International Equities Corporation Ltd

and Controlled Entities **ABN 97 009 089 696**

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2006

APPENDIX 4E

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2006

Name of entity

INTERNATIONAL EQUITIES CORPORATION LTD

ABN or equivalent company reference	Year ended ('current period')
97 009 089 696	30 JUNE 2006

For announcement to the market

				$A'000
Revenues and other income	Increase	0.70%	to	16,645
Profit (loss) from ordinary activities after tax attributable to members	Increase	140.89%	to	2,972
Net profit (loss) for the period attributable to members	Increase	140.89%	to	2,972

Dividends	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A

+Record date for determining entitlements to the dividend: N/A

Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market:

Please refer to the commentary on the results in the following pages.

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

Your directors submit the preliminary final report of International Equities Corporation Limited for the year ended 30 June 2006.

Directors
The directors in office during or since the end of the year are:

Marcus Peng Fye Tow (Chairman)
Tow Kong Liang
Aubrey George Menezes
Wong Tit Seng
Arulananda Manickam (Resigned w.e.f. 16 January 2006)

Company Secretary
The company secretaries in office during or since the end of the year are:

Nicole Marie Harvard (Resigned w.e.f. 15 July 2005)
Aubrey George Menezes (Appointed w.e.f. 15 July 2005)

Review of operations
A summary of the consolidated revenues and results by industry segments is set out below:

	Segment Revenue $000	Segment Results $000
Property Development/Rental	7,144	(2,710)
Tourism	4,836	1,017
Other	4,665	4,665
	16,645	2,972

Comments on the operations and the results of those operations are set out below:

Commentary on results

The company's 2006 results are summarised as follows:

		2006 $000	2005 $000
Profit (loss) after tax:	Property development	(2,710)	(5,962)
	Tourism	1,017	(290)
	Other	4,665	-
Earnings per security		2.32c	(4.87c)
Net tangible asset backing		7.53c	5.21c

PRELIMINARY FINAL REPORT

Commentary on results (continued)

This financial year has seen the property market in Melbourne continue to consolidate due to fears of rising interest rates and petrol prices. The result has generated lower revenues of $7.144 million from property related activities. The after tax losses of $2.710 million were primarily due to holding cost of unsold stock of apartments.

In the last financial year, the company decided to operate and manage the Seasons of Perth. This has resulted in a turnaround of activities with revenues at $4.836 million and an after tax profit of $1.017 million This was largely due to a different management regime and cost approach. However, should this property be re-developed, the coming financial year will see a marked impact on the financials.

The impact of AASB 139: Financial Instruments - Recognition and Measurement, the effect of net present valuing a long term loan from a related party at notional interest of 5.5% over 10 years has resulted in an after tax gain of $3.840 million. Additionally, the writeback of provisions and their recovery has contributed to a further after tax gain of $0.825 million.

PRELIMINARY FINAL REPORT

DIRECTORS' REPORT

For the financial year ended 30th June 2006 the company concentrated its activities on development of 572 St. Kilda Road in Melbourne now known as 'Seasons on St Kilda Road'. We achieved approximately $15 million in pre-sales over a relatively short period of time. The Gross Development Value is expected at approximately $70 million. The Gross Development Cost is not expected to exceed $50 million. Upon completion the property will be operated as a serviced apartment. The full impact of these financials will be included in the 2008 financial report.

Additionally, the company has completed its feasibility and has obtained permits for a small development at Leopold Street in South Yarra, Melbourne. Presently, this is expected to generate a Gross Development Value of $8 million. The project is expected to commence in the first half of 2007.

In Perth, the company has submitted plans for the re-development of Seasons of Perth hotel. The re-development will increase the size of the property by approximately two fold with additional rooms, venues and conferencing areas. We expect to transform this city icon into a landmark property with the council's approval. Whilst the feasibility remains attractive, final Development profit can only be ascertained after approvals have been obtained. This project has been earmarked to commence in early 2007.

Finally, the company will continue its efforts to sell down its stock of unsold apartments in Swanston Street to retire borrowings and re-focus the business in developing and operating hotels and service apartments.

This financial year Earnings per security and Net tangible asset backing were 2.32c and 7.53c (2005: (4.87c) and 5.21c), respectively.

Rounding of accounts

The consolidated entity is of a kind referred to in class order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and the financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

This report is made out in accordance with a resolution of directors:

For and on behalf of the
Board of Directors of
International Equities Corporation Ltd.

Aubrey Menezes
Company Secretary / Director

Perth, Western Australia
12 September 2006

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The preliminary final report attached:

    (a) complies with accounting standards and the corporations regulations; and

    (b) gives a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that International Equities Corporation Ltd will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the
Board of Directors of
International Equities Corporation Ltd.

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Aubrey Menezes
Company Secretary / Director

Perth, Western Australia
12 September 2006

INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity 2006 $000	2005 $000
Revenue	**1(i)**	16,645	16,530
Expenses and net gains excluding borrowing costs expense	**1(ii)**	(11,569)	(20,479)
Borrowing costs expense	**1(ii)**	(2,104)	(2,303)
Profit/(loss) before income tax expense	**1(ii)**	2,972	(6,252)
Income tax benefit/(expense)		-	-
Profit/(loss) from continuing operations after related income tax expense		2,972	(6,252)
Profit/(loss) from extraordinary item after related income tax expense/(revenue)		-	-
Net profit/(loss)		2,972	(6,252)
Net exchange difference on translation of financial report of self sustaining foreign operations		-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		2,972	(6,252)
Basic and diluted earnings per security (cents per share)		2.32c	(4.87c)
Franked dividends per security (cents per security)		NIL	NIL
The number of security in issue during the period used in the calculation of basic and diluted EPS (Weighted average number of securities in issue in 2005: 128,223,577)		128,223,577	128,223,577

INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE INCOME STATEMENTS

		Note	Consolidated Entity 2006	2005
1(i).	**REVENUE**		**$000**	**$000**
	Operating activities			
	-Sale of apartments		6,049	9,808
	-Sale of services & accommodation		4,836	4,908
	-Property management fees		120	160
	-Rental revenue		949	1,073
	-Interest received – other persons		18	153
	-Other revenue		9	428
			11,980	16,530
	Revenue from outside the operating activities			
	-Fair value gain arising from related party loan		3,840	-
	-Write back of provision and loans		825	-
			16,645	16,530
1(ii).	**EXPENSES AND OTHER GAINS/ (LOSSES)**			
	(a) Expenses			
	Borrowing costs			
	- Other persons		2,104	2,303
	Administration costs		2,850	2,618
	Hotel costs and cost of goods sold		2,785	3,605
	Depreciation of non-current assets:			
	- Plant & equipment		160	144
	Development costs – apartments		5,517	8,134
	Commissions		-	1,958
	Rental guarantee		-	971
	Provision for diminution in development cost		-	2,265
	ATO GST payable expenses		257	-
	Other costs		-	784
			11,569	20,479

(b) Significant Revenues and Expenses

The following significant revenue and expense items, included above, are relevant in explaining the financial performance.

	2006	2005
Provision for diminution in development costs	-	(2,265)
Fair value gains arising from related party loan	3,840	-
Write back provisions and loans	825	-
Net (loss) gain	4,665	(2,265)

INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2006

	Note	Consolidated Entity	
		2006	2005
		$000	$000
CURRENT ASSETS			
Cash		2,750	1,997
Receivables		474	366
Inventories		24,076	29,592
Other		152	209
TOTAL CURRENT ASSETS		27,453	32,164
NON CURRENT ASSETS			
Receivables		-	1,520
Inventories		12,815	7,830
Other financial assets		294	-
Property, plant & equipment		11,412	11,450
Intangible assets		1	1
TOTAL NON CURRENT ASSETS		24,523	20,801
TOTAL ASSETS		51,975	52,965
CURRENT LIABILITIES			
Payables		1,785	3,845
Short term borrowings		-	1,155
Provisions		-	-
TOTAL CURRENT LIABILITIES		1,785	5,000
NON CURRENT LIABILITIES			
Payables		-	-
Deferred tax liabilities		510	510
Long term borrowings	**1**	40,029	40,775
TOTAL NON CURRENT LIABILITIES		40,539	41,285
TOTAL LIABILITIES		42,324	46,285
NET ASSETS		9,652	6,680
EQUITY			
Contributed equity		12,093	12,093
Reserves		40	40
Accumulated profits/(losses)	**2**	(2,481)	(5,453)
TOTAL EQUITY		9,652	6,680

NOTES TO AND FORMING PART OF THE BALANCE SHEETS

1. LONG TERM BORROWINGS

Long term borrowings include a loan of $11,397,597 payable to a related party, which is interest free subsequent to 1 July 2005.

The amount is unsecured and stated at fair value. In accordance with AASB 139: Financial Instruments - Recognition and Measurement, the effect of net present valuing the loan at notional interest of 5.5% over 10 years resulted in a gain of $3,839,770.

	Consolidated Entity	
	2006	2005
	$000	$000
2 ACCUMULATED PROFITS/(LOSSES)		
Accumulated losses at the beginning of the financial year	(5,453)	799
Net profit/(loss) attributable to the members of the parent entity	2,972	(6,252)
Accumulated profits/(losses) at the end of the financial year	(2,481)	(5,453)

INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Share capital	Other reserves	Translation reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2005	**12,093**	**40**	**-**	**(5,453)**	**6,680**	-	**6,680**
Net profit (loss)	-	-	-	2,972	**2,972**	-	**2,972**
Total recognised income & expense for the period	12,093	40	-	(2,481)	**9,652**	-	**9,652**
Dividends paid or declared	-	-	-	-	**-**	-	**-**
Issue of share capital	-	-	-	-	**-**	-	**-**
Equity share options issued	-	-	-	-	**-**	-	**-**
Balance at 30 June 2006	**12,093**	**40**	**-**	**(2,481)**	**9,652**	-	**9,652**

	Share capital	Other reserves	Translation reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2004	12,093	40	-	799	**13,948**	-	**12,932**
Net profit (loss)	-	-	-	(6,252)	**(7,268)**	-	**(6,252)**
Total recognised income & expense for the period	12,093	40	-	(5,453)	**6,680**	-	**6,680**
Dividends paid or declared	-	-	-	-	**-**	-	**-**
Issue of share capital	-	-	-	-	**-**	-	**-**
Equity share options issued	-	-	-	-	**-**	-	**-**
Balance at 30 June 2005	**12,093**	**40**	**-**	**(5,453)**	**6,680**	-	**6,680**

Ratios

	2006	**2005**
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	7.53c	5.21c
Cashflow per share		
In accordance with general principles used by financial analysts, "cashflow per share" has been calculated by adding all forms of depreciation and amortisation to net profit after tax and dividing by the weighted average number of ordinary security on issue during the year	2.44c	(5.56c)

Dividends

No dividends were declared or paid during the year

INTERNATIONAL EQUITIES CORPORATION LTD
AND CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity 2006 $000	2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,910	49,852
Payments to suppliers & employees & dev. costs		(5,830)	(5,901)
Interest received		18	153
Borrowing costs paid		(2,104)	(2,003)
Other income		-	91
Other – Property development costs		(4,986)	(19,963)
Net cash (used in)/provided by operating activities	1	(991)	21,929
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		-	-
Purchase of property, plant & equipment		(122)	(168)
Purchase of investments		(72)	-
Proceeds from sale of a controlled entity, net of cash disposed		-	-
Net loans – subsidiaries		-	-
Net cash provided by/(used in) investing activities		(194)	(168)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease repayments		-	-
Proceeds from issues of shares		-	-
Proceeds from borrowings		2,099	16,296
Repayment of borrowings		(161)	(36,189)
Net cash provided by financing activities		1,939	(19,893)
Net increase/(decrease) in cash held		753	1,868
Cash at the beginning of the financial year		1,997	129
Effect of exchange rates on cash		-	-
Cash at the end of the financial year	2	2,750	1,997

NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated Entity 2006 $000	2005 $000
1. CASH FLOW INFORMATION		
Reconciliation of Cash flow from Operations with Operating Profit after Income Tax		
Operating Profit/(Loss) after Income Tax	2,972	(7,268)
Non-cash flows in operating profit		
Writeback of provision and loan payable	(825)	42
Fair value gain from related party loan	(3,840)	-
Depreciation of plant and equipment	160	144
Net (profit)/loss on disposal of non-current assets	-	-
Foreign translation reserve	-	-
(Profit)/loss on disposal of a controlled entity	-	-
Written-down amount of inventory	-	2,265
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	(108)	229
(Increase)/Decrease in other debtors	-	-
(Increase)/Decrease in prepayments	56	(61)
(Increase)/Decrease in inventories	531	25,055
(Increase)/Decrease in other non-current assets	-	-
Diminution in value of Seasons hotel	-	1,016
(Decrease)/Increase in accounts payable	475	516
(Decrease)/Increase in accrued expenses	(358)	-
Increase/(Decrease) in Deferred tax	-	-
Increase/(Decrease) in provisions	(54)	(9)
Net Cash (used in)/provided by operating activities	(991)	21,929

	Consolidated Entity 2006 $000	2005 $000
2. CASH		
Cash at bank and on hand	2,153	1,996
Short term deposits	597	1
	2,750	1,997

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

	2006 $000	2005 $000
Cash (as above)	2,750	1,997
Bank Overdrafts		-
	2,750	1,997

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. Explanation of transition to Australian equivalents to IFRS

These financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). The financial statements of International Equities Corporations Ltd until 30 June 2005 were presented under previous Australian GAAP.

Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included in note 2. Reconciliations of equity and profit and loss between previous GAAP and Australian equivalents to IFRS, with respect to the Group, are given below.

1. Explanation of transition to Australian equivalents to IFRS (continued)

(1) Reconciliation of equity reported under previous AGAAP to equity under AIFRS
(a) At the date of transition to AIFRS: 1 July 2004

	Note	Previous GAAP at 1.7.2004 $000	Economic Entity Adjustments on introduction of Australian equivalents to IFRS $000	Australian equivalents to IFRS at 1.7.2004 $000
ASSETS				
CURRENT ASSETS				
Cash & cash equivalents		634	-	634
Receivables		855	-	855
Inventories		55,844	-	55,844
Other current assets		147	-	147
TOTAL CURRENT ASSETS		57,480	-	57,480
NON-CURRENT ASSETS				
Receivables		-	-	-
Inventories		8,863	-	8,863
Other financial assets		174	-	174
Property, plant & equipment	**i**	12,442	**(1,016)**	11,426
Other Intangible assets		1	-	1
TOTAL NON-CURRENT ASSETS		21,480	**(1,016)**	20,464
TOTAL ASSETS		78,960	**(1,016)**	77,944
CURRENT LIABILITIES				
Payables		1,873	-	1,873
Interest bearing liabilities		33,830	-	33,830
Short-term provisions		62	-	62
TOTAL CURRENT LIABILITIES		35,765	-	35,765
NON-CURRENT LIABILITIES				
Payables		2,292	-	2,292
Deferred tax liabilities		510	-	510
Interest bearing liabilities		26,445	-	26,445
TOTAL NON-CURRENT LIABILITIES		29,247	-	29,247
TOTAL LIABILITIES		65,012	-	65,012
NET ASSETS		**13,948**	**(1,016)**	**12,932**
EQUITY				
Contributed equity		12,093	-	12,093
Reserves		40	-	40
Accumulated profit/(loss)		1,815	**(1,016)**	799
TOTAL EQUITY		**13,948**	**(1,016)**	**12,932**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. Explanation of transition to Australian equivalents to IFRS (continued)

(1) Reconciliation of equity reported under previous AGAAP to equity under AIFRS
(b) At the end of the last full year reporting period under previous AGAAP: 30 June 2005

	Note	Previous GAAP at 30.06.05 $000	Economic Entity Adjustments on introduction of Australian equivalents to IFRS $000	Australian equivalents to IFRS at 30.06.05 $000
ASSETS				
CURRENT ASSETS				
Cash & cash equivalents		1,997	-	1,997
Receivables		366	-	366
Inventories		29,592	-	29,592
Other current assets		209	-	209
TOTAL CURRENT ASSETS		32,164	-	32,164
NON-CURRENT ASSETS				
Receivables		1,520	-	1,520
Inventories		7,830	-	7,830
Other financial assets		-	-	-
Property, plant & equipment		11,450	-	11,450
Other Intangible assets		1	-	1
TOTAL NON-CURRENT ASSETS		20,801	-	20,801
TOTAL ASSETS		52,965	-	52,965
CURRENT LIABILITIES				
Payables		3,845	-	3,845
Interest bearing liabilities		1,155	-	1,155
Short-term provisions		-	-	-
TOTAL CURRENT LIABILITIES		5,000	-	5,000
NON-CURRENT LIABILITIES				
Payables		-	-	-
Deferred tax liabilities		510	-	510
Interest bearing liabilities		40,775	-	40,775
TOTAL NON-CURRENT LIABILITIES		41,285	-	41,285
TOTAL LIABILITIES		46,285	-	46,285
NET ASSETS		**6,680**	-	**6,680**
EQUITY				
Contributed equity		12,093	-	12,093
Reserves		40	-	40

Accumulated profit/(loss)	(5,453)	-	(5,453)
TOTAL EQUITY	6,680	-	6,680

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. Explanation of transition to Australian equivalents to IFRS (continued)

(2) Reconciliation of profit under for the year ended 30 June 2005

	Note	Previous GAAP	Economic Entity Adjustments on introduction of Australian equivalents	Australian equivalents to IFRS
Revenue		16,530	-	16,530
Expenses excluding borrowing costs	i	(21,495)	1,016	- (20,479)
Profit from operating activities		(4,965)	1,016	(3,949)
Borrowing costs expenses		(2,303)	-	(2,303)
Profit/(loss) from operating activities before tax		(7,268)	1,016	(6,252)
Income tax expense relating to operating activities		-	-	-
Profit/(loss) after income tax		(7,268)	1,016	(6,252)
Net profit/(loss) attributable to the members		(7,268)	1,016	(6,252)
Net exchange difference on translation of fin. Report		-	-	-
Total revenues, expenses & valuation adjustments		-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(7,268)	1,016	(6,252)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(i) An impairment loss amounting to $1,016,000 has been recognised under the Australian equivalents to IFRS relating to freehold land which has been written down to its recoverable amount as at 1 July 2004. This has resulted in the provision for diminution provided during the year ended 30 June 2005 being reversed thereby increasing the net profit after tax for the year ended 30 June 2005 and decreasing opening retained earnings, as at 1 July 2004, by $1,016,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: Statement of Significant Accounting Policies

The financial report is a general purpose financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of International Equities Corporation Limited and controlled entities, and International Equities Corporation Limited as an individual parent entity. International Equities Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

International Equities Corporation Limited and controlled entities, and International Equities Corporation Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: Firs-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of International Equities Corporation Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 1 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity International Equities Corporation Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included / excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2. Statement of accounting policies (continued)

(b) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(c) Inventories

Other than inventories associated with land held for development and resale which are valued at cost, current inventories comprising stores and consumables are valued at lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis.

(d) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses.

Property

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2. Statement of accounting policies (continued)

Plant & Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The expected useful lives are as follows:

Buildings	50 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Leasehold Improvement at cost	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Earnings per share

a. Basic earnings per share
Basic earning per share is determined by dividing the group operating result after income tax attributable to members by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

b. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share by taking into account amounts paid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2. Statement of accounting policies (continued)

(h) Land held for development and resale

Land held for development and resale comprises land held for development, contract costs and other holding costs incurred to date.

Costs include the cost of acquisition, development, interest on funds borrowed for the development and holding costs until completion of development. Interest and holding charges incurred after development are expensed.

Profit is recognised on an individual contract basis generally at settlement.

(i) Receivables

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from date of recognition. Collectibility of trade and other debtors are reviewed on an ongoing basis; uncollectible debts are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(j) Revenue

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes.

Revenue from the sale of apartments or units is generally recognised upon settlement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of services and accommodation is recognised upon the provision of the service to customers.

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

(k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

2. Statement of accounting policies (continued)

(m) Goods and Services Tax (GST)

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

Receivables and payables are stated with the amount of GST included.

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

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

(n) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which include transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments - Recognition and Measurement. Derivatives are also categorised as held for trading hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains or losses arising from changes in fair value are taken directly to equity.

2. Statement of accounting policies (continued)

(o) Financial Instruments (continued)

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

Derivative Instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to income statement unless they are designated as hedges.

Fair Value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transaction, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(p) Comparative Figures

Where appropriate, comparative figures have been adjusted to confirm to changes in presentation for the current financial period.

Note 3: Segmental Information

Primary reporting business segments

	Property Development $'000	Tourism $'000	Unallocated $'000	Elimination $'000	Consolidated $'000
2006					
Revenue	7,144	4,836	-	-	11,980
Fair value gain from related party loan	-	-	3,840	-	3,840
Write back provision and loan payable	-	-	825	-	825
Segment operating (loss)/profit after tax	(2,710)	1,017	4,665	-	2,972
Segment assets	39,542	12,433	-	-	51,975
Segment liabilities	18,414	23,910	-	-	42,324
2005					
Revenue	11,622	4,908	-	-	16,530
Segment operating (loss)/profit after tax	(5,962)	(290)	-	-	(6,252)
Profit on sale of former controlled entity	-	-	-	-	-
Segment assets	40,658	12,307	-	-	52,965
Segment liabilities	38,770	7,515	-	-	46,285

Secondary Reporting

Geographical Segments	Australia $'000	South East Asia $'000	Inter-Segment Elimination $'000	Consolidated $'000
2006				
Revenue	16,645	-	-	16,645
Segment operating (loss)/profit after tax	2,972	-	-	2.972
Profit on sale of former controlled entity	-	-	-	-
Segment assets	51,975	-	-	51,975
Segment liabilities	42,324	-	-	42,324
2005				
Revenue	16,530	-	-	16,530
Segment operating (loss)/profit after tax	(6,252)	-	-	(6,252)
Profit on sale of former controlled entity	-	-	-	-
Segment assets	52,965	-	-	52,965
Segment liabilities	46,285	-	-	46,285

The economic entity effectively operates predominantly in one geographical segment, based in Western Australia and Victoria.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 4: Issued and quoted securities at end of current period

Category of securities	**Total Number**	**Number quoted**	**Issue price per security (cents)**	**Amount paid up per security (cents)**
Preference securities Changes during current period - Increases through issues - Decreases through returns of capital, buybacks	Nil Nil Nil			
Ordinary securities Changes during current period - Increases through issues - Decreases through returns of capital, buybacks	128,223,577 Nil Nil			
Convertible debt securities Changes during current period - Increases through issues - Decreases through securities matured, converted	 Nil Nil			
Options	Nil			
Issued during current period	Nil			
Exercised during current period	Nil			
Expired during current period	Nil			
Debentures Changes during current period - Increases through issues - Decreases through securities matured, converted	 Nil Nil			
Unsecured notes Changes during current period - Increases through issues - Decreases through securities matured, converted	Nil Nil Nil			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 5: Disposal of controlled entity

During the year there were no disposals of entities within the group.

Note 6: Commentary on the results for the period

The commentary on the results for the period is contained in the Director's commentary accompanying this statement.

Note 7: Events occurring after reporting date

No other circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 8: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 9: Annual General Meeting

The annual general meeting will be held at a place and date to be advised.

Note 10: Audit

This report is based on accounts which are in the process of being audited.