RAPTIS GROUP LIMITED

# Annual Report 2007

# RAPTIS GROUP LIMITED

ABN 43 010 472 858

# ANNUAL REPORT 2007

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# Directors Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

### Directors

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

Mr James Raptis OBE
Mr Kevin Gogolka
Mr Ian Morrison

All directors have been in office since the start of the financial year to the date of this report.

### Company Secretary

The following persons held the position of company secretary at the end of the financial year:

Mr James Raptis - Chairman and Chief Executive Officer. Mr Raptis is a registered builder in Queensland and has over 33 years experience in the construction and property development industries. He was appointed company secretary on 8 October 1990.

Mr Malcolm Cory - Bachelor of Business, Chartered Accountant. Mr Cory has worked for Raptis Group Limited for the past 18 years, performing roles in accounting and finance. He was appointed company secretary on 16 December 1993.

### Principal Activities

The principal activities of the economic entity during the financial year encompassed the following:

- property development;
- property investment;
- residential property management; and
- resort hotel operations.

There were no significant changes in the nature of the activities of the economic entity during the year.

### Operating Results

The consolidated profit of Raptis Group Limited after providing for income tax amounted to $12,982,856 (2006: $9,504,017), an increase of 36.6% from the previous year. The diluted EPS equates to 19.11 cents.

### Review of Operations

The 2007 financial year saw the following major events:

- In August 2006, the first of three forty level mixed use towers at Southport Central was completed. The market acceptance of the 268 apartments was proven by the successful settlement program.

  The second adjoining tower commenced construction in July 2006 and is expected to be completed in February 2008. The presales of residential and commercial strata units in this tower have been consistently strong.

  The third 40 level mixed use tower commenced construction in February 2007. We expect this tower to be completed in December 2008.

- In June 2007, refurbishment of the Holiday Inn Surfers Paradise was completed. The Hotel performance is benefiting from the revitalized offering.

- In April 2007, the Gold Coast International Hotel and adjoining 1.1 hectare development parcel were settled in a 50/50 joint venture with CP1 Limited.

### Financial Position

The net assets of the economic entity have increased by $9.275 million from 30 June 2006 to 30 June 2007. The operating result of $12.982 million (2006: $9.504 million) was earned on equity at the commencement of the financial year of $25.972 million (2005: $18.839 million). The strong earnings on a modest capital base have been achieved through structured project financing. Payments to owners through dividends and share buy-backs have restrained the growth in net assets.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

### Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

- 2006 final ordinary dividend of 5 cents per share recommended by the Directors on 12 September 2006, paid on 16 November 2006 of $3,164,227.
- 2007 interim ordinary dividend of 5 cents per share paid on 16 May 2007 of $3,156,897.
- 2007 final ordinary dividend of 5 cents per share recommended by the Directors on 31 August 2007, to be paid on 16 November 2007 of $3,156,897.

### Significant Changes in State of Affairs

During the year, the following significant changes in the state of affairs of the economic entity occurred:

- the Company issued 3,000,000 Ordinary shares, raising $3,300,000 for the purpose of additional working capital; and
- the Forum at Surfers Paradise was acquired as a long-term investment property through assignment of a put and call option (at $42.21 million over a five year period) with the Company entering into a Development Lease during the intervening period.

In the opinion of the directors there were no other significant changes in the state of affairs of the economic entity that occurred during the financial year.

### After Balance Date Events

On 6 July 2007, the Dolphin Arcade development site was settled. Demolition is scheduled to commence in October 2007, with construction of the first tower of the Dolphin development to commence in January 2008.

On 20 August 2007, Raptis Group Limited announced contracting to acquire a 50% interest in the Mariners Cove waterfront property on Seaworld Drive, Main Beach.

On 31 August 2007, the company declared an unfranked final dividend of 5 cents per share, totaling $3,156,897 which is payable on 16 November 2007.

There were no other significant events subsequent to 30 June 2007 outside the ordinary course of business.

### Future Developments, Prospects and Business Strategies

To further improve the economic entity's profit and maximize shareholder wealth, the following developments are intended to be implemented in the near future:

The "Southport Central" project on the Gold Coast has provided a successful urban renewal in this established town centre. The second of three forty level mixed used towers is under construction and expected to be completed in February 2008. Construction on the third tower has commenced and it is expected to be completed in December 2008.

The Dolphin development is expected to provide a further enhancement to the Surfers Paradise main shopping and tourist hub in both Cavill and Orchid Avenue. This will be a mixed use development consisting of both residential apartments and retail outlets.

A controlled entity is negotiating to acquire the Iluka Apartment complex in Surfers Paradise, and will research refurbishment or redevelopment opportunities.

The company is researching further development opportunities in the Gold Coast and in Brisbane.

## Environmental Issues

The economic entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State legislation in relation to its construction activities and property development. The directors are not aware of any significant breaches during the year.

## Information on Directors

***Mr James Raptis, OBE*** Chairman and Chief Executive Officer, Age 61

James is a registered builder in Queensland and has over 33 years experience in the construction and property development industries. He has been responsible for the completion of many distinctive buildings on the Gold Coast. His experience ranges from the design and development of residential buildings to the construction and property management of commercial and retail properties. James Raptis was appointed the Greek Consul for Queensland in 2005.

Interest in shares - 39,223,104 fully paid ordinary shares and 7,500,000 partly paid ordinary shares paid to 1 cent.

***Mr Kevin Gogolka*** Executive Director, Age 43

Kevin holds a graduate diploma in construction, and a postgraduate diploma in Project Management. He has 17 years experience in an operational and management capacity with the company including civil, commercial, retail, residential, construction, together with project development. He was appointed to the Board in October 1996.

Interest in shares - nil.

***Mr Ian Morrison*** Executive Director and Manager of Design, Age 61

Ian has worked with Raptis Group since 1985 and is well respected in the Gold Coast development industry. His experience includes planning matters, site acquisitions, legal dealings, all facets of design, and liaison with statutory and Government Authorities. He was appointed to the Board in August 1998.

Interest in shares - 1,349 fully paid ordinary shares.

## Remuneration Report

This report details the nature and amount of remuneration for each director of Raptis Group Limited, and for the executives receiving the highest remuneration.

### *Remuneration policy*

The remuneration policy of Raptis Group Limited has been designed to align directors, secretaries, senior managers of the Company, and relevant group executives of the economic entity's objectives with shareholder and business objectives by providing a fixed base remuneration component and employer contributions to superannuation funds. The board of Raptis Group Limited believes the remuneration policy to be appropriate, effective and competitively set in its ability to attract and retain appropriately qualified and experienced directors and senior executives to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board, with independent advice on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy.

- All executives receive a fixed base salary (which is based on factors such as length of service and experience), and superannuation.

- The Board reviews the remuneration of the directors and senior executives of the economic entity, taking into account their capability and experience, their ability to control the relevant segment performance and the economic entity's performance including the economic entity's earnings and the growth in share price and returns on shareholder wealth.

Remuneration levels are reviewed annually by the directors through a process that considers individual, segment and overall performance of the economic entity. In addition, external consultants provide analysis and advise to ensure directors' and senior executives' remuneration is competitive in the market place.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

***Details of remuneration for year ended 30 June 2007***

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

| | Salary & Fees | Superannuation Contribution | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Directors** | | | |
| Mr James Raptis, OBE | 417,097 | 12,686 | 429,783 |
| Mr Kevin Gogolka | 186,568 | - | 186,568 |
| Mr Ian Morrison | 106,137 | 12,686 | 118,823 |
| | 709,802 | 25,372 | 735,174 |
| **Specified Executives** | | | |
| Mr Peter Malady | 393,000 | - | 393,000 |
| Mr Nelson Batchelor | 289,264 | 12,686 | 301,950 |
| Mr Neal Moores | 215,326 | 12,686 | 228,012 |
| Mr Malcolm Cory | 186,390 | 12,686 | 199,076 |
| Mr Don Black | 152,434 | 12,686 | 165,120 |
| | 1,236,414 | 50,744 | 1,287,158 |

***Employment contracts of directors and senior executives***

The employment conditions of the managing director, Mr James Raptis, the executive directors and specified executives are formalised in contracts of employment and are permanent employees of Raptis Group Limited.

The employment contracts stipulate a range of one to three month resignation periods. The company may terminate an employment contract without cause by providing one months notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment in accordance with State Legislation. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

**Meetings of Directors**

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:-

| Director | Directors' Meetings | |
|---|---|---|
| | Number Eligible to Attend | Number Attended |
| Mr James Raptis OBE | 12 | 12 |
| Mr Kevin Gogolka | 12 | 12 |
| Mr Ian Morrison | 12 | 12 |

**Audit Committee**

Due to limitations imposed by size, the company has not constituted a separate audit committee of the Board of Directors.

### Indemnifying Officers or Auditor

During the financial year the Company has paid an insurance premium of $49,486, in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers including executive officers of the Company and directors, officers and secretaries of its controlled entities. This policy does not allocate the premium to each individual officer.

No premium was paid nor has any indemnity been given in respect to the auditors of the Company.

### Proceedings on Behalf of Company

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

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

### Non-audit Services

During the year, Gould Ralph & Company, the company's auditor, have performed certain other services in addition to their duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied in accordance with a resolution of the directors of the Company that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*. The non-audit services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Gould Ralph & Company or a related entity provide share registry services, act as tax agents for income tax purposes, and provide auditing services under the Queensland Building Services Authority Act 1991.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

| | $ |
|---|---|
| Tax compliance services | 6,154 |
| Share registry & secretarial | 13,869 |
| Other regulatory audit | 32,290 |
| | 52,313 |

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 9 of the directors' report.

### Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Dated at Surfers Paradise this 28th September 2007.

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

**James Raptis, OBE**
Director

**Ian Morrison**
Director

# Corporate Governance Statement

Raptis Group Limited's corporate governance practices were in place throughout the year ended 30 June 2007. Where recommendations of the ASX Corporate Governance Council have not been fully complied with due to the size of the company these exceptions are included in the notes below.

**Board of Directors**

The board of directors guides and monitors the business affairs of Raptis Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The board of directors of Raptis Group Limited is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting to the Australian Stock Exchange in terms of their requirements.

The board of Raptis Group takes independent professional advice at the expense of the company.

**Board Composition**

The names of directors of the company in office at the date of this report, their term of office their skills, experience and relevant expertise are detailed in the director's report. Raptis Group Limited does not currently have a majority of independent directors on the board due to the size and industry specific nature of the company.

An independent director is a director who is not a member of management and who:

- Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- Has not within the last three years been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- Within the last three years has not been a principal or employee of a material professional advisor or a material consultant to the company or another group member
- Is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated with a material supplier or customer
- Has no material contractual relationship with the company or another group member other than as a director of the company
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

The composition of the board is reviewed on an annual basis to ensure the board has the appropriate mix of expertise and experience. Where a vacancy exists through whatever cause or where it is considered the board would benefit from the services of a new director with particular skills, the board determines the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

**Nomination Committee**

The board of Raptis Group has not formed a separate formal nomination committee because of the size of the company and the active involvement of all directors in nomination decisions. All directors are involved in the overseeing of the appointment and induction process for new directors and senior executives. The board in conjunction with senior executives and external consultants as most appropriate review the performance of all board members and executives.

**Remuneration Committee**

The board of Raptis Group has not formed a separate formal remuneration committee because of the size of the company and the active involvement of all directors in remuneration decisions. All directors in conjunction with senior executives and external consultants as most appropriate review the remuneration of all board members and executives. These reviews include incentive performance packages, compliance with superannuation requirements, termination entitlements, professional indemnity and liability insurance policies as applicable. There are no schemes for retirement benefits other than statutory superannuation.

**Remuneration Policies**

Remuneration levels are set to attract and retain appropriately qualified and experienced directors, senior executives and staff to run the economic entity. The board consider that the remuneration structure will be able to attract and retain the best executives with the necessary incentives to work to grow long term shareholder value. The board obtains independent advice as necessary on the appropriateness of remuneration packages, given trends in comparative companies both locally and Australia wide. Remuneration includes a mix of fixed remuneration and performance based remuneration.

All executives receive a base salary, superannuation and performance incentives. The board reviews executive packages on a project by project basis by reference to departmental project performance, executive performance, comparative industry information and relevant independent advice. The performance of executives is measured against project targets which are agreed on a project by project basis.

The amount of remuneration for all directors and the highest paid executives, are detailed in note 6 to the financial report. The board considers that the performance linked remuneration structure is generating the desired outcome. The evidence for this is record profits for the last two years and increase in shareholder value.

**Remuneration Report**

The remuneration report is set out on page 3 and forms part of the director's report for the financial year ended 30 June 2007.

**Safeguard Integrity in Financial Reporting**

The board of Raptis Group has not formed a separate formal audit committee because of the size of the company and the active involvement of all directors in the final process of accepting the financial report and associated notes. The board is responsible for ensuring the financial report represents a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards. The board further ensures that particular issues relevant to verifying and safeguarding the integrity of the company's financial report are met.

External auditors are appointed by the shareholders at the Annual General Meeting. External auditors are invited to attend the Annual General Meeting of the company in order to answer shareholder questions.

**Financial Reporting**

The Chief Executive Office and the Chief Financial Officer have declared, in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

**Business Risk Management**

The group takes a proactive approach to risk management. The board is responsible for ensuring that risks, and opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the board.

The board believes it is crucial for all board members to be part of this process, an as such the board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to specific opportunities and risks.

### Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board. The board restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

### Ethical and Responsible Decision Making

In accordance with the Constitution and the Corporations Act 2001, directors disclose to the board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter. All directors and employees of Raptis Group Limited adhere to a
strict code of ethics and must act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

### Shareholders

The board aims to ensure that shareholders are informed of all major developments that may affect the financial performance of the Company. The Board encourages full participation by the Shareholders at the Annual General Meeting; this is to ensure a high level of accountability relating to strategy and financial performance by the Company. The shareholders are also responsible for voting on the appointment of directors.

### Interest of Stakeholders

The board of Raptis Group has not formed a separate code of conduct to guide compliance with obligations to stakeholders. The Company has an active role in the local community via sponsorships and donations. Raptis has continued to be the major sponsor of the Queensland Ballet and Queensland Orchestra for their Gold Coast Season.

# Auditor's Independence Declaration

Gould
Ralph & Company
Chartered
Accountants

ABN 74 632 161 298

Level 42
AAP Centre
259 George Street
Sydney 2000 Australia
Telephone: (02) 9032 3000
Facsimile: (02) 9032 3088
Email: mail@gouldralph.com.au

The Board of Directors
Raptis Group Limited
Level 39, Chevron Renaissance
Skyline Central
23 Ferny Avenue
SURFERS PARADISE QLD 4217

28 September 2007

Dear Members of the Board

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the audit of Raptis Group Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and,
- No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Raptis Group Limited and any entities it controlled during the year.

Yours faithfully
GOULD RALPH & COMPANY

GREG RALPH M.Com, F.C.A.
Partner

# Income Statement

## for the year ended 30 June 2007

| | | Economic Entitiy | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $000 | $000 | $000 | $000 |
| **Continuing Operations** | | | | | |
| Revenue | 2 | 318,985 | 156,738 | 6,502 | 8,454 |
| Changes in inventories of finished goods and work in progress | | (39,732) | 179,466 | - | - |
| Raw materials and consumables used | | (222,915) | (300,417) | - | - |
| Marketing expense | | (16,890) | (10,686) | - | |
| Investment property expense | | (7,863) | (3,055) | - | - |
| Depreciation and amortisation expense | 3 | (1,088) | (721) | - | - |
| Administration and other expenses | | (6,466) | (3,436) | (52) | - |
| Finance costs | 3 | (18,882) | (8,385) | - | - |
| Net gain resulting from changes in fair value of investment properties | 15 | 7,657 | - | - | - |
| Share of net profit of joint venture entity accounted for using the equity method | 26 | 176 | - | - | - |
| **Profit before income tax** | 3 | 12,982 | 9,504 | 6,450 | 8,454 |
| Income tax expense | 4 | - | - | - | - |
| **Profit attributable to members of the parent entity** | | 12,982 | 9,504 | 6,450 | 8,454 |

| | | | |
|---|---|---|---|
| **Overall & Continuing Operations** | | | |
| Basic earnings per share (cents per share) | 8 | 20.91 | 15.64 |
| Diluted earnings per share (cents per share) | 8 | 19.11 | 14.39 |
| Dividends per share (cents) | 7 | 10.00 | 10.00 |

The accompanying notes form part of these financial statements.

# Balance Sheet

## as at 30 June 2007

| | | Economic Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $000 | $000 | $000 | $000 |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 9 | 8,646 | 6,330 | 69 | 87 |
| Trade and other receivables | 10 | 11,980 | 14,306 | 5,041 | 18,705 |
| Inventories | 11 | 219,913 | 316,435 | - | - |
| Other current assets | 17 | 278 | 130 | - | - |
| TOTAL CURRENT ASSETS | | 240,817 | 337,201 | 5,110 | 18,792 |
| **NON-CURRENT ASSETS** | | | | | |
| Trade and other receivables | 10 | - | 400 | - | - |
| Inventories | 11 | 255,973 | 199,183 | - | - |
| Financial assets | 12 | - | - | 29,428 | 21,938 |
| Investments accounted for using the equity method | 18 | 176 | - | - | |
| Property, plant and equipment | 14 | 7,579 | 5,104 | - | - |
| Investment property | 15 | 195,475 | 126,157 | - | - |
| Intangible assets | 16 | 11,856 | 12,981 | - | - |
| TOTAL NON-CURRENT ASSETS | | 471,059 | 343,825 | 29,428 | 21,938 |
| **TOTAL ASSETS** | | 711,876 | 681,026 | 34,538 | 40,730 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 19 | 107,046 | 51,140 | 203 | 395 |
| Short-term borrowings | 20 | 334,105 | 408,561 | 4,010 | 19,285 |
| Short-term provisions | 21 | 4,276 | 3,461 | - | - |
| TOTAL CURRENT LIABILITIES | | 445,427 | 463,162 | 4,213 | 19,680 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 19 | 41,124 | 32,443 | - | - |
| Long-term borrowings | 20 | 194,373 | 164,371 | - | |
| Long-term provisions | 21 | 627 | - | - | - |
| TOTAL NON-CURRENT LIABILITIES | | 236,124 | 196,814 | - | - |
| **TOTAL LIABILITIES** | | 681,551 | 659,976 | 4,213 | 19,680 |
| **NET ASSETS** | | 30,325 | 21,050 | 30,325 | 21,050 |
| **EQUITY** | | | | | |
| Issued capital | 22 | 28,585 | 25,972 | 28,585 | 25,972 |
| Reserves | 23 | - | - | 23,470 | 16,938 |
| Retained earnings | | 1,740 | (4,922) | (21,730) | (21,860) |
| **TOTAL EQUITY** | | 30,325 | 21,050 | 30,325 | 21,050 |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity
## for the year ended 30 June 2007

| | Note | Ordinary Share Capital $000 | Retained Earnings $000 | Asset Revaluation Reserve $000 | Total $000 |
|---|---|---|---|---|---|
| **Economic Entity** | | | | | |
| **Balance at 1 July 2005** | | 25,972 | (7,133) | - | 18,839 |
| Profit attributable to members of parent entity | | - | 9,504 | - | 9,504 |
| Sub-total | | 25,972 | 2,371 | - | 28,343 |
| Dividends paid or provided for | 7 | - | (7,293) | - | (7,293) |
| **Balance at 30 June 2006** | | 25,972 | (4,922) | - | 21,050 |
| Profit attributable to members of parent entity | | - | 12,982 | - | 12,982 |
| 3,000,000 shares issued | 22 | 3,300 | - | - | 3,300 |
| On-market share buy backs | 22 | (687) | - | - | (687) |
| Sub-total | | 28,585 | 8,060 | - | 36,645 |
| Dividends paid or provided for | 7 | - | (6,320) | - | (6,320) |
| **Balance at 30 June 2007** | | 28,585 | 1,740 | - | 30,325 |
| **Parent Entity** | | | | | |
| **Balance at 1 July 2005** | | 25,972 | (23,021) | 21,217 | 24,168 |
| Profit attributable to members of parent entity | | - | 8,454 | - | 8,454 |
| Revaluation increment on: | | | | | |
| Investment in controlled entities at fair value | 23 | - | - | (4,279) | (4,279) |
| Sub-total | | 25,972 | (14,567) | 16,938 | 28,343 |
| Dividends paid or provided for | 7 | - | (7,293) | - | (7,293) |
| **Balance at 30 June 2006** | | 25,972 | (21,860) | 16,938 | 21,050 |
| Profit attributable to members of parent entity | | - | 6,450 | - | 6,450 |
| Revaluation (decrement) on: | | | | | |
| Investment in controlled entities at fair value | 23 | - | - | 6,532 | 6,532 |
| 3,000,000 shares issued | 22 | 3,300 | - | - | 3,300 |
| On-market share buy backs | 22 | (687) | - | - | (687) |
| Sub-total | | 28,585 | (15,410) | 23,470 | 36,645 |
| Dividends paid or provided for | 7 | - | (6,320) | - | (6,320) |
| **Balance at 30 June 2007** | | 28,585 | (21,730) | 23,470 | 30,325 |

The accompanying notes form part of these financial statements.

# Cash Flow Statement

## for the year ended 30 June 2007

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | 322,503 | 154,388 | - | - |
| Interest received | | 787 | 449 | 2 | 2 |
| Payments to suppliers and employees | | (278,359) | (284,496) | (279) | (1) |
| Finance costs | | (18,807) | (8,385) | - | - |
| Net cash provided by (used in) operating activities | 28a | 26,124 | (138,044) | (277) | 1 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | (427) | (864) | - | - |
| Purchase of property investments | | (9,776) | (78,118) | - | - |
| Payment for shares in subsidiary | | - | - | (958) | (5,000) |
| Net cash provided by (used in) investing activities | | (10,203) | (78,982) | (958) | (5,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Loans from/(to) controlled entities | | - | - | 20,198 | 21,902 |
| Proceeds from borrowings | | 366,076 | 328,762 | 4,011 | - |
| Proceeds from issue of shares | | 3,300 | - | 3,300 | |
| Share buy-back payment | | (687) | - | (687) | - |
| Repayment of borrowings | | (377,994) | (101,175) | (19,285) | (9,566) |
| Dividends paid by parent entity | | (6,320) | (7,293) | (6,320) | (7,293) |
| Net cash provided by (used in) financing activities | | (15,625) | 220,294 | 1,217 | 5,043 |
| **Net increase in cash held** | | 296 | 3,268 | (18) | 44 |
| Cash at beginning of financial year | | 6,330 | 3,062 | 87 | 43 |
| **Cash at end of financial year** | 28b | 6,626 | 6,330 | 69 | 87 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 1 Statement of Significant Accounting Policies

### Basis of Preparation

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

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

The financial report of Raptis Group Limited and controlled entities, and Raptis Group Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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.

***Reporting Basis and Conventions***

The financial report has been prepared on an accruals 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***

*Controlled Entities*

A controlled entity is any entity Raptis Group Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. 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.

*Joint Ventures*

The economic entity's interest in a joint venture entity is brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in the joint venture entity is brought to account using the cost method.

***(b) Income Tax***

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Raptis Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

# Notes to the Financial Statements

for the year ended 30 June 2007

## Note 1 Statement of Significant Accounting Policies (continued)

### *(c) Inventories*

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development are expensed. Profits are only brought to account upon the completion of the development project, when the unconditional contracts of sale is settled, with the substantial risk and rewards being passed to the purchaser.

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

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

Plant and equipment, including freehold building are measured on the cost basis. The carrying amount of building, 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 the 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.

#### *Depreciation*

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated either on a straight-line or diminishing-value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| *Class of Fixed Asset* | *Depreciation Rate* |
|---|---|
| Buildings | 2.5% |
| Plant and equipment | 10% - 40% |

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### *(e) Investment Property*

Investment property, comprising long-term leasehold hotel building, and retail complexes, is held to generate revenue from hotel operations and long-term rental yields. All tenant leases in the retail complexes are on an arm's length basis. Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the income statement.

### *(f) Financial Instruments*

#### *Recognition*

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

#### *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.

#### *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 and losses arising from changes in fair value are taken directly to equity.

#### *Financial liabilities*

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

#### *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 transactions, 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 the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised as a revaluation decrease in acccordance with AASB116.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 1 Statement of Significant Accounting Policies (continued)

***(g) 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 assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

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.

***(h) Intangibles***

***Residential management rights***

Residential property management rights are recognised at cost of acquisition. Property management rights have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Property management rights are amortised over the 25 year term of the management agreement.

***(i) 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.

***(j) Provisions***

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

***(k) Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

***(l) Revenue***

Revenue from the sale of development properties is only recognised upon the completion of the project, when the unconditonal contracts of sale is settled, and the substantial risks and rewards is passed to the purchaser of the property. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from investment properties is recognised on an accruals basis in accordance with lease agreements in relation to retail complexes, and when delivery of services have been made to customers in relation to hotel operations.

Dividend revenue is recognised when the right to receive a dividend has been established.
All revenue is stated net of the amount of goods and services tax (GST).

***(m) Borrowing Costs***

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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.

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

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

Receivables and payables in the balance sheet are shown inclusive of GST.

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

***(o) Comparative Figures***

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

***(p) Rounding of Amounts***

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors report have been rounded off to the nearest $1,000.

# Notes to the Financial Statements

for the year ended 30 June 2007

## Note 1 Statement of Significant Accounting Policies (continued)

### Critical accounting estimates and judgments

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amount of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The directors evaluate estimates and judgments incorporated into the financial report based on historical experience and knowledge and best available current information reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Actual results may differ from these estimates.

***Key estimates — Impairment***

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

## Note 2 Revenue

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| Operating activities | | | | | |
| — sale of goods and services | | 311,435 | 146,354 | - | - |
| — interest received | 2(a) | 787 | 449 | 2 | 2 |
| — other revenue | | 61 | 26 | 6,500 | 8,452 |
| — property rental and management revenue | | 6,702 | 9,909 | - | - |
| Total Revenue | | 318,985 | 156,738 | 6,502 | 8,454 |
| (a) Interest revenue from: | | | | | |
| — other persons | | 787 | 449 | 2 | 2 |
| Total interest revenue | | 787 | 449 | 2 | 2 |

## Note 3 Profit for the Year

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| (a) Expenses | | | | |
| Cost of sales | 262,647 | 131,637 | - | - |
| Finance costs: | | | | |
| — Other persons | 27,587 | 29,929 | - | - |
| — Less borrowing costs capitalised to inventories | (8,705) | (21,544) | - | - |
| Total finance costs | 18,882 | 8,385 | - | - |
| Depreciation and amortisation: | | | | |
| — Depreciation of property, plant and equipment | 439 | 216 | - | - |
| — Amortisation of residential management rights | 649 | 505 | - | - |
| | 1,088 | 721 | - | - |
| Net expense from movements in provision for: | | | | |
| — Employee entitlements | 1,442 | 708 | - | - |
| Rental expense on operating leases | | | | |
| — minimum lease payments | 2,424 | 209 | - | - |

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 4 Income Tax Expense

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| (a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:- | | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%) | | | | |
| — economic entity | 3,895 | 2,851 | - | - |
| — parent entity | - | - | 1,935 | 2,536 |
| | 3,895 | 2,851 | 1,935 | 2,536 |
| Add: | | | | |
| Tax effect of: | | | | |
| — non-deductible depreciation and amortisation | 326 | 166 | - | - |
| — increase in employee provisions | 433 | 212 | - | - |
| | 4,654 | 3,229 | 1,935 | 2,536 |
| Less: | | | | |
| Tax effect of: | | | | |
| — Borrowing costs capitalised for accounting purposes | 2,612 | 2,392 | - | - |
| — Net gain on fair value adjustment of investment properties | 2,297 | - | - | - |
| — Share of joint venture entity's net profit | 53 | - | - | - |
| — AIFRS adjustments | - | 1,141 | - | - |
| Recoupment of prior year tax losses not previously brought to account | - | - | 1,935 | 2,536 |
| Deferred tax asset on losses not brought to account | (308) | (304) | - | - |
| Income tax attributable to entity | - | - | - | - |

## Note 5 Key Management Personnel Compensation

(a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

| ***Key Management Person*** | ***Position*** |
|---|---|
| Mr James Raptis, OBE | Managing Director |
| Mr Kevin Gogolka | Executive Director |
| Mr Ian Morrison | Executive Director |
| Mr Peter Malady | Director of Marketing |
| Mr Nelson Batchelor | Director of Construction and Development |
| Mr Neal Moores | Manager of Cost Planning and Contracts |
| Mr Malcolm Cory | Company Secretary and Chief Finance Officer |
| Mr Don Black | New Business Manager |

(b) **Compensation Practices**

The board's policy for determining the nature and amount of compensation of key management for the group is an follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid in accordance with State Legislation in the event of redundancy.

# Notes to the Financial Statements

for the year ended 30 June 2007

## Note 5 Key Management Personnel Compensation (continued)

(c) Key Management Personnel Compensation

| 2007 | Short Term Benefits<br>Salary & fees<br>$000 | Post Employment Benefits<br>Super-annuation<br>$000 | Total<br>$000 |
|---|---|---|---|
| ***Key Management Person*** | | | |
| Mr James Raptis OBE | 417 | 13 | 430 |
| Mr Kevin Gogolka | 186 | - | 186 |
| Mr Ian Morrison | 106 | 13 | 119 |
| Mr Peter Malady | 393 | - | 393 |
| Mr Nelson Batchelor | 289 | 13 | 302 |
| Mr Neal Moores | 215 | 13 | 228 |
| Mr Malcolm Cory | 186 | 13 | 199 |
| Mr Don Black | 152 | 13 | 165 |
| | 1,944 | 78 | 2,022 |

| 2006 | Short-term benefits<br>Salary & fees<br>$000 | Post Employment Benefits<br>Super-annuation<br>$000 | Total<br>$000 |
|---|---|---|---|
| ***Key Management Person*** | | | |
| Mr James Raptis OBE | 167 | 12 | 179 |
| Mr Kevin Gogolka | 164 | - | 164 |
| Mr Ian Morrison | 110 | 9 | 119 |
| Mr Nelson Batchelor | 287 | 12 | 299 |
| Mr Peter Malady | 250 | - | 250 |
| Mr Neal Moores | 213 | 12 | 225 |
| Mr Malcolm Cory | 164 | 12 | 176 |
| Mr Don Black | 112 | 10 | 122 |
| | 1,467 | 67 | 1,534 |

(d) **Partly Paid Ordinary Shares**
Number of partly paid ordinary shares held by Key Management Personnel

| 2007 | Balance 30 June 2006 | Shares Issued | Balance 30 June 2007* |
|---|---|---|---|
| Mr James Raptis | 7,500,000 | - | 7,500,000 |
| | 7,500,000 | - | 7,500,000 |

* 5,500,000 ordinary shares issued at 85 cents, paid to 1 cent; and 2,000,000 ordinary shares issued at 60 cents, paid to 1 cent pursuant to the Employee Incentive Plan

(e) **Shareholdings**
Number of shares held by Key Management Personnel

| 2007 | Balance 30 June 2006 | Rec'd as Compensation | Net Change Other* | Balance 30 June 2007 |
|---|---|---|---|---|
| **Key Management Personnel** | | | | |
| Mr James Raptis OBE | 39,223,104 | - | - | 39,223,104 |
| Mr Ian Morrison | 1,349 | - | - | 1,349 |
| | 39,224,453 | - | - | 39,224,453 |

* Net change other refers to shares purchased or sold during the financial year.

# Notes to the Financial Statements

for the year ended 30 June 2007

## Note 6 Auditors' Remuneration

| | Economic Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $000 | 2006 $000 | 2007 $000 | 2006 $000 |
| Remuneration of the auditor of the parent entity for: | | | | |
| — auditing or reviewing the financial report | 112 | 107 | - | - |
| — taxation services | 6 | 20 | - | - |
| — other regulatory audit services | 32 | 23 | - | - |
| — share registry and secretarial | 14 | 20 | - | - |
| | 164 | 170 | - | - |

## Note 7 Dividends

(a) ***Dividends Paid***

| | | | | |
|---|---|---|---|---|
| 2007 Interim unfranked ordinary dividend of 5 cents (2006: 5 cents) per share | 3,156 | 3,039 | 3,156 | 3,039 |
| 2006 proposed final unfranked ordinary dividend of 5 cents per share paid in 2007 | 3,164 | 4,254 | 3,164 | 4,254 |
| | 6,320 | 7,293 | 6,320 | 7,293 |
| Proposed final unfranked ordinary dividend of 5 cents (2006: 5 cents) per share | 3,157 | 3,039 | 3,157 | 3,039 |

(b) ***Dividend Franking Account***

The company does not have a balance available in its dividend franking account. It is not expected that franking credits will arise from the payment of income tax for the financial year due to the effect of carried forward tax losses. It is not expected that franking debits will arise from the payment as at the end of the financial year.

## Note 8 Earnings per Share

(a) ***Reconciliation of earnings to profit or loss***

| | | |
|---|---|---|
| Profit | 12,982 | 9,504 |
| Earnings used to calculate basic EPS | 12,982 | 9,504 |
| Earnings on balance of partly paid ordinary shares | 320 | 319 |
| Earnings used in the calculation of dilutive EPS | 13,302 | 9,823 |

| | No. | No. |
|---|---|---|
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 62,092,528 | 60,771,877 |
| Weighted average number of partly paid ordinary shares | 7,500,000 | 7,500,000 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 69,592,528 | 68,271,877 |

## Note 9 Cash and Cash Equivalents

| | | | | |
|---|---|---|---|---|
| Cash at bank and in hand | 8,646 | 6,330 | 69 | 87 |

*Reconciliation of cash*

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

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents | 8,646 | 6,330 | 69 | 87 |

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 10 Trade and Other Receivables

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| Trade receivables | | 10,627 | 8,738 | - | - |
| Less: Provision for doubtful debts | | (208) | - | - | |
| | | 10,419 | 8,738 | - | - |
| Term receivables | | 1,200 | 1,701 | - | - |
| Trade bonds and guarantees | | 172 | 3,746 | 42 | - |
| Other | | 189 | 121 | - | - |
| Amounts receivable from: | | | | | |
| — wholly-owned subsidiaries | | - | - | 4,999 | 18,705 |
| | | 11,980 | 14,306 | 5,041 | 18,705 |
| NON-CURRENT | | | | | |
| Term receivables | | - | 400 | - | - |

## Note 11 Inventories

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| *At cost* | | | | | |
| Residential property under development | | 6,564 | 6,093 | - | - |
| Mixed use property under development | | 89,307 | 97,488 | - | - |
| Completed residential property | | 123,493 | 201,555 | - | - |
| Completed commercial property | | - | 10,919 | - | - |
| Finished goods | | 549 | 380 | - | - |
| | | 219,913 | 316,435 | - | - |
| NON-CURRENT | | | | | |
| *At cost* | | | | | |
| Residential property under development | | 79,949 | 11,328 | - | - |
| Completed residential property | | 24,671 | 26,524 | - | - |
| Mixed use property under development | | 151,353 | 127,452 | - | - |
| Completed commercial property | | - | 33,879 | - | - |
| | | 255,973 | 199,183 | - | - |
| ***Inventory of development properties comprises:*** | | | | | |
| Cost of acquisition | | 299,087 | 279,155 | - | - |
| Development costs capitalised | | 135,585 | 195,936 | - | - |
| Borrowing and holding costs capitalised | | 40,665 | 40,148 | - | - |
| | | 475,337 | 515,239 | - | - |
| Average weighted rate of interest at which borrowing costs were capitalised into inventory | | 12.10% | 10.93% | | |

## Note 12 Other Financial Assets

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| NON CURRENT | | | | | |
| Available-for-sale financial assets | 12(a) | - | - | 29,428 | 21,938 |
| (a) Available-for-sale financial assets comprise: | | | | | |
| Unlisted investments, at fair value | | | | | |
| — shares in controlled entities | | - | - | 29,428 | 21,938 |
| Total non-current available-for-sale financial assets | | - | - | 29,428 | 21,938 |

Available-for-sale financial assets comprise investments in the ordinary issued capital of various subsidiary entities. There are no fixed returns or fixed maturity date attached to these investments.

Investments in controlled entities are revalued to an amount equivalent to the value of the net assets of the controlled entities at balance date by all directors in office at the date of valuation. This is in accordance with the company policy to revalue investments in controlled entities at six monthly intervals to fair value. Revaluation increments are credited to the Asset Revaluation Reserve in equity. Capital gains tax has not been recognised as the effect of tax losses carried forward will offset any capital gains tax payable.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 13 Controlled Entities

### (a) Controlled Entities

| | Country of Incorporation | Percentage Owned (%) 2007 | 2006 |
|---|---|---|---|
| *Parent Entity:* | | | |
| Raptis Group Limited | Australia | | |
| *Subsidiaries of Raptis Group Limited:* | | | |
| Amaristine Pty Limited | Australia | - | 100 |
| Alexia Investments Pty Limited | Australia | 100 | 100 |
| Artique Management Pty Limited | Australia | 100 | 100 |
| Astutue Tenancies Pty Limited | Australia | 100 | 100 |
| Azurblue Pty Limited | Australia | 100 | 100 |
| Baronvale Pty Limited | Australia | 100 | 100 |
| Blesford Pty Limited | Australia | 100 | 100 |
| Bounsea Pty Limited | Australia | 100 | 100 |
| Brambleton Pty Limited | Australia | 100 | 100 |
| Breezes Broadwater Pty Limited | Australia | 100 | 100 |
| Brehm Pty Limited | Australia | 100 | 100 |
| Brimmingdale Pty Limited | Australia | 100 | - |
| Bringelly Pty Limited | Australia | 100 | 100 |
| Building Services (QLD) Pty Limited | Australia | 100 | - |
| Callandor Pty Limited | Australia | 100 | 100 |
| Chevron Renaissance Surfers Paradise Pty Limited | Australia | 100 | 100 |
| Chevron Towers Management Pty Limited | Australia | 100 | 100 |
| Cherrycove Pty Limited | Australia | 100 | 100 |
| Christorina Pty Limited | Australia | 100 | 100 |
| Civic Glass & Aluminium Pty Limited | Australia | 100 | - |
| Civic Manufacturing Pty Limited | Australia | 100 | - |
| Civic Shower Screens & Wardrobes Pty Limited | Australia | 100 | - |
| Colryan Pty Limited | Australia | 100 | 100 |
| Desmarest Pty Limited | Australia | 100 | 100 |
| Diamondsdale Pty Limited | Australia | 100 | 100 |
| Dolphin Management & Marketing Pty Limited | Australia | 100 | 100 |
| Elkhorn Management Pty Limited | Australia | 100 | - |
| Elston Finance Pty Limited | Australia | 100 | 100 |
| Enderley Avenue Pty Limited | Australia | 100 | 100 |
| Esdaile Investments Pty Limited | Australia | 100 | 100 |
| Evermore Investment Pty Limited | Australia | 100 | 100 |
| GCRG Investments Pty Limited (formerly known as ACN 120313724 Pty | Australia | 100 | 100 |
| Ginafinance Pty Limited | Australia | 100 | 100 |
| Glennington Pty Limited | Australia | 100 | 100 |
| Glenorra Pty Limited | Australia | 100 | 100 |
| Honeyview Investments Pty Limited | Australia | 100 | - |
| Jayst Pty Limited | Australia | 100 | - |
| Jeryan Pty Limited | Australia | 100 | 100 |
| Keande Pty Limited | Australia | 100 | - |
| Klamatha Pty Limited | Australia | 100 | 100 |
| Kojiera Pty Limited | Australia | 100 | 100 |
| Korelli Pty Limited | Australia | - | 100 |
| Kuringa Pty Limited | Australia | 100 | 100 |
| Leajene Pty Limited | Australia | 100 | 100 |
| Lindaning Pty Limited | Australia | 100 | 100 |
| Marlington Pty Limited | Australia | 100 | 100 |
| Milania Pty Limited | Australia | 100 | 100 |
| Mistonia Pty Limited | Australia | 100 | - |
| Moluccan Pty Limited | Australia | 100 | 100 |
| Mooreville Pty Limited | Australia | 100 | 100 |
| One Twenty One Pty Limited (formerly known as SPC Residential T1 Pty Ltd) | Australia | 100 | 100 |
| Orchid Avenue Pty Limited | Australia | 100 | 100 |
| Piazza Retail Pty Limited | Australia | 100 | - |
| Pebbles Management Pty Limited | Australia | 100 | 100 |
| Pebblesea Pty Limited | Australia | 100 | 100 |
| Platinum on the Beach Pty Limited | Australia | 100 | 100 |
| Pesquets Pty Limited | Australia | 100 | 100 |
| Rapcivic Building Contractors Pty Limited | Australia | 100 | 100 |
| Rapcivic Contractors Pty Limited | Australia | 100 | 100 |
| Rapcivic Investments Pty Limited | Australia | 100 | 100 |
| Raptis Finance Pty Limited | Australia | 100 | - |
| Ravil Projects Pty Limited | Australia | 50 | - |
| Renaldo Pty Limited | Australia | 100 | 100 |
| Resort Hotel Investment Pty Limited | Australia | 100 | 100 |

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 13 Controlled Entities (continued)

| | Country of Incorporation | Percentage Owned (%) 2007 | 2006 |
|---|---|---|---|
| Rozendale Pty Limited | Australia | 100 | 100 |
| Rufous Pty Limited | Australia | 100 | 100 |
| Seasilver Café Pty Limited | Australia | 100 | 100 |
| Seasilver Hotels Pty Limited | Australia | 100 | 100 |
| Seasilver Sirocco Pty Limited | Australia | 100 | 100 |
| Seasilver Pty Limited | Australia | 100 | 100 |
| Sea Silver Management Pty Limited | Australia | 100 | 100 |
| Sebastian Trading Pty Limited | Australia | 100 | 100 |
| Sefurrs GC Pty Limited | Australia | 100 | 100 |
| Simnat Pty Limited | Australia | 100 | 100 |
| Skylevel Investments Pty Limited (formerly known as Raptis Finance Pty | Australia | 100 | 100 |
| Solero Pty Limited | Australia | - | 100 |
| SP Hotels Investment Pty Limited | Australia | 100 | 100 |
| SPC Commercial T1 Pty Limited | Australia | 100 | 100 |
| SPC Retail T1 Pty Limited | Australia | 100 | 100 |
| SPC Residential T2 Pty Limited | Australia | 100 | 100 |
| SPC Commercial T2 Pty Limited | Australia | 100 | 100 |
| SPC Retail T2 Pty Limited | Australia | 100 | 100 |
| SPC Residential T3 Pty Limited | Australia | 100 | 100 |
| SPC Commercial T3 Pty Limited | Australia | 100 | 100 |
| SPC Retail T3 Pty Limited | Australia | 100 | 100 |
| SPC Residential Management Pty Limited | Australia | 100 | - |
| Southport Central T4 Pty Limited | Australia | 100 | 100 |
| Trinkett Pty Limited | Australia | 100 | 100 |
| Unit Trend Services Pty Limited | Australia | 100 | 100 |
| View Financial Services Pty Limited | Australia | 100 | 100 |
| Wallace Finance Pty Limited | Australia | 100 | 100 |
| Waters Edge Management Pty Limited | Australia | - | 100 |
| Waragal Pty Limited | Australia | 100 | 100 |
| Winderry Pty Limited | Australia | 100 | 100 |
| Winnslea Pty Limited | Australia | 100 | 100 |

(b) **Acquisition of Controlled Entities**

100% interest in Alexia Investments Pty Limited, Baronvale Pty Limited, Building Services (QLD) Pty Limited, Civic Glass & Aluminium Pty Limited, Civic Manufacturing Pty Limited, Civic Shower Screens & Wardrobes Pty Limited, Elkhorn Management Pty Limited, Honeyview Investments Pty Limited, Jayst Pty Limited, Keande Pty Limited, Mistonia Pty Limited, Piazza Retail Pty Limited, Raptis Finance Pty Limited and SPC Residential Management Pty Limited were acquired during the year for $Nil consideration. A 50% interest in Ravil Projects Pty Limited was acquired during the year for a consideration of $10.

(c) **Disposal of Controlled Entities**

100% owned subsidiaries, Amaristine Pty Limited, Korelli Pty Limited, Waters Edge Management Pty Limited and Solero Pty Limited were de-registered during the year.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 14 Property, Plant and Equipment

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| LAND AND BUILDINGS | | | | |
| Buildings at: | | | | |
| — directors' valuation [30 June 2005] | - | 610 | - | - |
| — at cost | 5,597 | 3,542 | - | - |
| Less accumulated depreciation | (176) | (210) | - | - |
| Total Land and Buildings | 5,421 | 3,942 | - | - |
| PLANT AND EQUIPMENT | | | | |
| Plant and equipment: | | | | |
| — at cost | 2,672 | 1,587 | - | - |
| Accumulated amortisation | (514) | (425) | - | - |
| Total plant and equipment | 2,158 | 1,162 | - | - |
| Total Property, Plant and Equipment | 7,579 | 5,104 | - | - |

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property , plant and equipment between the beginning and the end of the current financial year.

| | Buildings $000 | Plant and Equipment $000 | Total $000 |
|---|---|---|---|
| **Economic Entity:** | | | |
| Balance at the beginning of year | 3,942 | 1,162 | 5,104 |
| Additions and transfers from inventories | 2,054 | 1,487 | 3,541 |
| Disposals and transfer to investments | (451) | (176) | (627) |
| Depreciation expense | (124) | (315) | (439) |
| Carrying amount at the end of year | 5,421 | 2,158 | 7,579 |

## Note 15 Investment Property

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| Balance at beginning of year | 126,157 | - | - | - |
| Transfers from inventories | 48,465 | 126,157 | - | - |
| Additions - capitalised payments | 13,196 | - | - | - |
| Fair value adjustments | 7,657 | - | - | - |
| Balance at end of year | 195,475 | 126,157 | - | - |

The fair value model is applied to all investment property. Investment properties are independently revalued annually. The valuations of the investment properties, comprising a hotel and various retail complexes are based on the capitalisation of stabilised earnings and direct comparisons in an active liquid market and is performed by a registered independent valuer.

The retail complex investment property located at The Forum, Surfers Paradise was acquired through the assignment of a Put and Call Option with the property vendor by Raptis Group to Cromwell Properties Securities Trust ("Cromwell"). The option was exercised and the purchase of the property settled in September 2006 for $38million by Cromwell. A Development Lease was also entered into between the parties, under which Raptis Group has leased the property for a term of 5 years, at a yearly rental payment of $3.230million, plus GST, increased annually by 4%. Under the Lease, Raptis Group will receive all rental from the property tenant leases. A subsequent Put and Call Option over the property was entered into between Cromwell and Raptis Group, whereby Cromwell has the option to Put the property to Raptis Group for $42.21million over a 5 year period from the settlement of the purchase. Raptis Group has the option to Call the property from Cromwell at the maximum price of $42.21million, exercisable over a maximum term of 4.5 years after the completion of the acquisition. A directors' valuation of the fair value of the complex was performed at balance date based on direct comparisons of sales evidence of similar properties in the surrounding locations.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 16 Intangible Assets

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| *Residential property management rights* | | | | | |
| Cost | | 13,900 | 14,556 | - | - |
| Accumulated amortisation and impairment | | (2,044) | (1,575) | - | - |
| Net carrying value | | 11,856 | 12,981 | - | - |
| Total intangibles | | 11,856 | 12,981 | - | - |

(a **Movements in Carrying Amounts**

Movements in carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.

**Economic Entity:**

| | Property Management Rights $000 |
|---|---|
| **Year ended 30 June 2006** | |
| Balance at the beginning of year | 9,627 |
| Additions through transfer from inventories | 3,859 |
| Amortisation charge | (505) |
| Impairment losses | - |
| Closing carrying value at 30 June 2006 | 12,981 |
| **Year ended 30 June 2007** | |
| Balance at the beginning of year | 12,981 |
| Additions through transfer from inventories | 3,202 |
| Sale of management rights | (3,678) |
| Amortisation charge | (649) |
| Impairment losses | - |
| Closing carrying value at 30 June 2007 | 11,856 |

Residential property management rights have finite useful lives of 25 years being the current term of the management agreements. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense in the income statement.

**Impairment Disclosures**

The recoverable amount of the residential property management rights is determined based on current market valuations by independent valuers on a direct comparison and capitalisation of earnings methods over the term of the management agreements.

## Note 17 Other Assets

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| Prepayments | | 278 | 130 | - | - |

## Note 18 Investments Accounted for Using the Equity Method

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| NON-CURRENT | | | | | |
| Joint venture entities | 26 | 176 | - | - | - |

## Note 19 Trade and Other Payables

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| *Unsecured liabilities* | | | | | |
| Trade payables | | 28,580 | 39,532 | | - |
| Sundry payables and accrued expenses | | 3,567 | 523 | 203 | 395 |
| Property purchase payables | | 74,899 | 11,085 | - | - |
| | | 107,046 | 51,140 | 203 | 395 |
| NON-CURRENT | | | | | |
| *Unsecured liabilities* | | | | | |
| Property purchase payables | | 38,842 | 28,000 | - | - |
| Sundry payables | | 130 | - | - | - |
| Amounts payable to: | | | | | |
| — other entities | | 2,152 | 1,000 | - | - |
| — key management personnel related entities | | - | 3,443 | - | - |
| | | 41,124 | 3,443 | - | - |

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 20 Borrowings

| | Note | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|---|
| CURRENT | | | | | |
| *Secured liabilities* | | | | | |
| Mortgage loans | 20(a),(b) | 332,085 | 408,561 | 4,010 | 19,285 |
| Bank overdraft | | 2,020 | - | - | - |
| | | 334,105 | 408,561 | 4,010 | 19,285 |
| NON-CURRENT | | | | | |
| *Secured liabilities* | | | | | |
| Mortgage loans | 20(a),(b) | 194,373 | 164,371 | - | - |
| (a) **Total current and non-current secured liabilities:** | | | | | |
| Mortgage loans | | 528,478 | 572,932 | 4,010 | 19,285 |
| (b) **The carrying amounts of properties pledged as security are:** | | | | | |
| Inventory of residential and commercial properties | | 408,943 | 455,510 | 5,905 | 19,285 |
| Investment property | | 147,450 | 125,906 | - | - |
| Management rights | | 11,856 | - | - | |
| Property, plant and equipment | | 6,558 | 3,485 | - | - |
| | | 574,807 | 584,901 | 5,905 | 19,285 |
| The weighted average effective interest rate on mortgage loans at year end | | 11.46% | 10.97% | | |

The mortgage loans are denominated in Australian dollars. The mortgage loans in current liabilities comprise the portion of the economic entity's mortgage loans payable within the next 12 months. The loans are secured by registered first mortgages over the inventory and investment properties, and certain property, plant and equipment of the economic entity; fixed and floating charges over undertakings of certain subsidiaries of the economic entity and guarantees and indemnities of the parent entity and subsidiaries of the economic entity. Interest on mortgage loans are based on bank bill rates plus a margin and variable interest rates.

The Group's current finance facilities are raised on an individual project basis. The Directors are very confident as to the quality of the Group's assets and note that development property assets are recognised in the balance sheet at historical cost. Current valuations provide a significant appreciation over carrying values. Accordingly, the Directors are confident that the Group's finance facilities will be settled, extended or replaced in the ordinary course of events before the due dates. Additionally, the Group has $152 million unused finance facilities available at balance date - refer Note 28(c).

## Note 21 Provisions

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| EMPLOYEE ENTITLEMENTS | | | | |
| Current | 4,276 | 3,461 | - | - |
| Non-Current | 627 | - | - | - |
| | 4,903 | 3,461 | - | - |
| Opening balance at beginning of year | 3,461 | 1,471 | - | - |
| Provisions acquired through aquisition of business | - | 1,282 | - | - |
| Net movement of entitlements provided/(used) | 1,442 | 708 | - | - |
| Balance at end of the year | 4,903 | 3,461 | - | - |
| Number of employees at year-end | 746 | 651 | | |

**Provision for Employee Entitlements**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 22 Issued Capital

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| 63,137,946 (2006:60,771,877) fully paid ordinary shares | 28,510 | 25,897 | 28,510 | 25,897 |
| 7,500,000(2006:7,500,000) partly paid shares, paid to 1 cent | 75 | 75 | 75 | 75 |
| | 28,585 | 25,972 | 28,585 | 25,972 |

| | No. | No. | No. | No. |
|---|---|---|---|---|
| Balance at the beginning of reporting period | 60,771,877 | 60,771,877 | 60,771,877 | 60,771,877 |
| Shares issued during the year | 3,000,000 | - | 3,000,000 | - |
| Shares bought back during year | | | | |
| — On-market buy back pursuant to ASX Listing Rules 3.8A and 7.29 | (633,931) | - | (633,931) | - |
| Balance at the end of the reporting period | 60,137,946 | 60,771,877 | 60,137,946 | 60,771,877 |

**On Market Buy Back**

The Company has approval for an on market buy back above the 10% in 12 months limit. The first shares were bought back on 18 December 2002, and in the period from then until 30 June 2007 a total number of 9,300,107 were bought back at a cost of $5,282,969. The purchase price ranged from 22 cents to 114 cents. The share bought back by the Company are cancelled as soon as acquired.

**Terms and Conditions**

*Ordinary Shareholders*

Holders of fully-paid ordinary shares participate in dividends as declared from time to time. In the event of the winding up of the parent entity, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation in proportion to the number of shares held. Holders of partly-paid shares are not entitled any dividends declared by the company.

At the shareholders meetings each fully-paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

## Note 23 Reserves

(a) **Asset Revaluation Reserve**

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| The asset revaluation reserve records the parent entity's revaluations of the investment in its controlled entities at fair value. Under certain circumstances dividends can be declared from this reserve. | - | - | 23,470 | 16,938 |

## Note 24 Capital and Leasing Commitments

(a) **Development Lease Commitments**

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| Non-cancellable development lease contracted but not capitalised in the financial statements | | | | |
| Payable — minimum lease payments | | | | |
| — not later than 12 months | 3,359 | 3,230 | - | - |
| — between 12 months and 5 years | 11,850 | 14,265 | - | - |
| | 15,209 | 17,495 | - | - |

The development lease is a non-cancellable lease with a five-year term forming part of the arrangement with Cromwell Corporation Limited ("Cromwell") in relation to the purchase of The Forum, a retail shopping complex in Surfers Paradise. Rental is payable monthly. The rental provisions within the lease agreement require the minimum lease payments to be increased by 4% per annum. The development lease is concurrent with a Put & Call Option for the purchase of the property between Cromwell and Raptis Group. The Put & Call Option is exercisable over the 5 year term of the development lease. Upon the exercise of the property purchase option, the development lease will cease.

(b) **Capital Expenditure Commitments**

Construction commenced in July 2006 on Tower 2 of "Southport Central". This is a 40 level tower comprising a mix of ground floor retail, commercial office space to Level 9 and a 262 residential unit tower. The retail and commercial components are scheduled for completion in July/August 2007 and the 262 residential units in February 2008. The third 40 level mixed use tower commenced construction in February 2007. This tower is expected to be completed in December 2008.

The economic entity has entered into construction subcontracts and supply agreements in respect of the project referred to above by way of capital commitments.

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| Capital expenditure commitments contracted for: | | | | |
| Payable: | | | | |
| — not later than 12 months | 66,161 | 45,000 | - | - |
| — between 12 months and 5 years | 60,765 | 61,083 | - | - |
| | 126,926 | 106,083 | - | - |

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 25 Contingent Liabilities and Contingent Assets

| | | | | |
|---|---|---|---|---|
| Estimates of the potential financial effect of contingent liabilities that may become payable: | | | | |
| ***Share of Joint Venture Contingent Liabilities Arising from:*** | | | | |
| (i) Interest in Joint Ventures | | | | |
| The Company, and a wholly-owned subsidiary, the venturer in a joint venture, have provided guarantees in relation to their share of the joint venture entity's loan facilities | 46,405 | - | 46,405 | - |

## Note 26 Investments Accounted for Using the Equity Method

| | | | | |
|---|---|---|---|---|
| Share of net profit accounted for using the equity method included in the income statement: | | | | |
| — Joint venture entity | 176 | - | - | - |

***Interest in Joint Venture Entities***

Details of interest in joint venture entity is as follows:

| *Name* | *Joint Venture Reporting Date* | *Principal Activities* | *Ownership of Ordinary Shares* | | *Investment Amount* | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Consolidated* | | *Consolidated* | | *Company* | |
| | | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | | | % | % | $ | $ | $ | $ |
| Cira International Pty Limited | 30 June | Property development and hotel business | 50 | - | 176 | - | - | - |

***Results of joint venture***

| | Consolidated | |
|---|---|---|
| | **2007** | **2006** |
| | **$'000** | **$'000** |
| Revenue from ordinary activities | 2,027 | - |
| Expenses from ordinary activities | (1,775) | - |
| Profit from ordinary activities before income tax | 252 | - |
| Income tax expenses relating to ordinary activities | (76) | - |
| | 176 | - |

***Balance Sheet***

The consolidated entity's share of the joint venture entity's assets and liabilities consists of:-

| | | |
|---|---|---|
| Current assets | 1,555 | - |
| Non-current assets | 46,769 | - |
| Total assets | 48,324 | - |
| Current liabilities | (26,649) | - |
| Non-current liabilities | (21,499) | - |
| Total liabilities | (48,148) | - |
| Net assets - accounted for using the equity method | 176 | - |

Refer to notes 25 for details of commitments and contingencies

| ***Share of post-acquisition profit attributable to joint venture entity*** | | |
|---|---|---|
| Share of joint venture entity's retained profit at beginning of year | - | - |
| Share of joint venture entity's net profit | 176 | - |
| Share of joint venture entity's retained profit at end of year | 176 | - |

| ***Movements in carrying amount of joint venture entities*** | | |
|---|---|---|
| Carrying amount at beginning of year | - | - |
| Share of joint venture entity's net profit | 176 | - |
| Carrying amount at end of year | 176 | - |

## Note 27 Segment Reporting

| | Property Sales & Management | | Resort Hotel Operations | | Investment Property Rental | | Economic Entity | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Primary Reporting — Business Segments** | | | | | | | | |
| REVENUE | | | | | | | | |
| External Segment Revenue | 257,398 | 132,542 | 54,885 | 18,890 | 6,702 | 5,306 | 318,985 | 156,738 |
| Total revenue | 257,398 | 132,542 | 54,885 | 18,890 | 6,702 | 5,306 | 318,985 | 156,738 |
| RESULT | | | | | | | | |
| Segment result | 2,510 | 8,271 | 6,523 | 371 | (3,708) | 862 | 5,325 | 9,504 |
| Net gain from change in fair values of investment properties | | | | | | | 7,657 | - |
| Income tax expense | | | | | | | - | - |
| Profit after income tax | | | | | | | 12,982 | 9,504 |
| ASSETS | | | | | | | | |
| Segment assets | 503,242 | 440,183 | 101,737 | 168,824 | 100,971 | 72,019 | 705,950 | 681,026 |
| Unallocated assets | | | | | | | 5,926 | - |
| Total assets | | | | | | | 711,876 | 681,026 |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 496,392 | 428,290 | 97,569 | 162,121 | 81,812 | 69,565 | 675,773 | 659,976 |
| Unallocated liabilities | | | | | | | 5,778 | - |
| Total liabilities | | | | | | | 681,551 | 659,976 |
| OTHER | | | | | | | | |
| Acquisitions of non-current segment assets | 92,755 | 17,238 | - | 87,906 | - | 54,395 | 92,755 | 159,539 |
| Depreciation and amortisation of segment assets | 1,072 | 706 | 4 | - | 12 | 15 | 1,088 | 721 |

### Secondary Reporting - Geographical Segments

***Geographical location:***

The economic entity operates predominantly in the South-east geographic region of Queensland, Australia.

### Accounting Policies

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

### Intersegment Transfers

Intersegment pricing is determined on an arm's length basis and have been eliminated on consolidation.

### Business segments

The economic entity operates as developers of mixed use property projects, residential property managers, managers of resort hotels and retail complex rental operations. Accordingly, the business segments comprise the following:

- Development and sale of residential, commercial and retail properties and management of residential strata properties.
- Resort hotel operations in Surfers Paradise, Queensland.
- Rental of investment properties in Surfers Paradise, Queensland.

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 28 Cash Flow Information

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| **(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax** | | | | |
| Profit after income tax | 12,982 | 9,504 | 6,450 | 8,454 |
| *Cash flows excluded from profit attributable to operating activities:* | | | | |
| Inventory reclassified to property,plant and equipment | (2,054) | (3,543) | - | - |
| Inventory reclassified to investment property | (42,950) | (3,858) | - | - |
| Interest expense capitalised to loans | (6,447) | - | - | - |
| *Non-cash flows in profit* | | | | |
| Amortisation | 649 | 505 | - | - |
| Depreciation | 439 | 216 | - | - |
| Loss on disposal of fixed assets | 56 | - | - | - |
| Amount set aside to employee provisions | 1,442 | 708 | - | - |
| Net gain on fair value adjustments to investment properties | (7,657) | - | - | - |
| Equity accounted share of joint venture entity's results | (176) | - | - | - |
| Net gain on intercompany transactions | - | - | (6,500) | (8,453) |
| *Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:* | | | | |
| (Increase)/decrease in trade and term receivables | 4,304 | (8,317) | (42) | - |
| (Increase)/decrease in prepayments | (148) | (130) | - | - |
| (Increase)/decrease in inventories | 38,384 | (157,624) | - | - |
| Increase/(decrease) in trade payables and accruals | 27,300 | 24,495 | (185) | - |
| Cash flow from operations | 26,124 | (138,044) | (277) | 1 |
| **(b) Reconciliation of Cash** | | | | |
| Cash at bank and in hand | 8,646 | 6,330 | 69 | 87 |
| Bank overdraft | (2,020) | - | - | - |
| | 6,626 | 6,330 | 69 | 87 |
| **(c) Loan Facilities** | | | | |
| Loan facilities available | 678,664 | 638,959 | 4,010 | 19,285 |
| Amount utilised | (526,458) | (572,932) | (4,010) | (19,285) |
| Facilities not utilised at balance date | 152,206 | 66,027 | - | - |

The major facilities are summarised as follows:

**Mortgage Loans**

The mortgage loans are secured by registered mortgages over property inventories, investment properties; and certain property, plant and equipment of the economic entity. The terms of the loans are variable, and are generally over the term of the construction of the project being financed, with repayments made from the sale proceeds of the projects on completion. Interest rates include variable bank bill rates plus a margin, and variable rates.

| | | |
|---|---|---|
| The weight average interest rate on mortgage loans at balance date: | 11.46% | 10.97% |

Finance will be provided under all facilities provided the company and the economic entity have not breached any borrowing requirements and the required financial ratios are met.

## Note 29 Events After the Balance Sheet Date

(a) On 6 July 2007, the Dolphin Arcade development site was settled. Demolition is scheduled to commence in October 2007, with construction of the first tower of the Dolphin development to commence in January 2008.

(b) On 20 August 2007, Raptis Group announced contracting to acquire a 50% interest in the Mariners Cove waterfront property on Seaworld Drive, Main Beach. The acquisition is conditional upon obtaining Ministerial Consent from the Queensland Department of Natural Resource and Water for the assignment of the special lease over which the Mariners Cove complex is situated. Conditional on this, the settlement of the site, for $49million is expected to be completed before 15 February 2008.

(c) On 31 August 2007, the company declared a 2007 final unfranked dividend of 5 cents per share, amounting to $3,156,897 to be paid on 16 November 2007.

# Notes to the Financial Statements

for the year ended 30 June 2007

## Note 30 Related Party Transactions

| | Economic Entity 2007 $000 | Economic Entity 2006 $000 | Parent Entity 2007 $000 | Parent Entity 2006 $000 |
|---|---|---|---|---|
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | | | |
| **Transactions with related parties:** | | | | |
| (a) ***Ultimate Parent Company*** | | | | |
| Management fees received from subsidiary entities | - | - | 6,500 | 8,453 |
| Advances made to subsidiary entities | - | - | 4,999 | 18,705 |
| (b) ***Key Management Personnel*** | | | | |
| Civic Developments Pty Limited, a company associated with James Raptis has advanced loan funds to the consolidated entity during the year. The loan is unsecured and no interest is paid or payable on this loan. The amount payable at balance date was | - | 3,443 | - | - |
| Cost and Project Management Pty Limited, a company associated with Kevin Gogolka was paid a fee for construction services during the year | 187 | 164 | - | - |
| Sealand Corporation Pty Ltd, a company associated with Peter Malady was paid a fee for marketing services during the year | 393 | 250 | - | - |

## Note 31 Financial Instruments

(a) **Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, and mortgage loans from local financial institutions.

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are not used by the group. The group does not speculate in the trading of derivative instruments.

(i) **Treasury Risk Management**

Senior executives of the group meet on a regular basis to analyse the group's finance arrangements, its interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) **Financial Risks**

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, and credit risk.

**Interest rate risk**

Interest rate risk is managed with a mixture of variable rate debt. For further details on interest rate risk refer to Note Note 31(b)(i) & (ii).

**Liquidity risk**

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

**Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity. The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of customers. In the case of real estate transactions, revenue is only recognised on the receipt of settlement on the property.

## Note 31 Financial Instruments (Continued)

(b) **Financial Instruments**

(i) **Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Weighted Average Effective Interest Rate % | | Floating Interest Rate $000 | | Within Year $000 | | 1 to 5 Years $000 | | Total $000 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Financial Assets:** | | | | | | | | | | |
| Cash and cash equivalents | 4.11 | 3.73 | 8,646 | 6,330 | - | - | - | - | 8,646 | 6,330 |
| Term receivables | 7.30 | 7.30 | - | - | 1,200 | 1,701 | - | 400 | 1,200 | 2,101 |
| **Total Financial Assets** | | | 8,646 | 6,330 | 1,200 | 1,701 | - | 400 | 9,846 | 8,431 |
| **Financial Liabilities:** | | | | | | | | | | |
| Mortgage loans | 11.46 | 10.97 | 528,478 | 572,932 | - | - | - | | 528,478 | 572,932 |
| **Total Financial Liabilities** | | | 528,478 | 572,932 | - | - | - | - | 528,478 | 572,932 |

(iii) **Net Fair Values**

The net fair values of:

— Term receivables and government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

— Mortgage loans and amounts due are determined by discounting the cash flows, at market interest

— Other assets and other liabilities approximate their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

There is no variance between the carrying amount and net fair values of financial assets and liabilities as at the reporting

# Notes to the Financial Statements

**for the year ended 30 June 2007**

## Note 32 Change in Accounting Policy

There are no changes to accounting policies applicable for the financial year ended 30 June 2007 for the Company and the consolidated entity.

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

| AASB Amendment | Standards Affected | | Outline of Amendment | Application Date of Standard | Application Date for Group |
|---|---|---|---|---|---|
| AASB 2005-10 Amendments to Australian Accounting Standards | AASB 1<br>AASB 101<br>AASB 114<br>AASB 117<br>AASB 133<br>AASB 139 | First time adoption of AIFRS<br>Presentation of Financial Statements<br>Segment Reporting<br>Leases<br>Earnings per Share<br>Financial Instruments: Recognition and Measurement | The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures, in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as is a disclosure standard. | 1 January 2007 | 1 July 2007 |
| AASB 7 Financial Instruments: Disclosures | AASB 132 | Financial Instruments: Disclosure and Presentation | As above | 1 January 2007 | 1 July 2007 |

## Note 33 Company Details

The registered office of the company is:

Raptis Group Limited
Level 42 Suncorp Place
259 George Street
Sydney NSW

The principal place of business of Raptis Group Limited is:

Raptis Group Limited
Level 39 Chevron Central Tower
23 Ferny Avenue
Surfers Paradise QLD

# Director Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 10 to 33, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated this 28th day of September 2007.

**James Raptis, OBE**
Director

**Ian Morrison**
Director

# Independent Audit Report

Gould Ralph & Company Chartered Accountants

To the members of Raptis Group Limited and its Controlled Entities

## Report on the Financial Report

We have audited the accompanying financial report of Raptis Group Limited (the company) and the consolidated entity, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration. The consolidated entity comprises both the company and the entities it controlled during the year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, comply with the International Financial Reporting Standards.

### *Auditors' responsibility*

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

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

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

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Raptis Group Limited, a copy of which is included in the Directors Report.

## Auditors' opinion

In our opinion:

1. The financial report of Raptis Group Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of Raptis Group Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

2. The consolidated/parent financial statement and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

GOULD RALPH & COMPANY
Chartered Accountants

GREGORY C. RALPH, M.Com., F.C.A.
Partner
Surfers Paradise, 28 September 2007

# ASX Additional Information

## (a) Distribution of Shareholders at 17 September 2007

| Category (size of holdings) | Number of Ordinary Shareholders |
|---|---|
| 1 – 1,000 | 85 |
| 1,001 – 5,000 | 162 |
| 5,001 – 10,000 | 68 |
| 10,001 – 100,000 | 77 |
| 100,001 – and over | 25 |
| Total holders for classes selected | 417 |

## (b) Marketable Parcels

There are 27 holders with less than a marketable parcel of 421 Units.

## (c) Substantial Shareholders

The number of shares held by substantial shareholders as at 17 September 2007 are:

| Shareholder | Number of Ordinary Fully Paid Shares Held | % Held to Issued Fully Paid Ordinary Capital |
|---|---|---|
| Hanslow Pty Limited | 32,274,599 | 51.12% |
| Bicent Pty Ltd | 6,900,000 | 10.93% |
| Sevinhand Company Limited | 4,000,000 | 6.34% |
| Normandy Finance Investment Ltd | 3,400,000 | 5.39% |

## (d) 20 Largest Shareholders

| (d) 20 Largest Shareholders | Number of Ordinary, Fully Paid Shares Held | % Held to fully Paid Ordinary Capital |
|---|---|---|
| Hanslow Pty Ltd | 32,274,599 | 51.12% |
| Bicent Pty Ltd | 6,900,000 | 10.93% |
| Sevinhand Company Ltd | 4,000,000 | 6.34% |
| Normandy Finance Investment Ltd | 3,400,000 | 5.39% |
| LJK Nominees Pty Ltd | 3,020,000 | 4.78% |
| Lipo Securities Nominees (BVI) Ltd | 2,320,000 | 3.67% |
| Phillips River Pty Ltd | 2,054,799 | 3.25% |
| Hachma International Pty Ltd | 1,065,400 | 1.69% |
| J C Criticos Pty Ltd Pension Fund | 683,998 | 1.08% |
| Bellryde Pty Ltd | 654,615 | 1.04% |
| Noraville Pty Ltd | 650,000 | 1.03% |
| Southgate Investment Funds Limited | 534,300 | 0.85% |
| Mr J Pantos and Mrs H Pantos | 529,000 | 0.84% |
| Countrywide Developments (Aust) P/L | 326,751 | 0.52% |
| Copulos Superannuation Pty Ltd | 282,244 | 0.45% |
| Spacetime Pty Ltd t/f Coupulos Exec SF | 257,599 | 0.41% |
| Mr John Poletto | 161,047 | 0.26% |
| Bernaise Pty Ltd | 160,000 | 0.25% |
| Arundo Pty Ltd | 137,199 | 0.22% |
| Reraetllab Pty Ltd Exec. Pension Fund | 137,066 | 0.22% |
| | 59,548,617 | 94.34% |

(e) On the 18th October 2002 Raptis Group Limited (the Company) under Subsection 257C (3) applied for and was granted approval to commence a share buy back. As at 17 September 2007 the company had bought back 9,300,107 shares at a total cost of $5,282,969.

**ABN 43 010 472 858**

# Company Particulars

### Directors

James Raptis OBE
Kevin Gogolka
Ian Morrison

### Secretaries

James Raptis OBE
Malcolm Cory

### Registered Office

Level 42, Suncorp Place
259 George Street
SYDNEY NSW 2000

### Principal Place of Business

Level 39 Chevron Central Tower
23 Ferny Avenue
SURFERS PARADISE QLD 4217

Telephone (07) 5570 8000
Facsimile (07) 5538 0010

### Share Registry

Gould Ralph Pty Ltd
(Share Registry Division)
Level 42, Suncorp Place
259 George Street
SYDNEY NSW 2000

Telephone (02) 9032 3000
Facsimile (02) 9032 3088

### Auditors

Gould Ralph & Company
Chartered Accountants
Level 42, Suncorp Place
259 George Street
SYDNEY NSW 2000

### Solicitors

Short Punch & Greatorix
Solicitors and Attorneys
Cnr Bundall Road & Crombie Ave
SURFERS PARADISE QLD 4217

Clayton Utz
Solicitors
Level 28, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Hickey Lawyers
Floor 6
Corporate Centre
Bundall Road
BUNDALL QLD 4217

### Home Exchange

Australian Stock Exchange Limited
BRISBANE QLD

### Bankers

National Australia Bank
Westpac Banking Corporation