10
\$0.20	Exercisable by 18/04/07	575,000 (2)	0.20	-	-
\$0.20	Exercisable by 18/04/07	575,000 (3)	0.20	-	-
\$0.35	Exercisable by 30/06/06	1,939,586 (1)	0.35	1,939,586	0.35
Total		3,664,586	0.26	2,514,586	0.29

(1) Exercisable at any time up till expiry date

(2) Exercisable at \$0.20 upon listing on ASX

(3) Exercisable at \$0.20 upon commercial production from any subsidiary of the Company

#### 12. DIRECTOR AND EXECUTIVE BENEFITS

##### Director and Executive Share Incentive Scheme

A Director and Executive share scheme has been established where directors and executives of the consolidated entity are issued with options over the ordinary Shares of Concentrated Capital Limited. The options are issued for nil consideration and are issued in accordance with performance criteria established by the Directors of Concentrated Capital Limited. Of the options specified 125,000 are exercisable at any time up till the expiry date and the balance upon (i) listing on the Australian Stock Exchange (125,000 options), and (ii) commercial production from any subsidiary of the Company (125,000 options). The options are issued for a term of 5 years and are exercisable on granting. The options cannot be transferred and will not be quoted on the Newcastle Stock Exchange. There are currently three (3) Directors eligible to participate.

## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

## 12. DIRECTOR AND EXECUTIVE BENEFITS (continued)

		2005		2004	
		Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	11(a)	375,000	0.166	375,000	0.166
- granted		-	-	-	-
- forfeited		-	-	-	-
- exercised		-	-	-	-
Balance at end of year	11(b)	375,000	0.166	375,000	0.166
Exercisable at end of year		-	-	-	-

## (a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2004:

Number of Options	Grant date	Expiry date	Weighted average exercise price
375,000	18 April 2002	18 April 2007	0.166

## (b) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2005:

Number of Options	Grant date	Expiry date	Weighted average exercise price
375,000	18 April 2002	18 April 2007	0.166

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>13. RESERVES AND RETAINED PROFITS</b>					
<b>Retained profits</b>					
Balance at the beginning of the year		(597,655)	(190,639)	(588,365)	(182,609)
Net profit attributable to members of Concentrated Capital Limited		(206,955)	(407,016)	(210,201)	(405,756)
Balance at end of year		(804,610)	(597,655)	(798,566)	(588,365)

## NOTES CONTINUED

YEAR ENDED 30 JUNE 2005

Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
	2005 \$	2004 \$	2005 \$	2004 \$
14. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the net profit after tax to the net cash flows from operations				
Net Loss	(206,955)	(407,016)	(210,201)	(405,756)
Non-Cash Items				
Shares issued in lieu of payment for services	68,750	51,500	68,750	51,500
Net foreign currency (gains)/losses	-	7,058	-	7,058
Changes in assets and liabilities				
(Increase)/Decrease in deferred exploration, evaluation and development costs	76,718	86,380	-	10,811
(Increase)/Decrease in trade and other receivables	(26,838)	(66,101)	(26,838)	163,834
(Increase)/Decrease in provisions	3,546	-	3,546	-
(Increase)/Decrease in Convertible Notes	(43,508)	-	(43,508)	-
(Decrease)/Increase in trade and other creditors	(21,780)	(5,459)	(21,780)	(4,659)
(Decrease)/Increase in goods and services tax payable	3,656	(42)	(3,861)	1,739
Net cash flow from operating activities	(146,411)	(333,680)	(233,892)	(175,473)
(b) Reconciliation of cash				
Cash balance comprises:				
- Cash assets	55,610	106,020	55,606	106,015
Closing cash balance	55,610	106,020	55,606	106,015

**15. EXPENDITURE COMMITMENTS**

The Directors confirm that there are no material Capital or Income expenditure commitments as at the date of this report.

**16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS****(a) Contingent Liabilities**

The Directors confirm that there are no known contingent liabilities at the date of this report (2004:none)

**(b) Contingent Assets.**

The Directors confirm that there are no known contingent assets at the date of this report. (2004:none)

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 17. SUBSEQUENT EVENTS

On 24 March 2005 the Company issued an Information Memorandum for an Excluded Offer to eligible shareholders of up to 1,500,000 new shares and options at an issue price of 35 cents (\$0.35) per new share with a free attaching option exercisable at 35 cents (\$0.35) on or before 30 June 2006 to raise approximately \$525,000 (before expenses). The closing date for the excluded offer was 29 April 2005 however the directors have extended the offer and it remains open as at the date of this report.

On 6 July 2005 the Company received a cash call from the Avalon Oil Company of USD5,348 payable by its subsidiary Avalon Investments (Aus) Pty Ltd. This amount was paid on 19 July 2005. The Company also acquired a further percentage interest in the Avalon Oil Company Partnership through Avalon Investments (Aus) Pty Ltd paying the cash call of another partner of USD748.

The Company announced that after discussions with the Board of Persia Petroleum Services plc, it is anticipated that this company will list on a recognised Stock Exchange by the end of December 2005. We are advised, that the Board of Persia Petroleum Services plc has a number of options under consideration in respect to the listing and having recently raised £2 million is in a position to undertake its business plan and corporate strategies.

The Company advised that the terms under which its investment in convertible notes in Persia Petroleum Services plc were originally undertaken have been varied to allow the company to obtain a 35% (rather than 30%) discount in respect to the conversion of the convertible note to shares at the date of listing.

In respect to the West Pine Ridge Project, a horizontal drilling program was undertaken and if successful was likely to result in a significant oil and gas discovery. We have been subsequently advised by the operator that the sidetrack was abandoned due to technical problems and a farmout partner is being sought to redrill this project. Our options in this respect are now the subject of Board consideration.

#### 18. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	CONSOLIDATED	
	2005	2004
Net Profit/(Loss)	(206,955)	(407,016)
Earnings used in calculating basic and diluted earnings per share	(206,955)	(407,016)
	<b>Number of Shares</b>	<b>Number of Shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	11,756,134	10,247,765
<b>Effect of dilutive securities:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in	11,756,134	10,247,765

As the Company has incurred a loss for the year ended 30 June 2005, the effect of including share options when calculating earnings per share is anti-dilutive and consequently share options have not been included in calculating diluted earnings per share. The number of share options not included was 1,844,390 (2004: 1,678,126).

## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>19. AUDITORS' REMUNERATION</b>					
Amounts received or due and receivable by Ernst & Young Australia for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity					
		22,300	15,500	22,300	15,500
- other services in relation to the entity and any other entity in the consolidated entity.					
		-	-	-	-
		22,300	15,500	22,300	15,500

**20. DIRECTOR AND EXECUTIVE DISCLOSURES****(a) Details of Specified Directors and Specified Executives***(i) Specified directors*

H. Giles	Executive Chairman and Company Secretary
P. Reilly	Director (non-executive) and Company Secretary
C. Rowe	Director (non-executive)

*(ii) Specified executives*

R. Baker	Company Secretary
----------	-------------------

**(b) Remuneration of Specific Directors and Specified Executives****Remuneration philosophy**

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

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

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Mandatory requirement for directors to sacrifice a portion of their fees to acquire shares in the company at market price

**Remuneration Committee**

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors and senior management.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 20. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

##### Remuneration structure

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

##### Non-executive director remuneration

###### Objective

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

###### Structure

The remuneration policy for non – executive directors is designed to remunerate non – executive directors for their time, commitment and responsibilities.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

It is the Board's policy that no employment contracts are entered into with non-executive Directors and that no additional fees are payable to non-executive Directors for occupying a position on a sub-committee of the Board.

It was resolved in the Directors meeting of 31 January 2005 that all director remuneration be paid as shares in the Company (at the weighted average of shares traded on NSX in the past 4 weeks prior to allotment) from 1 January 2005 until 30 June 2005 to preserve present cash resources to meet further investment obligations and operating expenses. Cash resources of the Company would be reviewed at that time to determine whether directors remuneration would revert to being paid as a combination of cash payments and fully paid shares.

##### Each director receives a fee for being a director of the company.

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company whose Board he or she sits.

The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 15 of this report.

##### Senior manager and executive director remuneration

###### Objective

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

- align the interests of executives with those of shareholders by requiring a portion of their remuneration to be paid as shares in the Company (refer below);
- link reward with the strategic goals and performance of the company (with regard to previously issued options of the Company); and
- ensure total remuneration is competitive by market standards.

###### Structure

Remuneration consists of fixed remuneration as approved at the Annual General Meeting held on 24 November 2003.

It was resolved in the Directors meeting of 31 January 2005 that all director remuneration be paid as shares in the

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 20. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Company (at the weighted average of shares traded in NSX in the past 4 weeks prior to allotment) from 1 January 2005 until 30 June 2005 to preserve present cash resources to meet further investment obligations and operating expenses. Cash resources of the Company would be reviewed at that time to determine whether directors remuneration would revert to being paid as a combination of cash payments and fully paid shares.

No employment contracts have been entered into with senior managers or the executive Director. At present no remuneration is paid to the Company Secretary's.

#### Fixed Remuneration

##### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market, internal and, where appropriate, external advice on policies and practices and ratified at the Annual General Meeting. As noted above, the Board has access to external advice independent of management.

**Table 1: Director Remuneration for the year ended 30 June 2005**

	Primary Salary & Fees	Equity Shares	Total
<b>H. Giles</b>			
2005	6,250	23,750	<b>30,000</b>
2004	12,500	17,500	<b>30,000</b>
<b>P. Reilly</b>			
2005	3,750	16,250	<b>20,000</b>
2004	7,500	12,500	<b>20,000</b>
<b>C. Rowe</b>			
2005	2,176	28,750	<b>30,926</b>
2004	-	-	-
<b>Total Remuneration: Specified Directors</b>			
2005	12,176	68,750	<b>80,926</b>
2004	20,000	30,000	<b>50,000</b>



## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 20. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

**Table 2: Remuneration of executives for the year ended 30 June 2005**

	Primary Salary & Fees	Equity Shares	Total
<b>S. Danne</b>			
2005	-	-	-
2004	22,500	7,500	30,000
<b>R. Baker</b>			
2005	-	-	-
2004	-	-	-
<b>Total Remuneration: Specified Executives</b>			
2005	-	-	-
2004	22,500	7,500	30,000

#### (c) Shares issued in accordance of remuneration approved by shareholders

	Shares issued Number	Paid up value \$ per share	Unpaid value \$ per share
<b>Specified Directors</b>			
H. Giles	39,583	0.60	-
P. Reilly	27,084	0.60	-
C. Rowe	47,917	0.60	-
<b>Specified Executives</b>			
R. Baker	-	-	-
	<u>114,584</u>		

### 21. RELATED PARTY DISCLOSURES

#### Director-related entity transactions

##### Services

Accounting services, Nominated Advisor Services and Sundry Corporate Services were provided by Salmon Giles Pty Ltd, of which Mr Hamish M Giles is a director, for an amount of \$35,450 (2004: A\$25,250).

**NOTES CONTINUED****YEAR ENDED 30 JUNE 2005****21. RELATED PARTY DISCLOSURES (continued)****Equity instruments of directors****Interests at balance date**

Interests in the equity instruments of Concentrated Capital Limited held by Directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2005 Number	2004 Number	2005 Number	2004 Number
H. Giles	198,333	158,750	375,000	375,000
C. Rowe	47,917	-	-	-
P. Reilly	2,290,000	2,262,916	-	-
	<b>2,536,250</b>	<b>2,421,666</b>	<b>375,000</b>	<b>375,000</b>

**Movements in directors' equity holdings**

During the year, Mr Giles received 79% of his Director's remuneration by the issue of Shares per Note 19 (c).

During the year, Mr Reilly received 81% of his Director's remuneration by the issue of Shares per Note 19 (c).

During the year, Mr Rowe received 88.5% of his Director's remuneration by the issue of Shares per Note 19 (c).

There have been no other transactions concerning equity instruments during the year with Directors or their director related entities.

**Loans**

Concentrated Capital Limited (the group's parent company) has provided interest free loans to wholly owned subsidiaries, aggregating \$350,313 after application of the provision for write down of related party receivables (2004: \$418,300 after application of the provision for write down of related party receivables). During the year, additional advances of \$109,945 were made. Repayments of \$5,163 were made.

**22. SEGMENT INFORMATION****Segment Locations**

The consolidated entity's operating companies are organised and managed separately according to the nature of the investment.

Geographically the group operates in three predominant segments, being Australia, United States of America and the United Kingdom. All operating and investment activities of the group take place exclusively in Australia.

**Segment Accounting Policies**

Revenues are attributed to the geographic areas based on location of the investment by the subsidiary producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

## NOTES CONTINUED

YEAR ENDED 30 JUNE 2005

## 22. SEGMENT INFORMATION (continued)

Geographic segments	Australia		United States of America		United Kingdom		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
<b>Revenue</b>								
Revenues from services	10,000	-	-	-	-	-	10,000	-
Interest	1,419	6,318	-	-	59,539	-	60,958	6,318
Proceeds from disposal of controlled entity	99	-	-	-	-	-	99	-
Total Segment revenue	11,518	6,318	-	-	59,539	-	71,057	6,318
<b>Results</b>								
Segment result	(266,494)	(407,016)	-	-	59,539	-	(206,955)	(407,016)
<b>Assets</b>								
Segment assets	94,809	234,648	344,270	401,494	643,358	500,000	1,082,437	1,136,142
<b>Liabilities</b>								
Segment liabilities	20,297	62,142	-	-	-	-	20,297	62,142
<b>Other segment information</b>								
Acquisition of property, intangible assets and other non-current assets	-	-	93,766	193,798	143,358	500,000	237,124	693,798
Non-cash expenses other than depreciation and amortisation	68,750	58,558	-	-	-	-	68,750	58,558

## 23. FINANCIAL INSTRUMENTS

## (a) Interest Rate Risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Fixed Interest Rate maturing in:									
	Floating interest rate		Over 1 to 5 years		Non-Interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<i>(i) Financial assets</i>										
Cash	56	106	-	-	-	-	56	106	2.35	3.45
Trade and other receivables	-	-	-	-	39	105	39	105	N/A	N/A
Other Financial Assets	-	-	643	500	201	182	845	682	10	10
	56	106	643	500	240	287	940	893		
<i>(ii) Financial liabilities</i>										
Trade Creditors	-	-	-	-	1	16	1	16	N/A	N/A
Other Creditors	-	-	-	-	19	46	19	46	N/A	N/A
	-	-	-	-	20	62	20	62		

## NOTES CONTINUED

### YEAR ENDED 30 JUNE 2005

#### 23. FINANCIAL INSTRUMENTS (continued)

##### *(b) Net Fair Values*

All financial assets and financial liabilities have been recognised at balance date at their net fair values.

*(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.*

##### **Recognised financial instruments**

*Cash and cash equivalents:* The carrying amount approximates fair value because of their short-term to maturity.

*Trade and other receivables and trade and other creditors:* The carrying amount approximates fair value.

*Short-term borrowings:* The carrying amount approximates fair values because of their short-term to maturity.

*Long-term loans receivable:* Long-term receivables are stated at carrying values.

*Other financial assets:* For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the calculated based on the expected cash flows or the underlying net asset base of the investment/security.

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

The Company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets in the Statement of Financial Position.

#### 24. DISCONTINUING OPERATION

On 30 June 2005 the Board announced its decision to discontinue further investment into the Swearingen Project by its fully owned subsidiaries Swearingen Gas Pty Ltd. It was further determined that the carrying value of the investment be reduced to zero with the consequent write-off of the intercompany loan.

#### 25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Concentrated Capital Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources through the Audit and Compliance Committee to conduct impact assessments to identify key areas that would be impacted by the transition of AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Concentrated Capital Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Concentrated Capital Limited prepared its first fully AIFRS compliant financial report for the year ended 30 June 2006.

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

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimate disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

## NOTES CONTINUED

## YEAR ENDED 30 JUNE 2005

**25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)****(a) Reconciliation of equity as presented under AGAAP to that under AIFRS**

	CONSOLIDATED		CONCENTRATED CAPITAL	
	30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
<b>Total equity under AGAAP</b>	<b>1,062,140</b>	1,074,000	1,068,184	1,083,290
<i>Adjustments other reserves (net of tax)</i>				
Restatement of financial assets to fair value	31,882	-	-	-
Net adjustment to other reserves	31,882	-	-	-
<b>Total equity under AIFRS</b>	<b>1,094,022</b>	1,074,000	<b>1,068,184</b>	1,083,290

\* This column represents the adjustments at the date of transition to AIFRS

\*\* This column represents the cumulative adjustments at the date of transition to AIFRS and those for the year ended 30 June 2005

Under AASB139 Financial Instruments: Recognition and Measurement the partnership share in the Avalon Oil Company partnership is classified as being Available for Sale upon transition to AIFRS and was restated at its Fair Value as at 30 June 2005. At transition date the carrying value of the partnership share in the Avalon Oil Company partnership approximated the Fair Value, as such, no adjustment was required on transition.

**(b) Reconciliation of net profit under AGAAP to that under AIFRS**

No material impacts are expected to the net profit presented under AGAAP on adoption of AIFRS.

It was deemed that the carrying value of the assets reflects their recoverable amount.

**(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005**

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

## DIRECTOR'S DECLARATION

**YEAR ENDED 30 JUNE 2005**

---

In accordance with a resolution of the directors of Concentrated Capital Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board



Hamish M Giles  
Chairman

**----- AUDITOR REPORT TO BE INSERTED HERE 2 PAGES -----**

**----- AUDITOR REPORT TO BE INSERTED HERE 2 PAGES -----**



**CONCENTRATED CAPITAL LIMITED**

**ABN 34 087 730 667**

**NOTICE OF ANNUAL GENERAL MEETING**

**incorporating**

**EXPLANATORY MEMORANDUM**

**and**

**PROXY FORM**

**Date of meeting:** 24 November 2005

**Time of meeting:** 11.00am

**Place of meeting:** The Boardroom  
Tolhurst Noall Ltd  
Level 29, 35 Collins Street  
Melbourne, Victoria 3000

*The Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

**CONCENTRATED CAPITAL LIMITED**

**ABN 34 087 730 667**

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Annual General Meeting of shareholders of Concentrated Capital Limited ("**Company**") will be held in the Boardroom, at Tolhurst Noall Ltd, Level 29, 35 Collins Street, Melbourne, on 24 November 2005 at 11.00am (EST).

The Proxy Form and Explanatory Memorandum accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting.

Unless the context indicates a contrary intention, definitions used in this Notice of Annual General Meeting have the same meaning as in the Explanatory Memorandum.

**(a).1 ORDINARY BUSINESS**

**Annual Financial Report**

To receive the Annual Financial Report of the Company for the year ended 30 June 2005, together with the Directors' Report and Declaration in relation to that financial year and the Auditors' Report on those financial statements.

**Resolution 1 - Remuneration Report for the Financial Year ended 30 June 2005**

To adopt the Remuneration Report for the Year ended 30 June 2005.

**Resolution 2 – Rotation of Directors**

To consider and if thought fit, to pass, with or without amendment the following, as an **ordinary resolution**:

*"That Mr Chris Rowe, who retires in accordance with Rule 8.1(e)(2) of the Company's Constitution, being eligible for election, be elected as a director."*

**Resolution 3 – Refresh Capacity to Issue Shares Following Issue of Placement Shares**

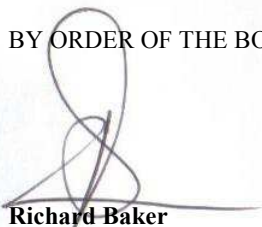
To consider and if thought fit, to pass, with or without amendment the following, as an **ordinary resolution**:

*"That the issue by the Company of 523,300 shares during the year each be approved for all purposes including the purposes of NSX Listing Rule 6.25".*

**Other Business**

To consider any other business that may lawfully be brought forward.

BY ORDER OF THE BOARD



**Richard Baker**

Company Secretary

Dated: 28<sup>th</sup> day of September 2005

## PROXIES

Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the registered office of the Company Level 2, 409 St Kilda Road, Melbourne, Victoria 3004 or facsimile number (+61 3 9820 2158), at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the individual named in the proxy form proposes to vote.

A proxy must be signed by the shareholder or his/ her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act. The proxy may, but need not, be a shareholder of the Company.

## VOTING ENTITLEMENT

"The Company (as convener of the meeting) has determined that person's entitlement to vote at the Annual General Meeting will, in accordance with the Corporations Act 2001, be the entitlement of that person set out in the register of members as at "the end of the day" or "close of business" on Monday 21<sup>st</sup> November 2005. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

**Concentrated Capital Limited**  
**ABN 34 087 730 667**

## PROXY FORM

The Company Secretary  
 Concentrated Capital Limited  
 Level 2, 409 St Kilda Road  
 MELBOURNE VIC 3004

Facsimile: +61 8 9820 2158

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/(s) of Concentrated Capital Limited (the "**Company**"),

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or in his/her absence \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held in the Boardroom, at Tolhurst Noall Ltd, Level 29, 35 Collins Street, Melbourne, Victoria 3000 on Thursday 24 November 2005 at 11.00am (EST), and at any adjournment of that meeting.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his or her discretion.

	FOR	AGAINST	ABSTAIN
--	-----	---------	---------

### ORDINARY BUSINESS

<b>1. Remuneration Report Year Ending 30 June 2005</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------	--------------------------

### OR

If you do not wish to direct your proxy how to vote, please place a mark in this box ☐

<b>2. Election of Mr Rowe</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-------------------------------	--------------------------	--------------------------	--------------------------

### OR

If you do not wish to direct your proxy how to vote, please place a mark in this box ☐

<b>3. Refresh Capacity to Issue Shares</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------	--------------------------

### OR

If you do not wish to direct your proxy how to vote, please place a mark in this box ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all resolutions if no directions are given.

**YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM MAY BE HELD INVALID.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.



**CONCENTRATED CAPITAL LIMITED**

**ABN 34 087 730 667**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of shareholders in Concentrated Capital Limited ("**Company**") in connection with the business to be considered at the Annual General Meeting of shareholders to be held in the Boardroom, at Tolhurst Noall Ltd, Level 29, 35 Collins Street, Melbourne, Victoria on 24 November 2005 at 11.00am (EST).

The Explanatory Memorandum should be read in conjunction with the accompanying Annual Notice of General Meeting. For the assistance of shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

Full details of the business to be considered at this Annual General Meeting are set out below.

**ANNUAL FINANCIAL REPORT**

The first item of the Notice of Annual General Meeting deals with the presentation of the Company's Annual Financial Report for the year ending 30 June 2005. Shareholders should consider this document and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

**RESOLUTION 1. REMUNERATION REPORT FOR THE YEAR ENDING 30 JUNE 2005**

During this item of business, shareholders at the meeting may comment on and ask questions about the Remuneration Report that appears in the Concentrated Capital Limited Annual Report 2005.

Section 300A of the Corporations Act requires the Directors Report must contain a remuneration report containing information about the Board's policy for determining the nature and amount of the remuneration of directors and senior management. The report must also explain the relationship between the remuneration policy and the Company's performance.

The Corporations Act, 2001 (section 250R(2) and section 250R(3)) provides that the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors of the Company.

**RESOLUTION 2. ELECTION OF NON – EXECUTIVE DIRECTOR MR ROWE**

It is a requirement under Rule 8.1(e)(2) of the Company's Constitution that Mr Rowe retire by rotation. Mr Rowe offers himself for re-election. The remaining directors (other than Mr Rowe) recommend to shareholders that Mr Rowe be re-elected.

**RESOLUTION 3. REFRESH CAPACITY TO ISSUE SHARES FOLLOWING ISSUE OF PLACEMENT SHARES**

This resolution is being proposed so that shareholders may consider and, if thought fit, formally approve for all purposes, including the purpose of NSX Listing Rule 6.25 the issue of 523,300 shares as follows during the year:

- On 2 May 2005, 25,000 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$15,000
- On 7 June 2005, 41,667 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$25,000
- On 30 June 2005, 47,917 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$28,750.
- On 31 August 2004, 91,573 shares were issued at A\$0.55 each pursuant to a Rights Issue. Capital of A\$50,365 was raised. Each share issued had one attaching option exercisable at A\$0.35 on or before 30 June 2006.
- On 30 June 2005, 317,143 shares were issued at A\$0.35 each pursuant to an underwriting of a private placement. Capital of A\$111,000 was raised. Each share issued by virtue of the underwriting had two attaching options exercisable at A\$0.35 on or before 30 June 2006.

This issue of shares has already taken place, within the 15% limit prescribed by NSX Listing Rules.

The approval by shareholders gives the Company the ability to raise further capital up to the 15% limit set pursuant to the NSX Listing Rules.

## GLOSSARY OF TERMS

**"Annual General Meeting" or "Meeting"** means the Annual General Meeting of shareholders of the Company to be held in the Boardroom, at Tolhurst Noall Ltd, Level 29, 35 Collins Street, Melbourne, on 24 November 2005 at 11.00am (EST) or any adjournment thereof.

**"ASIC"** means the Australian Securities & Investments Commission.

**"Board"** means the Board of the Company.

**"Company"** means Concentrated Capital Limited (ABN 34 087 730 667).

**"Corporations Act"** means the Corporations Act 2001.

**"Director"** means a director of the Company.

**"Directors"** means the Board of directors of the Company as constituted from time to time.

**"EST"** means Eastern Standard Time.

**"Explanatory Memorandum"** means this explanatory memorandum.

**"Notice of Annual General Meeting"** means the notice of Annual General Meeting, which accompanies the Explanatory Memorandum.

**"NSX"** means Stock Exchange of Newcastle Limited.

**"NSX Listing Rules"** means the official listing rules of NSX.

**"Ordinary Share"** means an ordinary share in the Company.



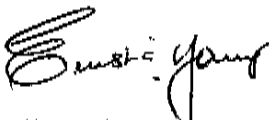
■ 120 Collins Street  
Melbourne VIC 3000  
Australia

■ Tel 61 3 9288 8000  
Fax 61 3 9654 6166  
DX 293 Melbourne

GPO Box 67  
Melbourne VIC 3001

### **Auditor's Independence Declaration to the Directors of Concentrated Capital Limited**

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



Ernst & Young



S Alford  
Partner

Melbourne  
28<sup>th</sup> September 2005





■ 120 Collins Street  
Melbourne VIC 3000  
Australia

■ Tel 61 3 9288 8000  
Fax 61 3 9654 6166  
DX 293 Melbourne

GPO Box 67  
Melbourne VIC 3001

## Independent audit report to members of Concentrated Capital Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Concentrated Capital Limited (the company), for the year ended 30 June 2005.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard 1046 *Director and Executive Disclosures by Disclosing Entities*, under the heading "remuneration report" in pages 13 to 15 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Audit approach*

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them 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 Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report and the additional disclosures present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

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 the additional disclosures, 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.



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

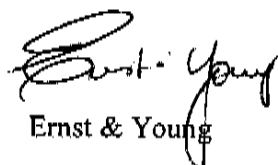
#### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, [a copy of which is included in the Directors' Report].

#### **Audit opinion**

In our opinion:

1. the financial report of Concentrated Capital Limited is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of Concentrated Capital Limited at 30 June 2005 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in pages 13 to 15 of the directors' report comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.



Ernst & Young



Stuart Alford  
Partner  
Melbourne  
28<sup>th</sup> September 2005