

**CONCENTRATED CAPITAL LIMITED**

ABN: 34 087 730 667

Level 2

409 St Kilda Road

Melbourne Victoria 3004

Telephone: (03) 9820 2087

Facsimile: (03) 9820 2158

Email: [preilly@concentratedcapital.com.au](mailto:preilly@concentratedcapital.com.au)Website: [www.concentratedcapital.com.au](http://www.concentratedcapital.com.au)**FACSIMILE TRANSMISSION**

To: Scott Evans

From: Richard Baker

Fax No: 02 4929 1556

Date: 29 September 2006

Re: Annual Report for period ended 30 June 2006

No of pages including this one: 55

---

Dear Scott

Please find following the Annual Report for period ended 30 June 2006.

Should you have any queries in relation to the above, please do not hesitate to contact Richard Baker or Hamish Giles at your earliest convenience.

Yours faithfully

**CONCENTRATED CAPITAL LIMITED**

per:



# **CONCENTRATED CAPITAL LIMITED**

**ABN 34 087 730 667**

**Annual Financial Report**  
**for the year ended 30 June 2006**

---

CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## General 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)

CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

# Contents to Financial Report

Chairman's Report .....	4
Director's Report .....	5
Remuneration Report .....	14
Corporate Governance Statement .....	19
Auditors' Independence Declaration .....	23
Consolidated Concentrated Capital Limited Financial Statements	
Consolidated Income Statement .....	24
Consolidated Balance Sheet .....	25
Consolidated Cash Flow Statement .....	26
Consolidated Statement of Changes in Equity .....	27
Notes to the Consolidated Financial Statements	
1. Corporate information .....	28
2. Summary of significant accounting policies .....	28
3. Segment information .....	36
4. Revenues and expenses .....	37
5. Income tax .....	37
6. Earnings per share .....	38
7. Cash and cash equivalents .....	39
8. Trade and other receivables (current) .....	39
9. Available-for-sale financial assets .....	40
10. Other financial assets (non-current) .....	40
11. Deferred Exploration, Evaluation and Development Costs.....	40
12. Director and Executive Benefits .....	41
13. Trade and other payables (current) .....	42
14. Auditors' remuneration .....	42
15. Events after the Balance Sheet Date .....	42
16. Commitments and contingencies .....	42
17. Issued capital and reserves .....	43
18. Financial risk management objectives and policies .....	44
19. Financial instruments .....	45
20. Related party disclosure .....	46
21. Director and executive disclosures .....	47
22. Transition to AIFRS .....	48
Directors' Declaration .....	50
Auditors' Report.....	51
NSX Additional Information.....	53

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Chairman's Report

During the year ended 30 June 2006, the Board of Concentrated Capital Limited has reviewed a number of opportunities offered to it which would enable the company to move from the Newcastle Stock Exchange to the Australian Stock Exchange and provide greater liquidity to shareholders. Whilst discussions are ongoing, the Board of Concentrated Capital Limited is not in any due diligence discussions with any prospective opportunity at present.

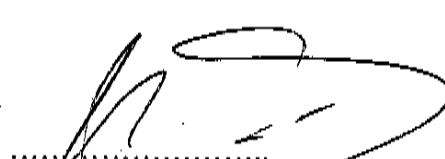
As previously announced, your company has invested approximately \$600,000 in Convertible Notes in Persia Petroleum Services plc. Interest for the past six (6) months has been accrued and capitalised to these Notes and we are advised by the Board of Persia Petroleum Services plc that they are undertaking activities which will provide the capacity for repayment of the Notes or a capacity for an enhanced conversion into an alternative structure. The Board of Concentrated Capital Limited is working closely with the Board of Persia Petroleum Services plc to expedite these arrangements.

As shareholders will be aware, oil prices have risen significantly over the past year and this has enhanced the investment the company has made in the Avalon Oil partnership. Avalon continues to reinvest its production income in further exploration and development of fields and we are advised by the operator of Avalon that there is the potential for a capital return over the next twelve (12) months as this investment obligation reduces and surplus funds are available to the partners.

During the year, we were advised by the operator of the Westpine Ridge project that further drilling would not proceed without a significant further capital injection and the Board of Concentrated Capital Limited determined that it would not undertake such investment. Accordingly, for the year ended 30 June 2006 the investment in Westpine Ridge has been written off with no expectation of any residual value.

At this time I would also like to thank Mr Chris Rowe for his efforts as a director of the company over the past 3 years. Chris has elected to stand down due to the potential conflict that exists between his role as a director of Concentrated Capital and his role as Acting Chairman of Persia Petroleum Services plc, a company which Concentrated Capital Limited has invested in significantly. I would also like at this time to take the opportunity to welcome Mr Michael Evett to the Board of Concentrated Capital Limited. Mr Evett has significant experience in the oil and gas industries and together with your current Board members will focus on identifying an appropriate opportunity for Concentrated Capital Limited to maximise both its value and liquidity to shareholders.

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

  
.....  
Hamish Giles

Chairman

Signed this 29th day of September 2006

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Directors' Report

Your directors submit their report for the year ended 30 June 2006.

### 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 18 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\* (7 years)

\* denotes current directorship

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

Resigned 16 August 2006

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).

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Directors' Report continued

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.\* (3 years)

\* denotes current directorship

**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\* (17 months)
- CPI Group Limited\* (5 years)
- AUSDOC Group Limited (16 years)
- Freightways Express Limited (6 years)

\*denotes current directorship

**Michael Evett** B.Sc (Honours) Geology (Non Executive Director)

Appointed 16 August 2006

Mr Evett has 18 years international experience in Senior Executive roles including Director and General Manager positions (Kestreldata NV) in the oil and gas industries.

Since 1997 Mr Evett has held Senior Executive roles including Chief Executive Officer and Director of AU\$DOC Information Management Pty Limited and the Vice President and General Manager roles of Recall Australasia Limited.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Directors' Report continued****COMPANY SECRETARIES****Hamish Giles**

Refer to page 5.

**Peter Reilly**

Refer to page 6.

**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.

**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:

	<b>Ordinary Shares Fully Paid</b>	<b>Options over Ordinary Shares</b>
	Number	Number
H. Giles	373,333	250,000
P. Reilly	2,323,333	-
C. Rowe (resigned 16 August 2006)	81,250	-
M. Evett (appointed 16 August 2006)		
	<b>2,777,916</b>	<b>250,000</b>

**EARNINGS PER SHARE**

	<b>Cents</b>
<b>Basic earnings per share</b>	<b>(1.96)</b>
<b>Diluted earnings per share</b>	<b>(1.96)</b>

**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.



## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

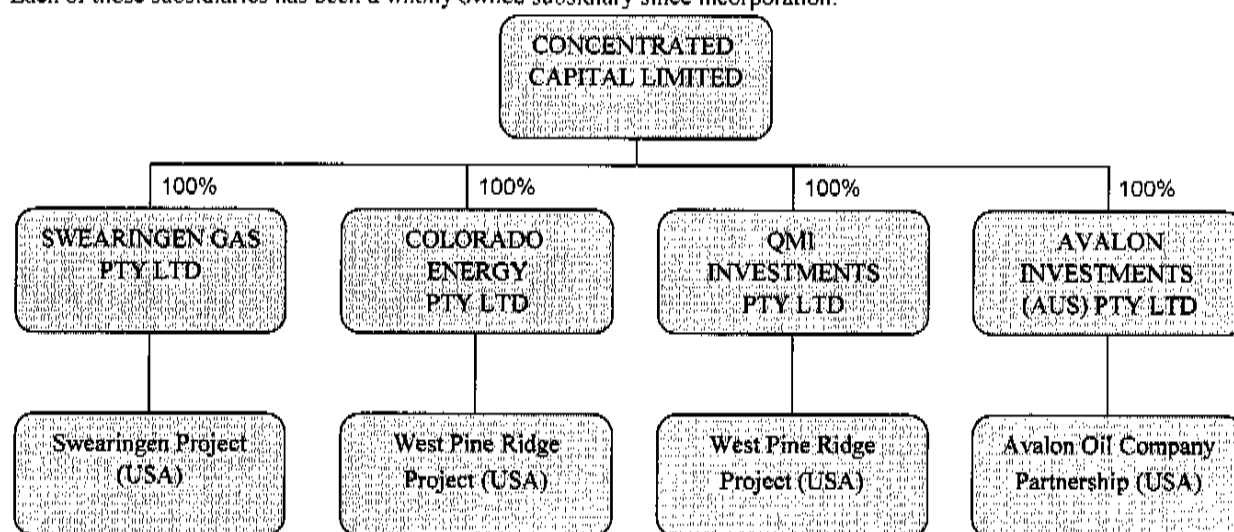
**Directors' Report continued****CORPORATE INFORMATION****Corporate Structure**

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 2006 (2005: 3 employees).

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## 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 (PPS) which generate a coupon of 10% per annum up to 30 June 2006 and which thereafter are repayable or convert into equity at a 35% discount to the listing price when PPS is listed. As at the date of the Report, PPS has not listed and negotiations are ongoing with the directors of PPS in respect to a strategy that will either realise further equity opportunities or repayment of the convertible note.

The consolidated entity has also made a passive investment in Samson Oil NL (an oil and gas producing company listed on the Australian Stock Exchange).

Colorado Energy Pty Ltd and QMI Investments Pty Ltd hold an equal share of the West Pine Ridge Project which comprised 3,200 acres in Colorado. The directors have determined that any further investment in the West Pine Ridge Project will be fruitless and accordingly have abandoned this Project.

Avalon Investments (Aus) Pty Ltd holds a 3.929% interest in the Avalon partnership which is constituted in the United States and holds a range of productive and prospective oil and gas leases throughout the United States.

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

The consolidated entity is essentially a passive investor in that it is invested in a number of oil and gas projects of which a direct return is received from the 10% per annum coupon payable up to 30 June 2006 from PPS.

The investment made through its 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 then provide a return of capital to the partners. During the year ended 30 June 2006 there were no returns of capital and no sales of assets.

Any return from the Swearingen Gas Pty Ltd investment are predicated on the capacity of its partner Pooled Mining Investments Ltd to invest in the Swearingen Gas Project together with raising financial resources from the consolidated entity. No activity was undertaken during the year ended 30 June 2006.

#### 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 2006 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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Directors' Report continued

### Dynamics of the Business continued

In respect to the investment in Persia Petroleum Services plc, this is an oil and gas business based in Iran. Whilst the success of the oil and gas industry within Iran is of vital importance to that country's economy, there are significant political pressures that are being felt both in terms of investment in the geographic proximity and in light of military activity in the surrounding proximity. This has resulted in Persia Petroleum Services plc being unable to finalise its listing activities either in the United Kingdom or in Dubai. As a result, the Board of Persia Petroleum Services plc have advised that they are undertaking to sell off various components of the business with the intention of distributing either in specie equity in PPS subsidiaries and/or repayment of convertible note debt.

### Operating Results for the Year

The consolidated entity generated a loss of \$241,752 after meeting operating expenses during the year and making investments to enhance its holding within Avalon and meet its obligations pursuant to the West Pine Ridge Project, including writing off its investment totalling \$165,538 in the West Pine Ridge Project.

Interest income was both earned and accrued from the consolidated entity investment in Persia Petroleum Services plc convertible notes which generated a 10% per annum coupon.

As at 30 June 2006, the Persia Petroleum Services plc convertible notes were due for repayment or conversion into equity at a 35% discount to the listing price of Persia Petroleum Services plc. PPS had not listed as at the date of this Report and accordingly the Board of Persia Petroleum Services plc have been in discussions with the consolidated entity in respect to a strategy which will either break up the assets of Persia Petroleum Services plc with a view to providing shareholders and convertible note holders in Persia Petroleum Services plc various options in respect to repayment of debt and acquisition of further equity.

In respect to the West Pine Ridge Project, the manager of the Project advised that further drilling had been unsuccessful and as a result the option existed to contribute further funds to the Project in order to undertake re-leasing of the land and undertake an additional drilling program or forfeit the interest in the West Pine Ridge Project. The directors of the consolidated entity elected after consideration and advice from both the manager and other participants to relinquish its holding in the West Pine Ridge Project due in part to limited capital available for such a Project and in part to the extended time that would elapse before any releasing of the properties had been completed and drilling undertaken.

No activity was undertaken by Swearingen Gas Pty Ltd.

### Shareholder Returns

Returns to shareholders are predicated on either the realisation of investments undertaken by the consolidated entity and its subsidiaries or profits being generated by the consolidated entity as a result of returns from those investments.

For the year ended 30 June 2006, the consolidated entity made a loss of \$241,752 and accordingly no dividends are proposed to be paid.

No assets were realised during the year which would provide capacity for any return of capital to shareholders and as such, future returns will be predicated on the sale of assets predominantly being in respect to the investment in Persia Petroleum Services plc and the outcomes of that investment both in terms of repayment of the convertible note and the capacity to invest in further equity opportunities.

In discussions with the manager of the Avalon Partnership, your Board is advised that there is the potential for capital returns to be received in the financial year ending 30 June 2007 as the drilling program within the Avalon Partnership reduces.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Directors' Report continued****Investments for Future Performance**

The Board is continually monitoring opportunities to obtain alternative investments with the view to providing further liquidity to shareholders and the capacity to move from the Newcastle Stock Exchange to the Australian Stock Exchange. This may in turn require a further capital raising to meet expectations of any new business acquired.

**Review of Financial Condition****Capital Structure**

The capital structure of Concentrated Capital Limited varied through the issue of 298,809 shares (2005: 523,300 shares) as a result of directors fees being paid in shares, the exercise of options and the receipt of underwriting obligations.

**Cash from Operations**

Net cash flows from operating activities improved from (\$146,411) in the previous year to \$8,447 in the current year. The increase 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 \$20,000 after costs from underwriting commitments made during the year ended 30 June 2005.

**Risk Management****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 2005.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The consolidated entity has been in discussions with the Board of Persia Petroleum Services plc relating to the convertible note that the company has invested in and the repayment thereof. The consolidated entity has been advised that there are a number of activities being undertaken by the Board of Persia Petroleum Services plc including a structured break up of that company with a view to repaying part of the convertible note and offering alternative equity options to shareholders and noteholders in Persia Petroleum Services plc which would be funded through further investment being made in the subsidiary entities of Persia Petroleum Services plc by third parties.

On 16 August 2006 the company announced that Mr Chris Rowe had stood down as a director of the company and Mr Michael Evett has agreed to become a director of the consolidated entity.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Directors' Report continued****LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Your Board expects to be able to deliver to shareholders at the annual general meeting of the company outcomes in respect to discussions being held with Persia Petroleum Services plc relating to the divestment of certain assets within that structure and the repayment of the convertible notes and/or other equity opportunities.

**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**

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, Hamish Giles exercised 125,000 options at an exercise price of \$0.10 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 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:

	Meetings of Committees				
	Directors' Meetings	Audit & Compliance	Strategic Review & Operations	Nominations	Remuneration
<b>Number of meetings held:</b>	7	2	3	1	1
<b>Number of meetings attended:</b>					
H. Giles	7	2	3	1	1
C. Rowe (resigned 16 August 2006)	6	2	2	-	1
P. Reilly	6	2	2	1	1
M. Evett (appointed 16 August 2006)	-	-	-	-	-
R. Baker	-	2	-	-	-

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Directors' Report continued****Committee membership**

As at the date of this report, the Company had an Audit & Compliance Committee, a Strategic Review and Operations Committee, a Nominations 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:

<b>Audit &amp; Compliance</b>	<b>Strategic Review &amp; Operations</b>	<b>Nominations</b>	<b>Remuneration</b>
H. Giles (Chairman)	C. Rowe (Chairman) (resigned 16 August 2006)	H. Giles (Chairman)	P. Reilly (Chairman)
P. Reilly	H. Giles	P. Reilly	C. Rowe (resigned 16 August 2006)
C. Rowe (resigned 16 August 2006)	P. Reilly		M. Evett (appointed 16 August 2006)
M. Evett (appointed 16 August 2006)	M. Evett (appointed 16 August 2006)		
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**

The Directors received the following declaration from the auditor of Concentrated Capital Limited on page 24.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Remuneration Report

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 NSX 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

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 1 July 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 July 2005 until 30 June 2006 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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## 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 2006 is detailed in Table 1 on page 16 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 and ratified at the Annual General Meeting held on 24 November 2005.

It was resolved in the Directors meeting of 1 July 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 July 2005 until 30 June 2006 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.

### 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.



## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Remuneration Report continued

### Details of Key Management Personnel

#### (i) Specified directors

H. Giles	Executive Chairman and Company Secretary
P. Reilly	Director (non-executive) and Company Secretary
C. Rowe	Director (non-executive) (resigned 16 August 2006)
M. Evett	Director (non-executive) (appointed 16 August 2006)

#### (ii) Specified executives

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

**Table 1: Directors' Remuneration (these tables have been audited)**

Consolidated/Parent	Primary Benefits	Total	% Performance Related
	Salary & Fees		
<b>Directors</b>			
	\$	\$	
H. Giles			
2006	30,000	30,000	-
2005	30,000	30,000	-
P. Reilly			
2006	20,000	20,000	-
2005	20,000	20,000	-
C. Rowe			
2006	20,000	20,000	-
2005	30,926	30,926	-
<b>Total Remuneration of Directors</b>			
2006	70,000	70,000	
2005	80,926	80,926	

### Remuneration of Executives

The only executive of the Company is Mr Richard Baker who has not received any remuneration during the year.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Remuneration Report continued

**Table 2: Directors and Executives Interest in Shares and Options of Concentrated Capital Limited**

<b>30 June 2006</b>	<i>Balance 01-Jul-05</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Balance 30-Jun-06</i>
<b>Directors</b>				
H. Giles	198,333	50,000	125,000	373,333
P. Reilly	2,290,000	33,333	-	2,323,333
C. Rowe	47,917	33,333	-	81,250
<b>Executives</b>				
R. Baker	20,000	-	-	20,000
	<u>2,556,250</u>	<u>116,666</u>	<u>125,000</u>	<u>2,797,916</u>

<b>30 June 2005</b>	<i>Balance 01-Jul-04</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Balance 30-Jun-05</i>
<b>Directors</b>				
H. Giles	-	-	-	-
P. Reilly	-	-	-	-
C. Rowe	-	47,917	-	47,917
<b>Executives</b>				
R. Baker	20,000	-	-	20,000
	<u>20,000</u>	<u>47,917</u>	<u>-</u>	<u>67,917</u>

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

## Remuneration Report continued

Table 3: Option Holdings of Key Management Personnel

*Vested at 30 June 2006*

<b>30 June 2006</b>	<i>Balance at beginning of period 01-Jul-05</i>	<i>Granted as Remune- ration</i>	<i>Options Exercised</i>	<i>Balance at end of period 30- Jun-06</i>	<i>Total</i>	<i>Exercisable</i>	<i>Not Exercisable</i>
<b>Directors</b>							
H. Giles	375,000	-	125,000	250,000	250,000	-	250,000
P. Reilly	-	-	-	-	-	-	-
C. Rowe	-	-	-	-	-	-	-
<b>Executives</b>							
R. Baker	-	-	-	-	-	-	-
	<u>375,000</u>	<u>-</u>	<u>125,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>

*Vested at 30 June 2005*

<b>30 June 2005</b>	<i>Balance at beginning of period 01-Jul-04</i>	<i>Granted as Remune- ration</i>	<i>Options Exercised</i>	<i>Balance at end of period 30-Jun-05</i>	<i>Total</i>	<i>Exercisable</i>	<i>Not Exercisable</i>
<b>Directors</b>							
H. Giles	375,000	-	-	375,000	375,000	125,000	250,000
P. Reilly	-	-	-	-	-	-	-
C. Rowe	-	-	-	-	-	-	-
<b>Executives</b>							
R. Baker	-	-	-	-	-	-	-
	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>375,000</u>	<u>125,000</u>	<u>250,000</u>

There are no options granted as part of remuneration during the year.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## 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 2006 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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Corporate Governance Statement continued

### Structure of the Board continued

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 (resigned 16 August 2006)
---------	--

M. Evett	Non-Executive Director (appointed 16 August 2006)
----------	---

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:

Name	Term in office
------	----------------

H. Giles	5 years
----------	---------

P. Reilly	3 years
-----------	---------

C. Rowe	3 years
---------	---------

M. Evett	1 month
----------	---------

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

### Nominations Committee

The Board has established a Nominations 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 Nominations Committee comprises executive and non-executive directors. The Nominations Committee comprised of the following members throughout the year:

H. Giles

P. Reilly

For details of directors' attendance at meetings of the Nominations Committee, refer to page 12 of the Directors' Report.

For additional details regarding the Nominations 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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Corporate Governance Statement continued

### Audit & Compliance Committee continued

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.

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

H. Giles

P. Reilly

C. Rowe (resigned 16 August 2006)

M. Evett (appointed 16 August 2006)

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.

M. Evett has qualifications in geology and has served as a director and senior executive of numerous companies in the oil and gas industries.

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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Corporate Governance Statement continued

### Strategic Review and Operations Committee continued

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 (resigned 16 August 2006)

M. Evett (appointed 16 August 2006)

### 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.

### 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 pages 14 and 15.

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 (resigned 16 August 2006)

M. Evett (appointed 16 August 2006)

For details on the number of meeting of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 12 of the Directors' Report.



■ Ernst & Young Building  
8 Exhibition Street  
Melbourne VIC 3000  
Australia

■ Tel: 61 3 9238 3000  
Fax: 61 3 8650 7777

GPO Box 67  
Melbourne VIC 3001

**Auditor's Independence Declaration to the Directors of Concentrated Capital Limited and its controlled entities**

In relation to our audit of the financial report of Concentrated Capital Limited and its controlled entities for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A stylized signature of 'AJ Pititto' in a cursive script.

AJ Pititto

Partner

Melbourne

29 September, 2006



## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Income Statement**

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Continuing operations</b>					
<b>Revenue</b>					
Finance revenue	4(b)	65,980	60,958	65,980	60,958
		65,980	60,958	65,980	60,958
Other income	4(a)	2,501	10,099	2,501	10,099
Salaries and employee benefits expense	4(c)	(70,000)	(80,927)	(70,000)	(80,927)
Accounting and audit fees		(53,336)	(34,700)	(53,336)	(34,700)
Writedown of deferred exploration, evaluation and development costs		(165,538)	(150,990)	-	-
Bad Debts		-	-	(170,480)	(135,232)
Other expenses		(21,359)	(11,395)	(20,511)	(30,399)
<b>Profit before income tax</b>		<b>(241,752)</b>	<b>(206,955)</b>	<b>(245,847)</b>	<b>(210,201)</b>
Income tax expense	5	-	-	-	-
<b>Net Profit for the year</b>		<b>(241,752)</b>	<b>(206,955)</b>	<b>(245,847)</b>	<b>(210,201)</b>
<b>Earnings per share (cents per share)</b>					
	6				
- basic for profit for the year		(-1.96)	(-1.76)		
- basic for profit from continuing operations		(-1.96)	(-1.76)		
- diluted for profit for the year		(-1.96)	(-1.76)		
- diluted for profit from continuing operations		(-1.96)	(-1.76)		
- dividends per share		0	0		

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Balance Sheet**

AS AT 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	7	40,627	55,610	40,623	55,606
Trade and other receivables	8	40,340	39,199	257,558	389,513
<b>Total Current Assets</b>		<b>80,967</b>	<b>94,809</b>	<b>298,181</b>	<b>445,119</b>
<b>Non-current Assets</b>					
Available-for-sale financial assets	9	263,155	233,721	21,433	4
Other financial assets	10	643,358	643,358	643,358	643,358
Deferred exploration, evaluation and development costs	11	-	142,430	-	-
<b>Total Non-current Assets</b>		<b>906,513</b>	<b>1,019,509</b>	<b>664,791</b>	<b>643,362</b>
<b>TOTAL ASSETS</b>		<b>987,480</b>	<b>1,114,318</b>	<b>962,972</b>	<b>1,088,481</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	13	46,707	20,297	46,707	20,297
<b>Total Current Liabilities</b>		<b>46,707</b>	<b>20,297</b>	<b>46,707</b>	<b>20,297</b>
<b>TOTAL LIABILITIES</b>		<b>46,707</b>	<b>20,297</b>	<b>46,707</b>	<b>20,297</b>
<b>NET ASSETS</b>		<b>940,773</b>	<b>1,094,021</b>	<b>916,265</b>	<b>1,068,184</b>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the parent</b>					
Issued capital	17	1,969,250	1,866,750	1,969,250	1,866,750
Retained earnings		(1,046,362)	(804,610)	(1,044,413)	(798,566)
Other reserves	17	17,885	31,881	(8,571)	-
<b>TOTAL EQUITY</b>		<b>940,773</b>	<b>1,094,021</b>	<b>916,265</b>	<b>1,068,184</b>

## CONCENTRATED CAPITAL LIMITED – ANNUAL REPORT

**Cash Flow Statement**

FOR THE YEAR ENDED 30 JUNE 2006

	<i>Notes</i>	<i>CONSOLIDATED</i>		<i>PARENT</i>	
		<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
		<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Cash flows from operating activities</b>					
Interest received		49,497	1,419	49,496	1,419
Payments to suppliers and employees		(48,464)	(89,909)	(47,617)	(246,665)
GST refund received		17,021	16,517	17,021	11,354
Receipts from customers		13,501	-	13,501	-
Deferred exploration, evaluation and development costs		(23,108)	(74,438)	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>7</b>	<b>8,447</b>	<b>(146,411)</b>	<b>32,401</b>	<b>(233,892)</b>
<b>Cash flows from investing activities</b>					
Investments in partnership		-	(19,494)	-	-
Purchase of available-for-sale financial assets		(43,430)	-	(30,000)	-
Purchase of other financial assets		-	(99,850)	-	(99,850)
Advances (to)/from related parties		-	-	(37,384)	67,988
<b>Net cash flows used in investing activities</b>		<b>(43,430)</b>	<b>(119,344)</b>	<b>(67,384)</b>	<b>(31,862)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares	<b>17</b>	<b>20,000</b>	<b>250,371</b>	<b>20,000</b>	<b>250,371</b>
Payment of share issue costs		-	(35,026)	-	(35,026)
<b>Net cash flows from financing activities</b>		<b>20,000</b>	<b>215,345</b>	<b>20,000</b>	<b>215,345</b>
Net decrease in cash and cash equivalents		(14,983)	(50,410)	(14,983)	(50,409)
Cash and cash equivalents at beginning of period		55,610	106,020	55,606	106,015
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>40,627</b>	<b>55,610</b>	<b>40,623</b>	<b>55,606</b>

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Statement of Changes in Equity**

FOR THE YEAR ENDED 30 JUNE 2006

*Attributable to equity holders of the parent*

	<i>Issued capital</i>	<i>Retained earnings</i>	<i>Other Reserves</i>	<i>Total</i>
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>At 1 July 2004</b>	1,671,655	(597,655)	-	1,074,000
Net gains on available-for-sale financial assets	-	-	31,881	31,881
Loss for the year	-	(206,955)	-	(206,955)
Issue of share capital	230,121	-	-	230,121
Issue costs	(35,026)	-	-	(35,026)
<b>At 30 June 2005</b>	1,866,750	(804,610)	31,881	1,094,021
Net gains on available-for-sale financial assets	-	-	(13,996)	(13,996)
Loss for the year	-	(241,752)	-	(241,752)
Issue of share capital	90,000	-	-	90,000
Exercise of options	12,500	-	-	12,500
<b>At 30 June 2006</b>	1,969,250	(1,046,362)	17,885	940,773
<b>PARENT</b>				
<b>At 1 July 2004</b>	1,671,655	(588,365)	-	1,083,290
Profit for the year	-	(210,201)	-	(210,201)
Issue of share capital	230,121	-	-	230,121
Issue costs	(35,026)	-	-	(35,026)
<b>At 30 June 2005</b>	1,866,750	(798,566)	-	1,068,184
Net gains on available-for-sale financial assets	-	-	(8,571)	(8,571)
Profit for the year	-	(245,847)	-	(245,847)
Issue of share capital	90,000	-	-	90,000
Exercise of options	12,500	-	-	12,500
<b>At 30 June 2006</b>	1,969,250	(1,044,413)	(8,571)	916,266

## CONCENTRATED CAPITAL LIMITED – ANNUAL REPORT

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

## 1 CORPORATE INFORMATION

The financial report of Concentrated Capital Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on pages 10 and 11.

Concentrated Capital Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described on pages 8 and 9.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 22.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

New Standard/ UIG Affected Standard (s)	Nature of change to accounting policy	Application date of standard/ interpretation	Application date for Group
UIG 8 <i>Scope of AASB 2</i>	No change to accounting policy required. Therefore no impact.	1 May 2006	1 May 2006

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amend-ment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard **	Application date for Group
2004-3	AASB 1 <i>First-time adoption of AIFRS</i> AASB 101 <i>Presentation of Financial Statements</i> AASB 124 <i>Related Party Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-9	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
Table A2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 January 2007
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>		1 January 2006	1 January 2006

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

# Notes to the Financial Statements continued

## FOR THE YEAR ENDED 30 JUNE 2006

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The following amendments are not applicable to the Group and therefore have no impact.

<b>AASB Amendment</b>	<b>Affected Standard (s)</b>
2005-6	AASB 3 <i>Business Combinations</i>
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i>
2005-10	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>

#### **New or revised Standard/ UIG Affected Standard (s)**

AASB 119 *Employee Benefits*

AASB 7 *Financial Instruments: Disclosures*

UIG 4 *Determining whether an Arrangement contains a Lease*

UIG 5 *Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds*

UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*

UIG 9 *Reassessment of Embedded Derivatives*

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

# Notes to the Financial Statements continued

## FOR THE YEAR ENDED 30 JUNE 2006

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Concentrated Capital Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

#### (d) Foreign currency translation

Both the functional and presentation currency of Concentrated Capital Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency denominated available for sale investment. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

#### (e) Exploration and evaluation expenditure

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

- i. the rights to tenure of the areas of interest are current and the consolidated entity controls the area of interest in which the expenditure has been incurred; and
- ii. Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- iii. Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure will generally be capitalised where a resource has been identified and probable future economic benefits are demonstrated.

Exploration and evaluation assets will be assessed annually for impairment and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. The income statement will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.



## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

## Notes to the Financial Statements continued

### FOR THE YEAR ENDED 30 JUNE 2006

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

##### (f) Investments

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

##### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through amortisation process.

##### *Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; and discounted cash flow analysis.

##### (g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### (i) Share-based payment transactions

The Group provides benefits to directors of the Group in the form of share-based payment transactions, whereby directors render services in exchange for shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the average closing price of the shares as listed on the Newcastle Stock Exchange over the proceeding five (5) days prior to allotment of the shares.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Concentrated Capital Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

The Group has applied the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled awards and has applied AASB 2 'Share-Based Payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

# Notes to the Financial Statements continued

## FOR THE YEAR ENDED 30 JUNE 2006

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (j) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

##### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance. The amount of loss is recognised in profit or loss.

##### *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

#### (k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (l) Revenue recognition

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

##### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### (m) Income tax

##### *Income Taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except when the taxable temporary difference is associated with investments in subsidiaries, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (m) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### (n) Other taxes

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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

## 3 SEGMENT INFORMATION

The Group's primary reporting format is geographical segments.

### Geographical segments

The Group's geographical segments are determined by the location of the Group's assets and operations.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2006 and 2005.

	<i>Australia</i>	<i>United Kingdom</i>	<i>United States of America</i>	<i>Total</i>
	\$	\$	\$	\$
<b>Year ended 30 June 2006</b>				
<b>Revenue</b>				
Interest	1,116	64,864	-	65,980
Miscellaneous income	2,501	-	-	2,501
Segment revenue	<u>3,617</u>	<u>64,864</u>	<u>-</u>	<u>68,481</u>
<b>Result</b>				
Segment results	3,617	64,864	(165,538)	(97,057)
Unallocated expenses				(144,695)
Loss before income tax				(241,752)
Income tax expense				-
Net loss for the year				<u>(241,752)</u>
<b>Other segment information</b>				
Segment assets	69,964	675,790	241,726	987,480
Total assets	<u>69,964</u>	<u>675,790</u>	<u>241,726</u>	<u>987,480</u>
Unallocated liabilities				46,707
Other non-cash expenses	-	-	(165,538)	<u>(165,538)</u>
<b>Year ended 30 June 2005</b>				
<b>Revenue</b>				
Revenues from services	10,000	-	-	10,000
Interest	1,419	59,539	-	60,958
Proceeds from disposal of controlled entity	99	-	-	99
Segment revenue	<u>11,518</u>	<u>59,539</u>	<u>-</u>	<u>71,057</u>
<b>Result</b>				
Segment results	11,518	59,539	(150,990)	(79,933)
Unallocated expenses				(127,022)
Loss before income tax				(206,955)
Income tax expense				-
Net loss for the year				<u>(206,955)</u>
<b>Other segment information</b>				
Segment assets	94,809	643,358	376,151	1,114,318
Total assets	<u>94,809</u>	<u>643,358</u>	<u>376,151</u>	<u>1,114,318</u>
Unallocated liabilities				20,297
Other non-cash expenses	-	-	(150,990)	<u>(150,990)</u>

## CONCENTRATED CAPITAL LIMITED –ANNUAL REPORT

**Notes to the Financial Statements continued**

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>4 REVENUES AND EXPENSES</b>				
(a) <b>Other income</b>				
Revenue from services	-	10,000	-	10,000
Refund of Licence Fees	2,501	-	2,501	-
Gain on disposal of property, plant and equipment	-	99	-	99
	<u>2,501</u>	<u>10,099</u>	<u>2,501</u>	<u>10,099</u>
(b) <b>Finance revenue</b>				
Bank interest received	1,116	1,419	1,116	1,419
Income from investments	64,864	59,539	64,864	59,539
Total finance revenue	<u>65,980</u>	<u>60,958</u>	<u>65,980</u>	<u>60,958</u>
(c) <b>Employee benefits expense</b>				
Directors fees	(70,000)	(80,927)	(70,000)	(80,927)
	<u>(70,000)</u>	<u>(80,927)</u>	<u>(70,000)</u>	<u>(80,927)</u>

**5 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\$198,707 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 probable. 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\$198,707.

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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued****FOR THE YEAR ENDED 30 JUNE 2006****6 EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	<i>CONSOLIDATED</i>	
	<i>2006</i>	<i>2005</i>
	\$	\$
Net profit attributable to equity holders from continuing operations	(241,752)	(206,955)
Weighted average number of ordinary shares for basic earnings per share	12,306,211	11,756,134
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	12,306,211	11,756,134
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

As the Company has incurred a loss for the year ended 30 June 2006, 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 1,578,082 (2005: 1,844,390).

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued****FOR THE YEAR ENDED 30 JUNE 2006**

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>7 CASH AND CASH EQUIVALENTS</b>				
Cash at bank and in hand	40,627	55,610	40,623	55,606
	<u>40,627</u>	<u>55,610</u>	<u>40,623</u>	<u>55,606</u>
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.				
<b>Reconciliation of cash</b>				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:				
Cash at bank and in hand	40,627	55,610	40,623	55,606
	<u>40,627</u>	<u>55,610</u>	<u>40,623</u>	<u>55,606</u>
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>				
Net profit	(241,752)	(206,955)	(245,847)	(210,201)
<i>Adjustments for:</i>				
Shares issued in lieu of payment for services	82,500	68,750	82,500	68,750
Write down of deferred exploration, evaluation and development costs	165,538	-	-	-
Bad debts	-	-	170,480	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in deferred exploration, evaluation and development costs	(23,108)	76,718	-	-
(Increase)/decrease in trade and other receivables	(5,437)	(26,838)	(5,439)	(26,838)
(Increase)/decrease in provisions	-	3,546	-	3,546
(Increase)/decrease in convertible notes	-	(43,508)	-	(43,508)
(Decrease)/increase in trade and other payables	26,410	(21,780)	26,410	(21,780)
(Decrease)/increase in goods and services tax payable	4,296	3,656	4,296	(3,861)
Net cash from operating activities	<u>8,447</u>	<u>(146,411)</u>	<u>32,401</u>	<u>(233,892)</u>
<b>Disclosure of non-cash financing activities</b>				
Refer to note 17.				
<b>8 TRADE AND OTHER RECEIVABLES (CURRENT)</b>				
Trade receivables	-	11,000	-	11,000
Sundry receivables	37,886	25,745	37,886	25,746
Other receivables	2,454	2,454	2,454	2,454
	<u>40,340</u>	<u>39,199</u>	<u>40,340</u>	<u>39,200</u>
Related party receivables:				
Subsidiaries	-	-	217,218	501,303
Allowance for doubtful debts	-	-	-	(150,990)
	<u>40,340</u>	<u>39,199</u>	<u>257,558</u>	<u>389,513</u>
Trade receivables are non-interest bearing and are generally on 30-day terms.				
For terms and conditions relating to related party receivables refer to note 20.				



## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued****FOR THE YEAR ENDED 30 JUNE 2006**

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	\$	\$	\$	\$
<b>9 AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>				
At fair value				
Partnership Interest - Avalon Oil Company	241,726	233,721	-	-
Shares – listed	21,429	-	21,429	-
Shares - unlisted	-	-	4	4
	<u>263,155</u>	<u>233,721</u>	<u>21,433</u>	<u>4</u>

Available-for-sale financial assets consist of investments in ordinary shares and partnerships, and therefore have no fixed maturity date or coupon rate.

**10 OTHER FINANCIAL ASSETS (NON-CURRENT)**

Financial Assets Held to Maturity	643,358	643,358	643,358	643,358
	<u>643,358</u>	<u>643,358</u>	<u>643,358</u>	<u>643,358</u>

The convertible note in Middle East Petroleum Services Limited is repayable on 30 June 2006. Interest is earned at the commercial borrowing rate of 10% per annum and payable quarterly. The convertible note has been recorded at cost as its fair value could not be measured reliably. Concentrated Capital Limited does not hold any shares in Middle East Petroleum Services Limited and is not able to exert influence to obtain the necessary information required to perform the valuation.

**11 DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS**

Exploration, evaluation and development costs carried forward in respect of mining, oil and gas areas of interest

Pre-production				
- exploration and evaluation phases	165,538	293,420	-	-
Provision for write down of Deferred Exploration, Evaluation and Development Costs	(165,538)	(150,990)	-	-
Closing balance as at 30 June	<u>-</u>	<u>142,430</u>	<u>-</u>	<u>-</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development of 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:

QMI Investments Pty Ltd	-	71,215
Colorado Energy Pty Ltd	-	71,215
	<u>-</u>	<u>142,430</u>

The valuation undertaken was based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued****FOR THE YEAR ENDED 30 JUNE 2006****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.

The options specified are exercisable at any time up till the expiry date 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 five (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.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP.

	<i>2006 No.</i>	<i>2006 WAEP</i>	<i>2005 No.</i>	<i>2005 WAEP</i>
Outstanding at the beginning of the year	375,000	0.166	375,000	0.166
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(125,000) <sup>1</sup>	0.1	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>250,000</u>	<u>0.2</u>	<u>375,000</u>	<u>0.166</u>
Exercisable at the end of the year	-	-	125,000	0.1

The outstanding balance as at 30 June 2006 is represented by:

- 250,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon meeting the above conditions up until 18 April 2007;

<sup>1</sup> The average share price at the date of exercise for the options exercised was \$0.60.

Share options issued under the Director and Executive share incentive scheme and outstanding at the end of the year have the following exercise prices:

<i>Expiry date</i>	<i>Exercise price</i>	<i>2006 No.</i>	<i>2005 No.</i>
18-Apr-2007	\$0.20	125,000	125,000
18-Apr-2007	\$0.20	125,000	125,000
Total		<u>250,000</u>	<u>250,000</u>

## CONCENTRATED CAPITAL LIMITED – ANNUAL REPORT

**Notes to the Financial Statements continued**

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>13 TRADE AND OTHER PAYABLES (CURRENT)</b>				
Trade payables	9,046	847	9,046	847
Other payables	17,011	13,900	17,011	13,900
	<u>26,057</u>	<u>14,747</u>	<u>26,057</u>	<u>14,747</u>
Related party payables:				
Related parties	20,650	5,550	20,650	5,550
	<u>46,707</u>	<u>20,297</u>	<u>46,707</u>	<u>20,297</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of 3 months.

For terms and conditions relating to related parties refer to note 20.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

**14 AUDITORS' REMUNERATION**

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	22,500	22,300	22,500	22,300
	<u>22,500</u>	<u>22,300</u>	<u>22,500</u>	<u>22,300</u>

**15 EVENTS AFTER THE BALANCE SHEET DATE**

On 16 August 2006 the company announced that Mr Chris Rowe had stood down as a director of the company and Mr Michael Evett had elected to become a director of the consolidated entity.

The consolidated entity has been in discussions with the Board of Persia Petroleum Services plc relating to the convertible note that the company has invested in and the repayment thereof. The consolidated entity has been advised that there are a number of activities being undertaken by the Board of Persia Petroleum Services plc including a structured break up of that company with a view to repaying part of the convertible note and offering alternative equity options to shareholders and noteholders in Persia Petroleum Services plc which would be funded through further investment being made in the subsidiary entities of Persia Petroleum Services plc by third parties.

**16 COMMITMENTS AND CONTINGENCIES****Legal claim**

Concentrated Capital Limited is not aware of any current or impending legal disputes.

**Guarantees**

Concentrated Capital Limited has no contingent liabilities at 30 June 2006.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued**

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>17 ISSUED CAPITAL AND RESERVES</b>				
<i>Ordinary shares</i>				
Issued and fully paid	1,969,250	1,866,750	1,969,250	1,866,750
	<i>Shares</i>	<i>\$</i>		
<i>Movement in ordinary shares on issue</i>				
At 1 July 2004	11,803,810	1,671,655		
Issued in lieu of services (i)	114,584	68,750		
Issued from private equity raising (ii)	408,716	161,371		
less issue costs	-	35,026		
At 1 July 2005	12,327,110	1,866,750		
Issued from exercise of share options (iii)	125,000	12,500		
Issued in lieu of services (iv)	116,666	70,000		
Issued from private equity raising (v)	57,143	20,000		
At 30 June 2006	12,625,919	1,969,250		

- (i) On 2 May 2005, 25,000 shares were issued at A\$0.60 each in lieu of payment of services rendered totalling A\$15,000.  
On 7 June 2005, 41,667 shares were issued at A\$0.60 each in lieu of payment of services rendered totalling A\$25,000.  
On 30 June 2005, 47,917 shares were issued at A\$0.60 each in lieu of payment of 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.
- (iii) On 28 November 2005, 125,000 shares were issued at A\$0.10 by the exercising of 125,000 options.
- (iv) On 12 October 2005, 29,166 shares were issued at A\$0.60 each in lieu of payment of services rendered totalling  
On 15 December 2005, 29,166 shares were issued at A\$0.60 each in lieu of payment of services rendered totalling  
On 22 June 2006, 58,334 shares were issued at A\$0.60 each in lieu of payment of services rendered totalling A\$35,000.
- (v) On 28 October 2005, 57,143 shares were issued at A\$0.35 each pursuant to an underwriting of a private placement. Capital of A\$20,000 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.

**Nature and purpose of reserves***Net unrealised gains reserve*

This reserve records movements for available-for-sale financial assets to fair value.

---

CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

### 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, are cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates is minimal.

#### *Foreign currency risk*

As a result of investments in the United States, the Group's balance sheet can be affected by movements in the US\$/A\$ exchange rates.

The Group does seek to hedge this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency.

#### *Credit risk*

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

**Notes to the Financial Statements continued****FOR THE YEAR ENDED 30 JUNE 2006****19 FINANCIAL INSTRUMENTS***Fair values*

The carrying amounts of all of the Group's financial instruments recognised in the financial statements equates to their fair values .

*Interest rate risk*

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	< 1 Year	Total	Weighted average effective rate %
<b>Year ended 30 June 2006</b>		\$	
<b>CONSOLIDATED</b>			
<b>FINANCIAL ASSETS</b>			
<i>Fixed rate</i>			
Convertible note	643,358	643,358	10%
<i>Floating rate</i>			
Cash assets	40,627	40,627	0%
<b>PARENT</b>			
<b>FINANCIAL ASSETS</b>			
<i>Fixed rate</i>			
Convertible note	643,358	643,358	10%
<i>Floating rate</i>			
Cash assets	40,623	40,623	0%
<i>Fixed rate</i>			
Convertible note	643,358	643,358	10%
<i>Floating rate</i>			
Cash assets	55,610	55,610	2%
<b>PARENT</b>			
<b>FINANCIAL ASSETS</b>			
<i>Fixed rate</i>			
Convertible note	643,358	643,358	10%
<i>Floating rate</i>			
Cash assets	55,606	55,606	2%

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

## 20 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Concentrated Capital Limited and the subsidiaries listed in the following table.

<i>Name</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>		<i>Investment (\$)</i>	
		<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Swearingen Gas Pty Ltd	Australia	100	100	1	1
Colorado Energy Pty Ltd	Australia	100	100	1	1
QMI Investments Pty Ltd	Australia	100	100	1	1
Avalon Investments (AUS) Pty Ltd	Australia	100	100	1	1
				<u>4</u>	<u>4</u>

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 10 and note 19):

		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>Related party</i>		\$	\$	\$	\$
<b>PARENT</b>					
<b>Subsidiaries:</b>					
Avalon Investments (AUS) Pty Ltd	2006	-	-	217,218	-
	2005	-	-	203,577	-
<b>Other related parties:</b>					
Salmon Giles Pty Ltd	2006	-	23,500	-	7,150
	2005	-	35,450	-	550

### Subsidiaries

Transactions between the parent and its subsidiaries included write offs of loans owed by the subsidiaries during the financial year.

### Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured, non interest bearing and settlement occurs in cash or shares.

There have been no guarantees provided or received for any related party receivables.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

## 21 DIRECTOR AND EXECUTIVE DISCLOSURES

The Company has applied the exemption under *Corporations Amendments Regulation 2006* which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard *AASB 124 Related Party Disclosures*. These remuneration disclosures are provided in the Remuneration Report designated as audited.

### Other transactions and balances with specified directors and specified executives

#### *Purchases*

During the year, accounting services totalling \$23,500 (2005: \$35,450) at normal market prices have been made to Group companies from Salmon Giles Pty Limited, of which H. Giles is a director and controlling shareholder.

#### *Shareholdings*

Salmon Giles Pty Limited of which H. Giles is a director and controlling Shareholder owns 100,000 shares in Concentrated Capital Limited.

*Amounts recognised at the reporting date in relation to other transactions:*

	2006	2005
	\$	\$
<b>Revenues and expenses</b>		
Accounting and audit fees	23,500	35,450
<b>Total expenses</b>	<u>23,500</u>	<u>35,450</u>



## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2006

### 22 TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

#### *Exemptions applied*

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Group has taken the following exemptions:

AASB 2 *Share-based Payment* has not been applied to any equity instrument that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

#### *Explanation of material adjustments to the cash flow statement*

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

#### *Explanation of material adjustments to the Income Statement*

There are no material differences between the income statement presented under AIFRS and the income statement presented under previous AGAAP.

#### *Explanation of material adjustments to Equity on transition - 1 July 2004*

There are no material differences between equity presented under AIFRS and equity presented under previous AGAAP.

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

**Notes to the Financial Statements continued**

FOR THE YEAR ENDED 30 JUNE 2006

**22 TRANSITION TO AIFRS continued****Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005**

	<i>CONSOLIDATED</i>			<i>PARENT</i>		
	<i>AGAAP</i>	<i>AIFRS impact</i>	<i>AIFRS</i>	<i>AGAAP</i>	<i>AIFRS impact</i>	<i>AIFRS</i>
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	55,610	-	55,610	55,606	-	55,606
Trade and other receivables	39,199	-	39,199	389,513	-	389,513
<b>Total Current Assets</b>	<b>94,809</b>	<b>-</b>	<b>94,809</b>	<b>445,119</b>	<b>-</b>	<b>445,119</b>
<b>Non-current Assets</b>						
Other financial assets	877,079	31,881	908,960	643,362	-	643,362
Deferred exploration, evaluation and development costs	142,430	-	142,430	-	-	-
<b>Total Non-current Assets</b>	<b>1,019,509</b>	<b>31,881</b>	<b>1,051,390</b>	<b>643,362</b>	<b>-</b>	<b>643,362</b>
<b>TOTAL ASSETS</b>	<b>1,114,318</b>	<b>31,881</b>	<b>1,146,199</b>	<b>1,088,481</b>	<b>-</b>	<b>1,088,481</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	20,297	-	20,297	20,297	-	20,297
<b>Total Current Liabilities</b>	<b>20,297</b>	<b>-</b>	<b>20,297</b>	<b>20,297</b>	<b>-</b>	<b>20,297</b>
<b>TOTAL LIABILITIES</b>	<b>20,297</b>	<b>-</b>	<b>20,297</b>	<b>20,297</b>	<b>-</b>	<b>20,297</b>
<b>NET ASSETS</b>	<b>1,094,021</b>	<b>31,881</b>	<b>1,125,902</b>	<b>1,068,184</b>	<b>-</b>	<b>1,068,184</b>
<b>EQUITY</b>						
<b>Equity attributable to equity holders of the parent</b>						
Issued capital	1,866,750	-	1,866,750	1,866,750	-	1,866,750
Retained earnings	(804,610)	-	(804,610)	(798,566)	-	(798,566)
Other reserves	-	31,881	31,881	-	-	-
<b>TOTAL EQUITY</b>	<b>1,062,140</b>	<b>31,881</b>	<b>1,094,021</b>	<b>1,068,184</b>	<b>-</b>	<b>1,068,184</b>

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.

## CONCENTRATED CAPITAL LIMITED- ANNUAL REPORT

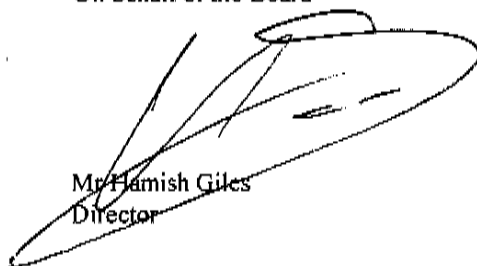
## Directors' Declaration

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

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 2006 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.

On behalf of the Board



Mr Hamish Giles  
Director

Melbourne, 29 September 2006



■ Ernst & Young Building  
8 Exhibition Street  
Melbourne VIC 3000  
Australia

■ Tel: 61 3 9288 8000  
Fax: 61 3 8650 7777

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 balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Concentrated Capital Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 the consolidated entity, 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*

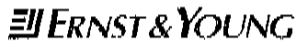
We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement.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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, 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 and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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



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

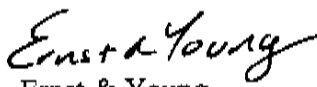
#### **Independence**

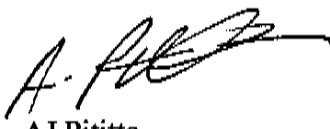
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included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

#### **Audit opinion**

In our opinion 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 and the consolidated entity at 30 June 2006 and of their 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.

  
Ernst & Young

  
AJ Pititto  
Partner  
Melbourne

29 September 2006

---

**CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT**

## **NSX Additional Information**

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

### **Shareholdings (as at 29 September 2006)**

#### **Substantial Shareholders**

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

<b>Shareholder</b>	<b>Number</b>
Parmelia Pty Ltd	2,323,333
Svinsky Nominees Pty Ltd	750,000

#### **Voting Rights**

##### **Ordinary Shares**

The voting rights set out in clause 7.8 of The Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares -

(a) at meeting of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person who is a member has one vote and on a poll every person present in person or by proxy or attorney has one vote for each

##### **Options**

There are no voting rights attached to options.

##### **Stock Exchange**

The Company is listed on the Newcastle Stock Exchange. The Home exchange is Newcastle.

##### **Other information**

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

## CONCENTRATED CAPITAL LIMITED - ANNUAL REPORT

**NSX Additional Information continued****Twenty Largest Shareholders**

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of capital held</b>
Parmelia Pty Ltd	2,323,333	18.4
Svinsky Nominees Pty Ltd	750,000	5.94
Elmside Pty Ltd	630,000	4.99
Rathaney Pty Ltd	528,181	4.18
Grayne Nominees Pty Ltd <Menzies Super Fund A/C>	350,000	2.77
Mr Jonathan Edward Moore	350,000	2.77
Estelville Nominees Pty Ltd	300,000	2.38
Graeme Menzies	300,000	2.38
Tulip Tower Pty Ltd	300,000	2.38
Hamish Giles	250,000	1.98
Mr Bruce Andrew Mackintosh <Super Fund A/C>	250,000	1.98
Mr Mike Malbourne	250,000	1.98
Framelb Pty Ltd	220,000	1.74
Mr Christopher H Aeschliman	200,000	1.58
Mrs Angela Johnson	200,000	1.58
Raglan Property Investments Pty Ltd	200,000	1.58
Upmarket Investments Pty Ltd	200,000	1.58
TC Capital Ltd	181,818	1.44
Robert John Aird	150,000	1.19
Gibbs International Pty Ltd	150,000	1.19