

OUTCOME / CONCEPT
PURPOSE / VISION
FORM / ESSENCE
LOGIC / INTUITION
ORDER / CHAOS
PRACTICAL / MAGICAL
LEFT / RIGHT

DUALITY IS BALANCE.

**“THERE IS A CREATIVE AND BUSINESS TENSION
BETWEEN HOLDING THE CORE VISION THAT
GIVES A BRAND ENERGY AND VITALITY IN THE
MARKET, AND MEETING THE GROWTH OBJECTIVES
OF CORPORATE AND FINANCIAL REALITY.
IT IS THE MASTERY OF THIS DUALITY THAT IS
THE BUSINESS MODEL OF THE FUTURE.”**

Virginia Bruce, CEO of RealBrand&Business

Important Note

The publicly listed entity will be referred to as RealBrand Holdings Limited.
The operating entity will be referred to as RealBrand&Business Pty Limited.

To the Shareholders of RealBrand Holdings Limited

Brand is a potent asset. For RealBrand&Business it represents the under utilised potential goodwill of any organisation. Our job, and therefore, the opportunity, is to extract this potential and to cause it to become 'Real'.

This year has been about laying solid foundations for the company and creating building blocks for the future. RealBrand&Business is about seeding long-term business growth and opportunity and we have positioned ourselves well to take advantage of the untapped brand equity within our portfolio of clients. The combination of our business model and left/right brain approach has secured new business that has delivered immediate financial returns, and provided the opportunity for strong future growth.

As CEO, 2006 has been an incredibly exciting, yet challenging year. Our team's brilliant work with the 15th Asian Games in Doha, Qatar has delivered an outstanding result for the company. The success of this work will be seen in the 31st December 2006 financial results. We have seeded the continuation of this trend for 2007 by securing a contract with one of Beijing 2008 Olympic Games top sponsors, Volkswagen Group China. The contract delivers to RealBrand&Business the sourcing rights to supply Volkswagen Olympic themed merchandise for the next 2 years (until October 2008). In support of this significant achievement, RealBrand&Business has opened its Beijing office with five full-time Chinese staff to service the contract and additionally grow the China business.

Kellogg's, although disappointing to original expectations, has maintained consistent growth and results. Our licensees in the USA and Europe launched many of their Kellogg's licensed products into the market, receiving strong retail sell through, particularly in the areas of vintage apparel and ceramic breakfast ware. As a result, RealBrand&Business has already booked and secured US\$300K in guaranteed royalties.

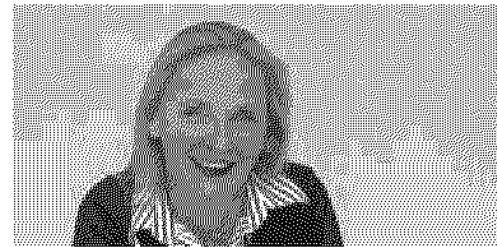
Our achievements this year have been exceptional, and although the market has yet to see the tangible financial results it needs, RealBrand&Business is a long-term business model that works in the cycle of seed – Incubate, Grow and Leverage. As such, I trust that the market will begin to see the success of this formula over the next 12 months. Backed by the results we have already achieved, and the results we will be delivering, we believe the market will react in a positive way through the future growth in our share price.

In addition to China, which is a major focus for the company, RealBrand&Business is in the incubation stage of the development of the branded property, 'Hands That Shape Humanity', a 'profit for good' initiative slated for a 2007 launch in the United States including a major exhibition in New York City and the creation of a 'Hands That Shape Humanity' consumer product line targeting global retailers. 'Hands That Shape Humanity' is the first RealBrand&Business portfolio brand in which we are looking to take an equity position, rather than just a 2-3 year contract. If proven successful, this evolution of our business model will be an area of significant focus, where we look to actually own equity in the brands we work with.

So what is the future for the company?

We will expand our China operations and focus on growing the supply business of Olympic themed merchandise with Volkswagen over the next 2 years, in the lead up to the Beijing Olympics. We are working on securing other Beijing Olympic programs with other sponsors and partners and, in final discussions with BOCOG regarding their International Licensing program – a very similar set up to our highly successful model employed for the 15th Doha Asian Games.

We continue with representation of the company in the Middle East with particular focus in the UAE and Qatar and look to further grow in the region from our experience gained through the Doha Asian Games. We anticipate launching and growing 'Hands That Shape Humanity' as a brand and business over the next 12 months and plan to develop and expand the Kellogg's business, gaining increased support from the Kellogg's corporation in the remaining years left on the partnership.



Our vision is to build brands, prizing social and economic value creation.
How have we contributed to this?

We believe we have brought a whole new level of brand and business development to two of the fastest emerging markets in the world, China and the Middle East. With Doha, our vision was to Unite Asia through the spirit of Culture and Sport, delivering on the brand promise of 'The Games Of Your Life'. One of our major achievements on the program was securing a pan-Asia retailer, Bossini, with an Asian Games merchandise collection available in 12 countries. In China, it is promoting the Beijing 2008 Olympic Games key message of 'One World One Dream' the celebration of humanity and of being part of the change and evolution that the Olympic Games is bringing to China.

Fundamentally 'Hands That Shape Humanity' has one clear vision 'To inspire human potential ~ to be the very best that we can be'. To date, forty extraordinary men and women have shared their philosophies, reflections, insights, experiences and learning's from life to help create the brand. We are now poised to take this to the world and create an inspired global brand that at its core will make a difference.

Not only is it possible to build a business model that shows financial business results, I believe that this very model will take market share and grow. Why? Because RealBrand&Business helps businesses connect with consumers. We are committed to understanding how brands actually move and influence people, even change their habits. Brands are the vital link. This is our specialisation. People seek, and remain loyal to, brands that accord with their own values. Given the sophistication of today's consumer, it is imperative that a brand reflects these values at all touch points with their target audience ~ from marketing messages to packaging and consumer retail experience.

To take the market lead in this field, RealBrand&Business developed 360° Brand Control, a business model that brings together dynamic specialist organisational pods of tangible and intangible asset to create a seamless and consistent execution of brand development and extension. These include Brand Audit; Brand Assessment; Brand & Business Strategy; Creative & Design; Marketing & Online Communication; Product Development; Production; Sourcing; Retail Merchandising; Retail Environment and Architecture. We apply this unique model using a 5-step process that enables us to identify and respond to business opportunities with a 360° perspective and deliver business expansion, revenue growth, brand evolution and consumer affinity, far more efficiently than independent third party operators.

We are very excited about the future and look forward to continuing to build our remarkable company. I would like to thank you for your continued support, and my team at RealBrand&Business for their efforts, over the past 12 months, a period of many challenges, not the least being the decline in our share price. Thank you once again, and I look forward to sharing optimistic and exciting results with you over the next 12 months.

Yours Sincerely,

Virginia Bruce, CEO of RealBrand&Business

A Year in Review

Real Growth

The 2006 financial year has been a period of strong growth and consolidation for the company, with our brilliant team far exceeding its expectations in the Middle East with the success of the 15th Asian Games in Doha. We have continued to strategically develop, build and expand on our business model of facilitating growth through the commercial leveraging of established and emerging brands in innovative ways, to create additional value and new income streams for the company and our partners.

Against tough competition, RealBrand&Business secured the rights to design, produce, source and exclusively supply Official Licensed Merchandise for the Asian Games to all stakeholders, including the Organizing Committee, sponsors, suppliers and, of significant note, major retailers across Asia.

A dedicated account management team based in Doha was appointed to facilitate and develop the business throughout the contracted period, leveraging and maximising business opportunities with stakeholders to secure solid financial growth. The programme initially projected revenue in the order of US\$1.35 million.

The result?

RealBrand&Business secured an additional revenue stream with the Doha Asian Games Organizing Committee (DAGOC) in excess of \$US3.3 million through the supply of official Doha Asian Games merchandise, taking the company's projected revenue above US\$4.65 million.

The program will be completed in December 2006, when our six-month results will evidence the positive financial impact of this program.

As a global market leader in the development of Internationally successful Consumer Merchandising Programs for the past three Olympic Games – Sydney 2000, Salt Lake 2002 and Athens 2004 – RealBrand&Business has actively pursued new business opportunities in China, home of the 2008 Olympic Games in Beijing. Our focus is not only the Organizing Committee [BOCOG], but also its top sponsors and partners.

In September 2005, RealBrand&Business was appointed by one of BOCOG's top sponsors and China's leading automotive company, Volkswagen Group China – VGC (Volkswagen and Audi Brands) to conduct a research, feasibility and business case study on leveraging Volkswagen's significant sponsorship investment in the Olympic Games.

Following the approval of the Business Case by the VGC board, RealBrand&Business was further contracted in 2006 to implement the project, securing the company's first major piece of business in China and enabling us to establish our office in Beijing. A staff of five full time Chinese staff including a General Manager, Retail Manager, Creative Director, Designer and Account Manager bring a professional and impressive reality to the company's operation in China.

This team is dedicated to building its business with VGC, pursuing new business opportunities with BOCOG, and providing significant revenue and growth potential for the company at an international level. With the significant long-term VGC relationship now secured, RealBrand&Business has the rights to source and supply Volkswagen Olympic themed Merchandise to the 1000 dealer network throughout China, and expects the Beijing office to flourish and expand in the lead up to the Beijing Olympic Games in 2008.

A significant addition to the unique RealBrand&Business business model, and an essential requirement to fully service these international partnerships, was the re-deployment of our Sourcing and Production Division within the Sydney office. Real HK Limited was officially set up this year and now employs six dedicated sourcing specialists whose role is to take the design into reality, sourcing all kinds of product, from apparel to accessories, soft and plush goods to hard goods, as well as jewellery, car accessories and home wares.



Real HK Limited delivers the company an enviable ability to supply its partners around the world with quality made product, realising significant margin and revenue for the company on long-term contracts to supply merchandise. Orders from the Asian games are in excess of US\$3.5M, with all products being manufactured offshore, primarily in China, for export to the Middle East.

Focus for 2007 for the sourcing business is to secure more contracts that require the full solution offering that RealBrand&Business offers.

RealBrand&Business employs a dynamic hybrid business model that begins with long-term vision and strategic planning, but continues to grow in its ability to actualise these business opportunities in the implementation phase of taking branded product to market.

A fusion of strategic business focus and creative excellence, implemented across all consumer touch points, is what sets the company ahead of the field. A convergence of venture capital, brand agency and R&D allows RealBrand&Business to invest in brands, leveraging their brand equity into substantial business growth and take a position in the upside that has been created. It is this model over the next twelve months that will deliver profitability and sustained growth for the company.

The DAGOC business for 2006 is a very successful example of this model.

The Kellogg's contract, which was launched when RealBrand&Business listed, has been a disappointment, performing under expectations. Saying this, we now have 27 licensees in the USA and selected European markets, of which 5 are performing well. The challenge for RealBrand&Business in leveraging the Kellogg's contract has been due to a change in the original Kellogg's management team. As is often the case in these situations, Kellogg's objectives and expectations have changed in the process. However, RealBrand&Business continues to work through these issues, and will continually look for ways to expand the base business, which at this point, has secured guaranteed royalty revenue for the next 12 months of US\$300K, of which RealBrand&Business will receive a 50% share.

'Hands That Shape Humanity' is a world-class exhibition that we have re-engineered to form the platform for a new global brand, the fourth in RealBrand&Business current portfolio.

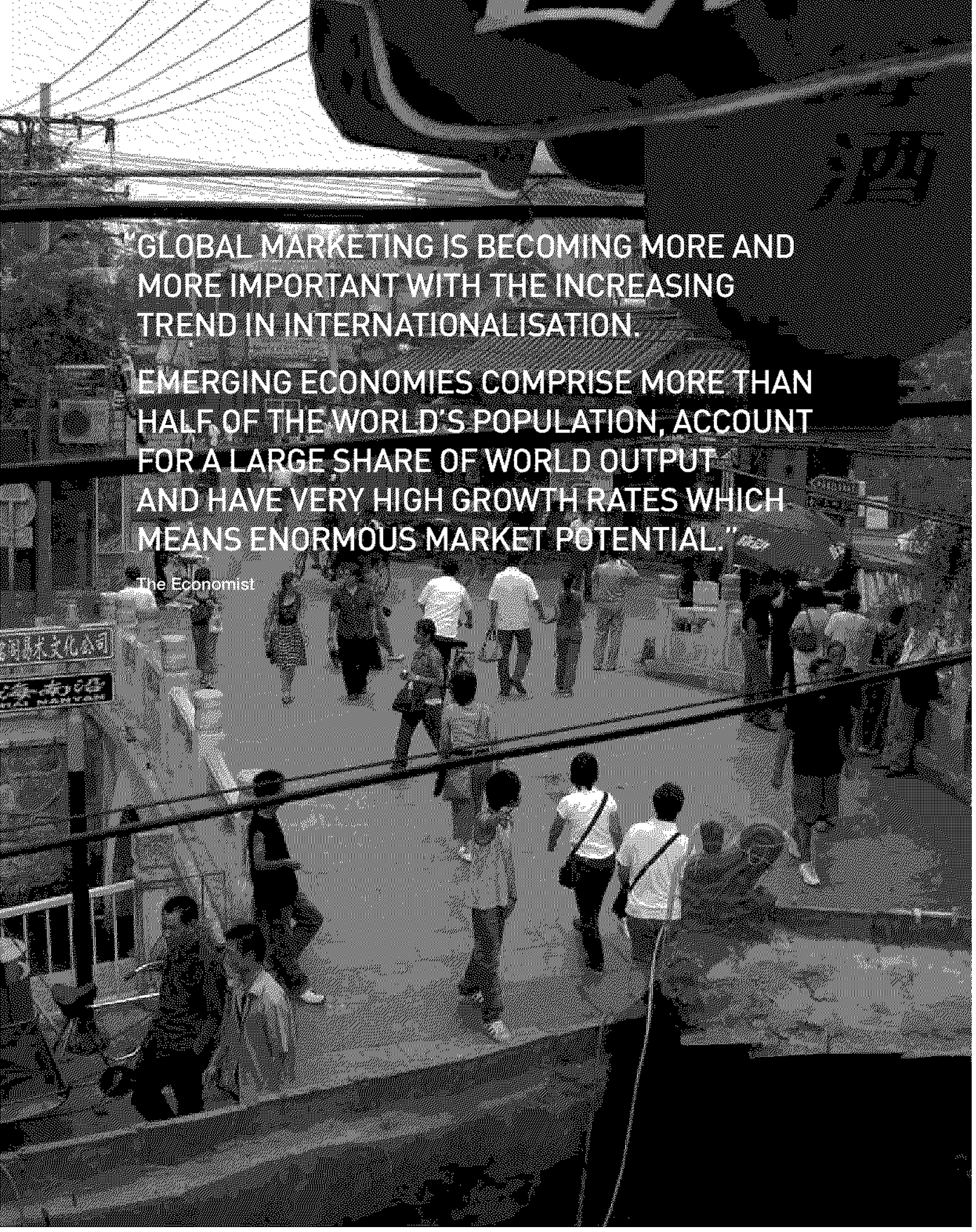
This project was slow to get started, as significant focus was demanded from our team to drive and develop the 15th Asian Games Doha project. Since then, 'Hands' has begun to move further into its business development cycle, with the brand and business repositioning strategy now complete. The property can now be developed into a global brand and we are currently in the sales phase of the business cycle.

We hope to have secured licensees, distributors and major global sponsors for the brand, signed and in place by the second quarter of 2007.

In addition to the client development that we have achieved, RealBrand&Business also went through some major organisational changes. The company now employs 32 people in three offices – Sydney, Beijing and Dubai.

We have established and set up a 'Wholly Owned Foreign Entity' (WOFE) in China and a new sourcing company in Hong Kong, Real HK Limited. We have also maintained our serviced office in New York City, and our USA representation of both 'Hands' and Kellogg's in Los Angeles.

The focus for 2007 is therefore consolidated growth with clear demonstration of financial results.



GLOBAL MARKETING IS BECOMING MORE AND MORE IMPORTANT WITH THE INCREASING TREND IN INTERNATIONALISATION.

EMERGING ECONOMIES COMPRISE MORE THAN HALF OF THE WORLD'S POPULATION, ACCOUNT FOR A LARGE SHARE OF WORLD OUTPUT AND HAVE VERY HIGH GROWTH RATES WHICH MEANS ENORMOUS MARKET POTENTIAL."

The Economist

**EMERGING
MARKETS
SUCH AS
CHINA, INDIA,
MEXICO AND
RUSSIA ARE
HOME TO
SOME 86% OF
THE WORLD'S
POPULATION.**

Collectively, emerging markets account for 23% of world economic output. The Middle East recorded the second highest growth after China.

RealBrand&Business has continued to strategically grow its business in key emerging markets. Historically, the company has sought business in the United States. However, the increasing potential of emerging markets such as China and the Middle East has created significant growth and opportunity for the company.

With the Asian Games in Doha in 2006, RealBrand&Business has helped Qatar, and indeed the region, achieve international 'brand' awareness through the fusion of culture and sport to an enormous pan-Asia audience in search of homegrown Asian Brands.

Beijing 2008, the most anticipated Olympic Games in history, will attract the attention of the entire world. RealBrand&Business recently opened its first China based office in Beijing where Chinese staff work directly with Chinese clients, such as Volkswagen and Audi China, two of the top sponsors of the Beijing Olympic Games.

'Forget 'MIC' (Made in China), or even 'MFC' (Made for China). How about OBC: Owned by China?'

'Most global corporations are still busy digesting the fact that China now is the de-facto workplace of the world. The Middle Kingdom is increasingly producing quality goods for internal consumption, eagerly snatched up by a burgeoning Chinese Mass Class living the EasyAsia dream.'
Trendwatching.com



WE SECURED AN ADDITIONAL REVENUE STREAM WITH THE DOHA ASIAN GAMES ORGANISING COMMITTEE (DAGOC) IN EXCESS OF \$US3.3 MILLION THROUGH THE SUPPLY OF OFFICIAL DOHA ASIAN GAMES MERCHANDISE, TAKING THE COMPANY'S PROJECTED REVENUE ABOVE US\$4.65 MILLION.

RealBrand&Business identified new business opportunities in the burgeoning Middle East region, where rapid growth industries such as tourism, hospitality, sport, and retail strongly align with our business model and experience as market leaders in brand development and brand extension within Olympic movement licensed merchandising.

A major coup for RealBrand&Business during the period was our appointment as Official Licensed Agent for the Asian Games, to be held in Doha, Qatar in December 2006.

RealBrand&Business secured the rights to design, produce and source Official Licensed Merchandise to all stakeholders, including the Organising Committee, sponsors, suppliers and, of significant note, major retailers across Asia. A dedicated account management team based in Doha was appointed to facilitate and develop the business throughout the contracted period, leveraging and maximising business opportunities with stakeholders to secure solid financial growth.

The Doha Asian Games perfectly reflects how the 360° Brand Control business model and Real DNA processes have been implemented to secure partnerships, commercialise a brand in new products and new markets, and use innovative ways to create additional value and income streams.





WALKER
MUN
OFFICIAL SPECTATOR
PASS TION
2004 TM
AG-MMV

THE GAMES
OF YOUR LIFE.
UNITY THROUGH
DIVERSITY.



THE 15TH ASIAN GAMES IN DOHA IS THE LARGEST EVER WITH AN EXPECTED TELEVISION AUDIENCE OF 1.5 BILLION ACROSS ASIA.

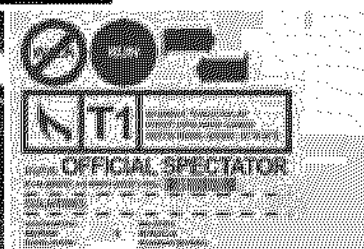
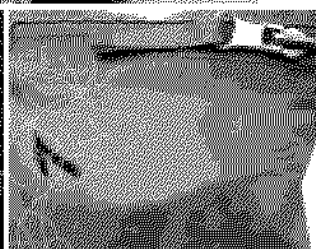
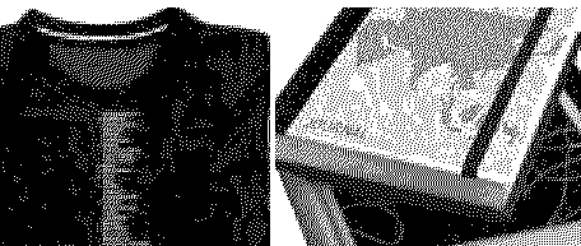
Qatar has invested over US\$2.8 billion on capital infrastructure to ensure the games are seen world-wide as 'Best Ever' and the most successful multi-sport event in Asia to date, leveraging the fact that Qatar is rapidly becoming the sporting capital of the region.

Doha is expecting 10,500 athletes from 45 participating nations across Asia with the largest Torch Relay ever seen in the region travelling to 13 countries.

One of the most significant achievements for RealBrand& Business as Official Licensed Agent for the games was exclusively supplying Official Merchandise to all stakeholders including the Organising Committee, sponsors, suppliers and regional retailers.

Over 1 million pieces of product were sourced and delivered over the term of the contract. Another major achievement for RealBrand&Business was securing the retail casual fashion giant, Bossini. With over 900 stores across Asia, Bossini were awarded the rights to retail Official Games Merchandise in over 12 countries across Asia. Projected retail sales are in excess of US\$3 million.





"WE ARE PLEASED TO BE USING THE RETAIL AND BRAND EXPERTISE OF REAL BRAND&BUSINESS TO ACTIVATE OUR OLYMPIC PARTNERSHIP WITH OUR VALUED CUSTOMERS. THIS IS ALSO AN INTEGRAL PART OF VOLKSWAGEN'S OVERALL 'OLYMPIC RESTRUCTURE PROGRAM' TO RAISE OUR CUSTOMER SERVICE STANDARDS, QUALITY CONTROL AND DEVELOP LONG TERM BUSINESS OPPORTUNITIES IN THIS RAPIDLY GROWING MARKET"

Anthony Laver, Director of Olympic Marketing at Volkswagen Group China

RealBrand&Business was appointed by Volkswagen Group China (VGC) in Beijing to conduct a research, feasibility and business case study on leveraging Volkswagen's significant Olympic sponsorship investment with the Beijing 2008 Olympic Games.

Following extensive consumer and business research with all stakeholders in China, RealBrand&Business produced an in-depth business report for both Volkswagen and Audi brands, identifying differentiation as a major opportunity for two of the world's leading car brands, in the world's largest car market.

RealBrand&Business is currently contracted by VGC to:

- Design, build and operate two Volkswagen Olympic Retail [Dealership] Prototypes in Beijing.
- To design, source, supply and market a major Dealer Incentive Olympic Participation Pack initiative to the 1000 plus extended dealership network in China over the next two years.
- To design, source, supply and market a limited line of Volkswagen Olympic themed merchandise to the greater dealer network within China.
- To launch an online digital E-Catalogue of Volkswagen Olympic themed merchandise, accessible to both the general public in China and to the extended Volkswagen dealership network in China.

The projects objectives are:

- To drive change and upgrade the consumer brand experience in Volkswagen dealers across China using the Olympic sponsorship as a leverage. To utilize RealBrand&Business International retail and merchandise experience in achieving a successful program.
- To create incremental revenue streams for Volkswagen (the brand and the dealers), seeding and developing an after sales merchandise and car accessory business in China. Worldwide car industry statistics demonstrate that this business should be 10% of car sales. At present, Volkswagen Group China has US\$23 Billion in car sales and only US\$400 Million in accessories.

RealBrand&Business successful delivery of the business case and feasibility study for VGC also secured a contract with Audi China to design develop and source merchandise for 'Driving Dreams', a co-branded initiative between Audi China and UNICEF. The program is expected to launch in China in October 2006.

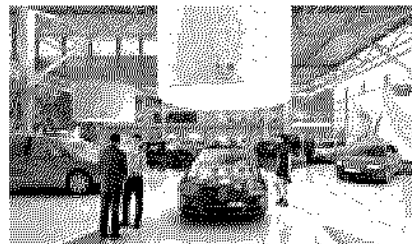
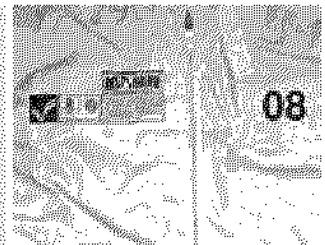
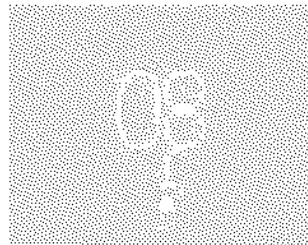
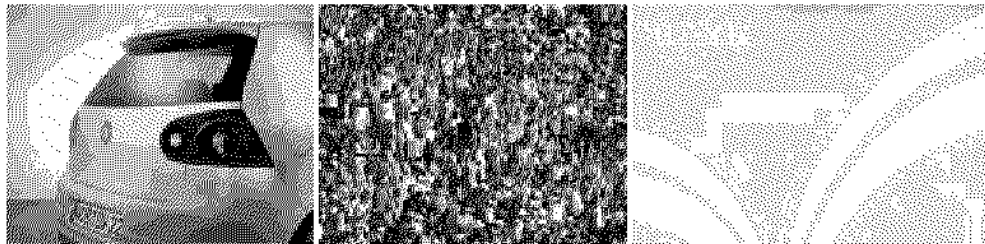


JOIN THE
JOURNEY.



Volkswagen Group China (VGC)

Joyous Participation



THERE ARE IN EXCESS OF
1000 DEALERSHIPS IN CHINA
WHERE REAL BRAND&BUSINESS
WILL BE ABLE TO MARKET AND
SUPPLY THE PARTICIPATION
PACK AND THE OLYMPIC
THEMED MERCHANDISE.



Volkswagen Group China (VGC) and its Chinese Joint Ventures, Shanghai-VW and FAW-VW are the leading automotive group in China with both Volkswagen and Audi brands appointed as Official Automobile Partner of the 2008 Beijing Olympic Games.

The Volkswagen Olympic Retail Initiative looks to a) leverage Volkswagen's sponsorship of the Beijing 2008 Olympic Games and differentiate it from the many new competitors, and b) use it as a catalyst to upgrade the overall retail and brand experience inside a car dealership.

The initiative will involve the implementation of the Olympic themed retail 'hub' prototypes in two key First Automotive Works – Volkswagen (FAW-VW) dealerships in Beijing.

This will be closely followed by a flagship facility at the Volkswagen Beijing Olympic Forum, located at the Oriental Plaza in one of Beijing's premier retail locations. The first prototypes are expected to open and be operational by late November 2006.

Kellogg's

Start Good. Feel Good.



OUR 27 LICENSEES HAVE LAUNCHED
THEIR PRODUCTS AT RETAIL IN THE
UNITED STATES WITH MANY RECEIVING
STRONG RETAIL REACTION AND
POSITIVE SELL THROUGH.



START GOOD.
FEEL GOOD.



Kellogg's

Start Good. Feel Good.

WITH MORE THAN 2 YEARS REMAINING IN THE KELLOGG'S AND REALBRAND&BUSINESS PARTNERSHIP, BOTH COMPANIES ARE DEEPLY COMMITTED TO FURTHER BUSINESS GROWTH AND EXTENDING INTO MORE INTERNATIONAL MARKETS.

The Kellogg's business has steady and consistent growth.

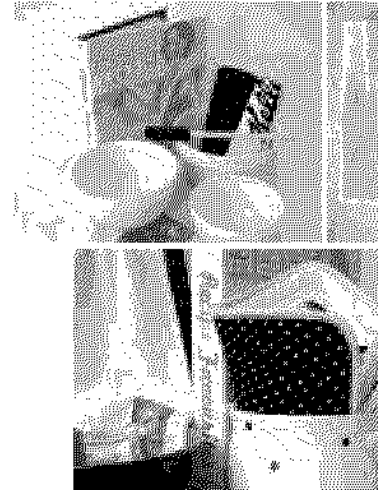
During 2005 and 2006, our major focus in the United States has been the continued development and consolidation of the Kellogg's representation agreement to license the Kellogg's brand beyond the core cereal business.

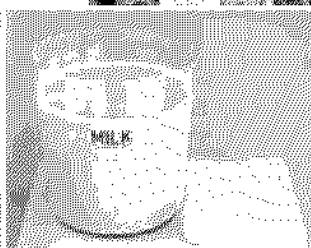
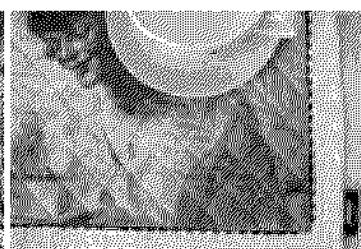
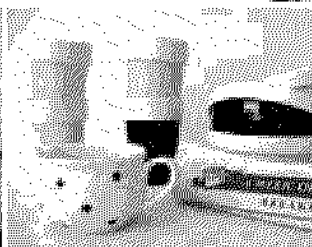
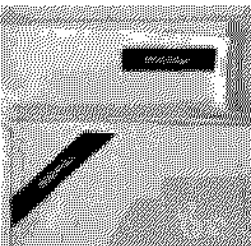
This partnership was the first to fully utilise the 360° Brand Control model and RealBrand&Business DNA processes for a global consumer brand extension.

RealBrand&Business and Kellogg's conducted a licensee summit at the New York Licensing Show inviting the 27 currently appointed licensees to present their programs to both RealBrand&Business and Kellogg's executives.

The program has been successful in consistent development with 27 licensees currently in the USA, Canada and some European markets. In the last 12 months, our licensees have launched their products at retail, many receiving strong retail reaction and positive sell through. The categories of business doing well are vintage apparel, and breakfast ware ceramics.

The guaranteed royalty revenue for 2007 is US\$300K.





'HANDS THAT SHAPE HUMANITY' IS A WORLD CLASS EXHIBITION AND CONSUMER PRODUCTS BRAND WITH ONE CLEAR VISION, 'TO INSPIRE HUMAN POTENTIAL – TO BE THE VERY BEST THAT WE CAN BE'.

In 2005, RealBrand&Business secured an interest in 'Hands That Shape Humanity', an extraordinary initiative of the honourable Archbishop Desmond Tutu.

From its beginnings as an exhibition in Cape Town, the RealBrand&Business mission is to take 'Hands That Shape Humanity' to the world and achieve global awareness through a core global exhibition tour and key brand extensions in the areas of Film, Publishing, Consumer Products, Digital & Online content, Corporate, Education and Community Activity.

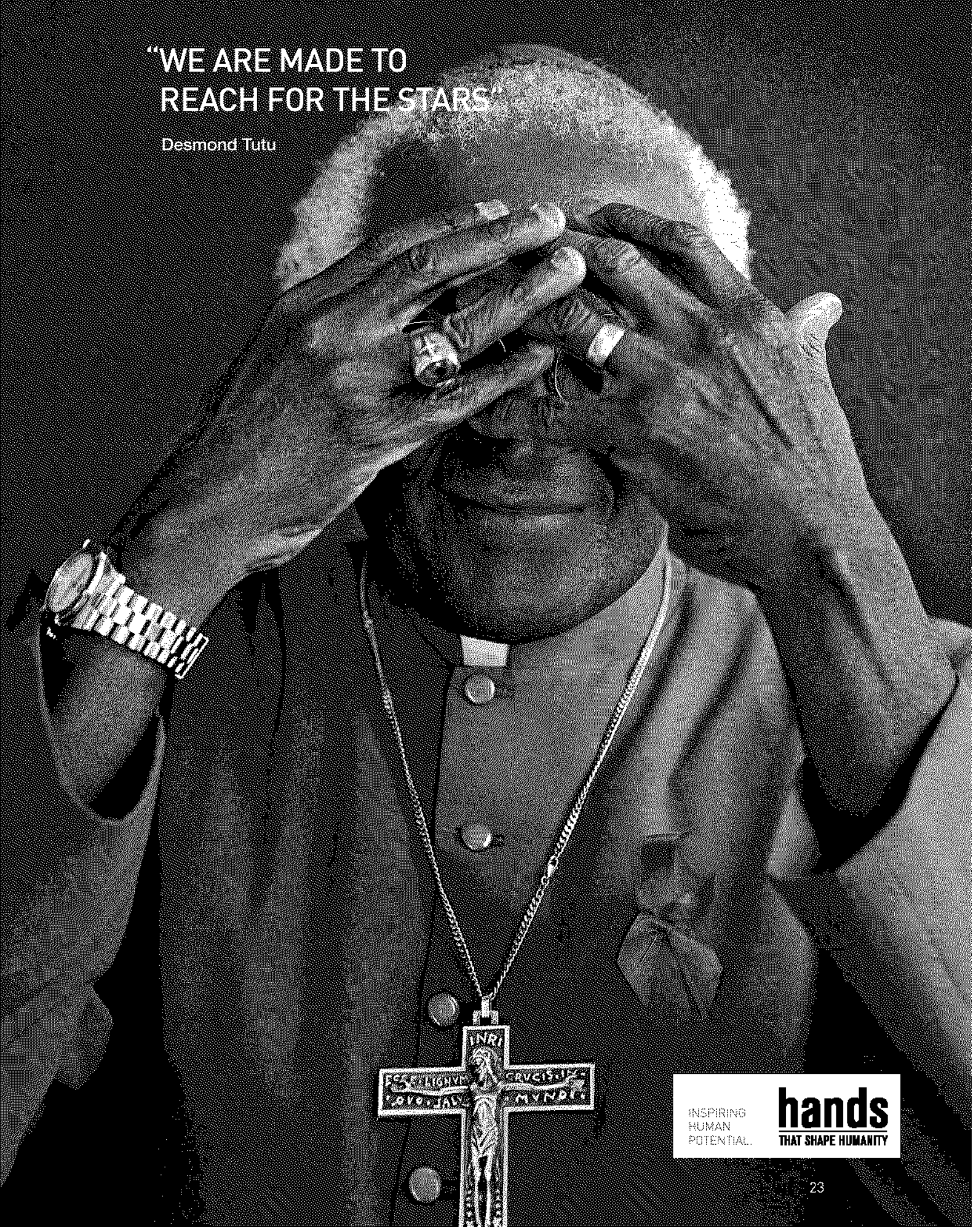
The global tour and brand extensions will be developed with strategically aligned sponsors, retailers and licensing partners and launched in 2007.

To date, thirty eight extraordinary men and women have shared their philosophies, reflections, insights, experiences and learning's from life, to help create 'Hands That Shape Humanity'.

Along with inspired messages of wisdom, each participant was filmed, photographed and asked to donate a piece of individual art to the exhibition. An additional 30 extraordinary individuals have already confirmed that they will participate in the next round of filming due early 2007.

"WE ARE MADE TO
REACH FOR THE STARS"

Desmond Tutu



INSPIRING
HUMAN
POTENTIAL

hands
THAT SHAPE HUMANITY

'Hands That Shape Humanity' Participants

38 Unique Individuals, 38 Inspiring Messages, 1 World Class Exhibition
Universal Brand Appeal





ADIN STEINSALTZ
ANITA RODDICK
CARLOS SANTANA
CESARIA EVORA
CHINUA ACHEBE
CRAIG VENTER
DESMOND TUTU
DOUGLAS COUPLAND
EDWARD DE BONO
F.W. DE KLERK
GARRY KASPAROV
GARY PLAYER
GEORGIA BYNG
GILLIAN ANDERSON
IAN BOTHAM
ISABEL ALLENDE
JANE CAMPION
JONAH LOMU
KERI HULME
LENNOX LEWIS
MARC QUINN
MARION JONES
NADINE GORDIMER
NATASCHA
MCELHONE
NOOR AL-HUSSEIN
NORMAN LAMM
PAUL THEROUX
PAULO COELHO
PHILIPPE STARCK
RICHARD LUGAR
RICHARD ROGERS
SAAD EDIN IBRAHIM
SAM NUNN
SHIMON PERES
TOM PETERS
TOM ROBBINS
WAYNE GRETZKY
WEI JINGSHENG

2006 Financial Review

2006 Financial Review

Real Brand
Holdings Limited

for the year ended
30 June 2006

ACN 110 005 822

2006 Financial Review

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1.0 Real Brand Holdings Corporate Directory

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Virginia Bruce
Philip Suriano

Secretary

Michael Glendinning

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Sydney, NSW, 2000

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Stock Exchange

Australian Stock Exchange Limited
20 Bridge Street
Sydney, NSW, 2000

ASX Code

RBH (fully paid ordinary shares)

2.0 Real Brand Holdings Limited Review of Operations

During the course of this financial year, REAL has successfully secured a number of major new contracts that have had significant impact on the company moving forward in terms of continued business growth and increase in revenue. Importantly, these contracts consolidate significant effort by the company in the major emerging regions of China and the Middle East.

Significantly, in March 2006 REAL announced that it had won the rights (following a highly competitive International pitch) to undertake the professional management and brand building services for the 'Planning, Implementation and Management of the Asian Games Doha 2006 Licensed Merchandising Programme'.

The licensing programme initially projected revenue for REAL in the order of \$1.35 Million USD over the 14-month term of the contract. REAL has subsequently secured additional revenue of \$2.5 Million USD (for the 2007 financial year) by sourcing and delivering Official Games merchandise to DAGOC and games sponsors such as Tissot, Samsung, General Electric and other top sponsors. Further sales have been achieved through significant licensing deals with a number of major international retailers including Asian retail powerhouse Bossini, GCC hypermarket retailers Giant Stores, and Duty Free Stores throughout the region. REAL designed, product developed and sourced over 1 million pieces of merchandise through its sourcing company in Hong Kong.

None of these revenues have been included in the accounts of REAL for the year ended 30 June 2006. The program is currently launching throughout the region and will peak in Doha at Games time, December 2006.

Additionally, REAL has received Volkswagen Group China (VGC) Board approval, and is in the final stages of legal documentation for the provision of consulting services of \$400,000 USD for the Phase Two Development and Implementation of the VGC Beijing Olympic Retail & Merchandising project. REAL gained VGC board approval for a Prototype launch to selected high traffic dealerships in Beijing launching early October 06 including the prestigious Volkswagen Olympic Forum in Beijing. As part of Phase Two development, REAL is contracted to VGC to concept, design and supply a 'turn-key' Olympic operation with Volkswagen branded Olympic merchandise sourced by REAL. In conjunction with this prototype phase, REAL has secured the 2-year rights to 'sell in' this merchandise to the greater dealer network until at least October 2008 (which exceeds 1000 dealers throughout China). Additionally, REAL has secured the 2-year rights to produce an Olympic 'New Car Experience' promotional pack that will be sold in to the greater dealer network for inclusion in all new Volkswagen cars sold in China (500,000 per annum) between now and the Olympic Games. In addition to leveraging Volkswagen's Olympic sponsorship, REAL has been commissioned by AUDI China to develop a number of programs including 'Driving Dreams', a joint initiative between AUDI and UNICEF, placing branded donation stands and boxes in all AUDI dealerships across China. REAL is in final negotiation with AUDI China to design, develop and supply a unique AUDI Olympic Retail & Merchandising program.

REAL will shortly announce more details on these exciting and innovative initiatives.

In addition to the work undertaken for the Asian Games Doha 2006, and VGC in China, REAL continues to work with key international clients with the aim of providing solutions that create long-term relationships, in turn securing long-term revenue streams.

The Kellogg's program continues to deliver royalty revenue to the company from our licensees in the USA on a quarterly basis.

REAL has secured the rights to leverage the largest humanitarian exhibition in the world, Hands that Shape Humanity. REAL is currently in final negotiations to create a major global exhibition and brand launch with the exhibition moving from Cape Town to Oslo, Norway in March 07 and a USA launch scheduled for New York City, Summer 07.

REAL is in final planning stage on Sponsorship and will shortly begin a major drive to Fortune 500 corporations around the world. REAL expects to be able to announce more detail shortly.

Coca Cola. REAL has secured a Business Case / Feasibility Study from The Coca Cola Company as part of a joint initiative between Coca Cola North Asia (Hong Kong) and South Pacific (Sydney) on a recently acquired Traditional Chinese Medicine (TCM) brand, Healthworks. The Business Case will research and assess the viability of brand extending into new markets and new retail experiences.

As a result of this increased activity, REAL has had an increase in revenues for the year of almost 1200%, generating revenues for the year of \$2,187,933 (2005: \$182,722). The operating result is detailed below:

	2006	2005
Operating loss pre diminution in value of goodwill	624,346	613,034
Provision for diminution in value of goodwill	1,640,744	-
Operating loss including diminution in value of goodwill	2,265,090	613,034

In accordance with the accounting standards on impairment of goodwill, the Directors have recognized a provision for diminution in the value of goodwill. Whilst they believe that the Company is on track with its initial expectations, they have adopted a prudent approach to the valuation of the goodwill. Expectations are that as long-term contracts are formally secured and revenue streams are secured that the goodwill will be able to be re-evaluated.

3.0 Directors Report

The directors of Real Brand Holdings Limited submit herewith the financial report for the year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the financial year and up to the date of this report are:

Mr R J Poole

Ms V Bruce

Mr P R Suriano

Ms P M Wyatt: Resigned 30 November 2005

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The qualifications, and details of listed public company directorships held over the past 3 years are detailed below.

R J Poole

Chairman (Non- Executive)

LLB, B Juris, B Comm ASIA.

Appointed Chairman on 12 July 2004. Board member since 12 July 2004. Director of Merchant House Limited, Microview Limited, Pocketmail Group Limited, Alexanders Securities Limited, Strathfield Group Limited, BBX Holdings Limited.

Former Directorships include Amerod Resources Limited, E Tick Limited and Hudson Resources Limited.

Mr Poole commenced his career as a lawyer specialising in mergers and acquisitions. He left the law in 1990 to build a research and development operation with operations in Japan, USA and Australia and added a manufacturing company in China in 1994. He successfully built the R&D company from its early stages to a public listed vehicle raising the necessary capital up to his departure in 1999. Since 1999 he has continued his involvement in fund raising and the development of companies. He is a principal of Arthur Phillip Pty Limited, and has been recently involved in projects as diverse as the creation of biotech, the recapitalisation of the Strathfield Group Limited, Simon Gilbert Wines, Microview Limited and White Energy Company Limited.

Special Responsibilities:

Mr Poole is a member of the Audit and Finance Committee and Remuneration Committee.

V Bruce

Director – Chief Executive Officer

Director since 6 December 2004. 17 years service with Real Brand Holdings Limited and its predecessors. Ms Bruce's international reputation began with her key role in developing the retail concept generally thought to have changed the face of entertainment retailing: Warner Bros Studio Stores. Ms Bruce went on to pioneer strategic marketing, brand licencing, and creative/product design offerings that have optimised the global market power of Mattel, Kellogg's, Avon, Disney, United Media, Feld Entertainment, Harvey Entertainment, the Australian Rugby Union, the Sydney Olympics and other premier branded properties.

Special Responsibilities: None

P Suriano

Director (Non Executive)

B Bus, Bkg & Fin, Monash.

Director since 12 July 2004. CEO of Microview Solutions Pty Limited. Director of Microview Limited, Pocketmail Group Limited.

Mr Suriano began his career in corporate banking with the Commonwealth Bank in 1988. Mr Suriano has spent the last 16 years in senior positions within the Australian Media Industry. Mr Suriano has gained wide knowledge & experience to give him a strong background in operations, sales and marketing in such roles as National Sales Director, MCN [the subscription TV joint venture company between Austar and Foxtel] and Group Sales Manager at Network Ten. Prior to joining MCN, Mr Suriano was employed within the Victor Smorgon Group of Companies [Alt Media and Brandhouse Advertising] and was closely involved with the development and launch of an interactive electronic outdoor medium.

Special Responsibilities: Mr Suriano is a member of the Audit and Finance Committee and Remuneration Committee.

Directors Meetings

Directors interests are disclosed in Note 16 to the accounts. The following table sets out the number of meetings of Directors held since the commencement of the financial year, with the number of meetings attended by each Director

Name	Board Meetings	
	Number of meetings eligible	Number of meetings attended
R J Poole	5	5
V Bruce	5	5
P Suriano	5	5
P.Wyatt	4	-

The Directors meet on an informal basis approximately every fortnight.

Company Secretary

The company secretary at the date of this report is Mr Michael Glendinning – Bachelor of Business, Chartered Accountant. Mr Glendinning was appointed Company Secretary on 30th November 2005 and has worked both locally and internationally for the past 23 years in both the chartered accounting industry and management roles within the media and entertainment industry. He is also Company Secretary of Alexanders Securities Limited.

Principal Activity

The principal activity of the Company during the financial period was brand development and brand extensions. A full overview of operations is contained on page 30.

Dividends

No dividends were paid or declared for payment during the financial period.

Review of Operations

There was an increase in revenue during the year of almost 1200%, by an amount of \$2,005,211, which predominantly related to the contract in respect of the provision of services to the Doha Asian Games Organising Committee.

The loss from ordinary activities before income tax expense includes the following revenues whose disclosure is relevant in explaining the financial performance of the entity:

	Year Ended 30 June 2006	Year Ended 30 June 2005
	\$	\$
Revenues from ordinary Activities		
Revenue from services	1,962,332	85,581
Interest	28,657	20,135
Dividends	-	-
Other	196,944	182,722
	2,187,933	182,722

The net loss from ordinary activities after income tax for the year was as follows:

	2006 \$	2005 \$
Operating loss pre diminution in value of goodwill	624,346	613,034
Provision for diminution in value of goodwill	1,640,744	-
Operating loss including diminution in value of goodwill	2,265,090	613,034

The result for the financial year is in line with management and Board expectations.

Earnings per Share

	2006 cents	2005 cents
Basic earnings per share	(6.3)	(4.98)
Diluted earnings per share	(6.3)	(4.98)

All options currently on issue are "out-of-the-money" and are not considered dilutive. They are therefore excluded from the calculation of the diluted earnings per share.

Significant changes in the states of affairs

Except for the matters discussed above, there were no significant changes in the state of affairs of the Economic Entity during the year.

After balance date events

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

Future Developments

The Board is currently reviewing investment options and opportunities regarding the future of the Company and will revert to shareholders in this regard at an appropriate time.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnifying Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Audit and non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

/ All non audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor

/ None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

No non-audit services were provided during the period.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on Page 43.

Auditor

The auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

Remuneration Report

The Board is comprised of two non-executive and one executive Directors. The consolidated entity does not have any salaried Directors or executives. Directors remuneration is shown in Note 15 to the Financial Report.

As disclosed in the accounts, the following amounts were paid to Directors, or companies associated with Directors:

Name of Director	Entity	Service Provided	Amount Accrued	Amount Paid	Total
Mr R J Poole	Arthur Phillip Pty Limited	Directors	64,000	-	64,000
Mr R J Poole	Arthur Phillip Pty Limited	Provision of accounting services	5,500	13,500	19,000
Mr R J Poole	Arthur Phillip Pty Limited	Provision of company secretarial services	4,500	6,000	10,500
Ms V Bruce	Reality Energy Attitude Pty Limited	Consulting Services	20,389	182,011	202,400
Mr P Suriano	Entertainment Marketing and Enterprise Pty Limited	Consulting Services	-	-	-

The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of executives and consultants.

Options

At the date of this report, the unissued ordinary shares of Real Brand Holdings Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number
12.7.04	30.11.08	\$0.25	3,000,000
6.12.04	30.11.08	\$0.25	1,300,000
4.3.05	30.11.08	\$0.25	4,000,000
9.3.05	30.11.08	\$0.25	345,000
9.6.06	30.6.08	\$0.10	220,000

No person entitled to exercise the Option had or has any right by virtue of the Option to participate in any Share issue of any body corporate.

Adoption of Australian Equivalents of IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 18 to this report.

Proceedings on behalf of the 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 financial year.

Signed in accordance with a resolution of directors.

On behalf of the Directors



RJ Poole
Chairman
Sydney, 13th September 2006

4.0 Corporate Governance Statement

The Board of Directors of Real Brand Holdings Limited is responsible for the corporate governance of the company. The board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ('ASX') Corporate Governance Council. However in view of the Company's current size and extent of the nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the company in years ahead. Where the Company's framework was different to the Principles of Good Corporate Governance and best practice Recommendations set by the Australian Stock Exchange Corporate Governance Council, it has been noted.

A summary of the current corporate governance practices as adopted by the Board are as follows:

The Board of Directors

The Board of Directors carries out its responsibilities according to the following mandate:

- / The Board should comprise at least three Directors, with at least two thirds being Non Executive Directors
- / The Chairman of the Board should be a non Executive Director
- / The Directors should possess a broad range of skills, qualifications and experience
- / The Board should meet at least on a quarterly basis and
- / All available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- / The approval of the annual and half yearly financial report
- / The establishment of long term goals for the Economic Entity and strategic plans to achieve those goals
- / The review and adoption of annual budgets for the financial performance of the Economic Entity and monitoring the results on a quarterly basis.
- / Ensuring that the Economic Entity has implemented adequate internal controls together with the appropriate monitoring of compliance activities, and
- / Ensuring that the Economic Entity is able to pay its debts as and when they fall due.

The company discloses the Curriculum Vitae of each of its directors in its Annual Report.

The function of the Chairman (Richard Poole) and the other directors are separate.

Due to the size of the Company, the members of the Remuneration Committee and Nomination Committee are the same.

Due to the Company's current size and extent of nature of operations, the following departures from Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

/ The majority of the Board should be independent. Presently the Board consists of two non Executive Directors and one Executive Director. However, Richard Poole is a principal of Arthur Phillip Pty Limited, a material adviser to the Company in the past 3 years, and is not considered independent.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and professional advice at the Economic Entity entity's expense concerning any aspect of the Economic Entity entity's operations or undertakings in order to fulfill their duties and responsibilities as Directors

Ethical Standards

The Board endeavors to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- / Comply with the law,
- / Act in the best interests of the Company
- / Be responsible and accountable for their actions, and
- / Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading policy

The Company's policy regarding Directors and employees trading in its securities is set by the Finance Committee. The policy 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.

Audit and Finance Committee

The Board has established an Audit and Finance Committee consisting of the following Directors:

- / Mr Richard J Poole (Chairman)
- / Mr Philip R Suriano

The names and qualifications of the Directors in the Audit and Finance Committee and the number of meetings are disclosed in the Yearly Report.

The Audit and Finance Committee provides a forum for the effective communication between the Board and the external auditors. The Committee reviews:

- / The annual and half yearly financial report prior to their approval by the Board
- / The effectiveness of management information systems and systems of internal control, and
- / The efficiency and effectiveness of the external audit function.

The Audit and Finance Committee invites the Chief Financial Officer, other Directors and external auditors to attend committee meetings on occasion. The Audit and Finance Committee also meets with external auditors, as necessary, concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls. Given the significant involvement by the Board in the operations of the business during the year, it was not deemed necessary that the Audit and

Finance Committee meet during the financial year, as all matters normally dealt with by the Audit and Finance Committee are dealt with directly by the Board.

The Audit and Finance Committee requests the Company's external auditor to attend the annual general meeting and be available to answer Shareholder questions about conduct of the audit, and the preparation and content of the auditors report.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
/ The Audit and Finance Committee should consist of three members, the majority being independent and the Chairperson being independent and not the Chairperson of the Board. The committee only consists of two members, with the Chairperson being the Chairperson of the Board and as outlined on page 40 in the Board of Directors Section, the Directors are not considered independent.

Continuous Disclosure

The Board and Company Secretary has been appointed as the person responsible for communications with the Australian Stock Exchange ('ASX'). This person is also responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-coordinating information disclosure to the ASX.

The Board and the Company Secretary are responsible for the communications strategy to promote effective communications with Shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all Shareholders are fully informed.

Remuneration Committee/Nomination Committee

The Board has established a Remuneration Committee/Nomination Committee consisting of the following Directors:

/ Mr Richard J Poole (Chairperson)

/ Mr Philip R Suriano

The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient caliber to facilitate the efficient and effective management of the Economic Entity entity's operations, the Remuneration Committee occasionally seeks the advice of external advisors in connection with the structure of remuneration packages.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration Committee is provided by the Company in its Annual Report. The Remuneration Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
/ The Remuneration Committee should consist of three members, the majority being independent and

chaired by an independent person. The Committee only consists of two members and as outlined on page 39 in the Board of Directors section, the Directors are not considered to be independent.

The Nomination Committee considers the appointment and retirement of Non-Executive Directors on a case by case basis. In doing so, the Board must take into account the requirements of Listing Rules and the Corporations Act 2001. Currently all Directors are required to be re-elected at least every three years, and at least one-third of Directors must retire at each Annual General Meeting.

This process also includes ongoing evaluation of the performance of the Board and its individuals according to the goals, objectives and primary responsibilities of each Director as outlined in the Board of Directors Section.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
/ The Nomination Committee should consist of three members, the majority being independent and chaired by an independent person. The Committee only consists of two members and as outlined on page 39 in the Board of Directors section, the Directors are not considered to be independent.

Risk Management

The Board is responsible for the Economic Entity entity's system of internal controls. The Board constantly monitors the operation and financial aspects of the Economic Entity entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Economic Entity entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Economic Entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
/ The Company does not have a full time Chief Financial Officer and therefore statements are not obtained from such persons in relation to Best Practice Recommendation 4.1.

Code of Conduct

As part of the Board's commitment to the highest standards of conduct, the Economic Entity adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.

The code of conduct covers such matters as:

- / Responsibilities to Shareholders;
- / Compliance with Laws and Regulations;
- / Relations with Customers and suppliers;
- / Ethical responsibilities;
- / Employment Practices; and
- / Responsibilities to the environment and the community.

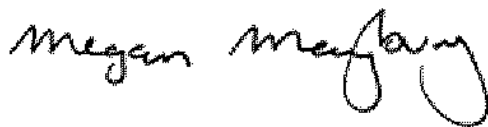
5.0 Auditors Independence Declaration

Auditors Independence Declaration
under section 307C of the corporations Act 2001
To the directors of Real Brand and business Limited

I declare that to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- 1.no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- 2.no contraventions of any applicable code of professional conduct in relation to the audit

Sneddon McKeeown



M J Maybury, Partner
13th September 2006

175 Scott Street
NEWCASTLE NSW 2300

6.0 Real Brand Holdings Limited Income Statement

for the year ended 30 June 2006

	Note	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Revenue	2	2,187,933	182,722
Expenses from ordinary activities	3	2,812,279	795,756
Provision for diminution in value of goodwill		1,640,744	-
Loss from ordinary activities before income tax expense		(2,265,090)	(613,034)
Income tax expense relating to ordinary activities	5	-	-
Net Loss from ordinary activities after related income tax		(2,265,090)	(613,034)
Loss attributable to minority equity interest		-	-
Loss attributable to members of the parent entity		(2,265,090)	(613,034)
Earnings Per Share:			
Basic (cents per share)	14	(6.3)	(4.98)
Diluted (cents per share)	14	(6.3)	(4.98)
Dividends per share		-	-

Real Brand Holdings Limited Income Statement
for the year ended 30 June 2006

	Note	Parent Company 30 June 2006 \$	Parent Company 30 June 2005 \$
Revenue from sales or services			
Other revenue from ordinary activities	2	28,657	18,544
Other expenses from ordinary activities	3	4,999	1,320
Provision for diminution in value of subsidiary		428,000	-
Profit/(loss) from ordinary activities before income tax expense		(404,342)	17,224
Income tax expense relating to ordinary activities	5	-	-
Profit attributable to minority equity interest		(404,342)	17,224
Profit attributable to minority equity interest		-	-
Profit attributable to members of the parent entity		(404,342)	17,224

7.0 Real Brand Holdings Limited Economic Balance Sheet

for the year ended 30 June 2006

	Note	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Current Assets			
Cash assets	16	552,115	1,684,599
Receivables	6	1,240,341	155,334
Other	7	188,748	126,319
Total Current Assets		1,981,204	1,966,252
Non -Current Assets			
Property, plant and equipment	8	54,197	46,467
Intangibles	10	2,200,000	3,840,744
Total Non -Current Assets		2,254,197	3,887,211
Total Assets		4,235,401	5,853,463
Current Liabilities			
Payables	11	1,090,720	491,772
Total Current Liabilities		1,090,720	491,772
Non -Current Liabilities			
Interest bearing liabilities	12	18,000	18,000
Total non -Current Liabilities		18,000	18,000
Total Liabilities		1,108,720	509,772
Net Assests		3,126,681	5,343,691
Equity			
Contributed equity	13	5,983,951	5,938,951
Reserves		20,854	17,774
Accumulated losses		(2,878,124)	(613,034)
Equity attributable to members of the parent entity		3,126,681	5,343,691
Outside equity interests		-	-
Total Equity		3,126,681	5,343,691

Balance Sheet

for the year ended 30 June 2006

	Note	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Current Assets			
Cash assets	16	532,212	1,684,022
Receivables	6	23,458	27,038
Total Current Assets		555,670	1,711,060
Non -Current Assets			
Receivables	6	2,844,052	1,617,115
Other financial assets	9	2,200,000	2,628,000
Total Non -Current Assets		5,044,052	4,245,115
Total Assets		5,599,722	5,956,175
Current Liabilities			
Payables	11	2,889	-
Total Current Liabilities		2,889	-
Total Liabilities		2,889	-
Net Assests		5,596,833	5,956,175
Equity			
Contributed equity	13	5,983,951	5,938,951
Reserves		-	-
Accumulated losses		(387,118)	17,224
Total Equity		5,596,833	5,956,175

8.0 Economic Entity Cash Flow Statement

for the year ended 30 June 2006

	Note	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Cash Flows from Operating Activities			
Receipts from customers		1,432,380	76,772
Government grants		95,039	-
Payments to suppliers and employees		(2,703,890)	(909,501)
Interest paid		-	(9,736)
Interest received		28,657	20,135
Income taxes paid		-	(8,990)
Net Cash Flows from Operating Activities	16	(1,147,814)	(831,320)
Cash Flows from Investing Activities			
Payment for fixed assets		(29,670)	(4,682)
Net Cash Flows from Investing Activities		(29,670)	(4,682)
Cash Flows from Financial Activities			
Proceeds from issue of equity securities		45,000	3,460,179
Payment for share issue costs		-	(267,276)
Loans from related parties		-	(682,518)
Net Cash Flows From Financing Activities		45,000	2,510,385
Net Decrease In Cash Assets Held		(1,132,484)	1,674,383
Cash assets at the beginning of the year		1,684,599	-
Cash acquired during the period		-	10,216
Cash Assets at the end of the Year	16	552,115	1,684,599

Cash Flow Statement

for the year ended 30 June 2006

	Note	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Cash Flows from Operating Activities			
Receipts from customers		-	-
Other		3,578	-
Payments to suppliers and employees		(2,108)	(1,320)
Interest paid		-	-
Interest received		28,657	18,544
Income taxes paid/(refunded)		-	(8,990)
Net Cash Flows From Operating Activities	16	30,127	8,234
Cash Flows From Investing Activities			
Acquisition of investments		-	-
Dividends received		-	-
Payments for investments		-	-
Loans made to other entities		-	-
Repayment of Debtors		-	-
Net Cash Flows From Investing Activities		-	-
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		45,000	3,460,179
Payment for share issue costs		-	(267,276)
Proceeds from borrowings		-	-
Repayment of borrowings		(1,226,937)	(1,517,115)
Net Cash Flows From Financing Activities		(1,181,937)	1,675,788
Net Increase(Decrease) in Cash Assets Held		(1,151,810)	1,684,022
Cash Assets at the beginning of the year		1,684,022	-
Cash acquired during the period		-	-
Cash Assets at the end of the year	16	532,212	1,684,022

9.0 Economic Entity Statement of changes in Equity

for the year ended 30 June 2006

Item	Ordinary Shares	Retained Earnings	Employee Options Reserve	Total
Balance at 1 July 2004	-	-	-	-
Issue of Shares	5,938,951	-	-	5,938,951
Loss for the year	-	(613,034)	-	(613,034)
Share based payments	-	-	17,774	17,774
Balance at 30 June 2005	5,938,951	(613,034)	17,774	5,343,691
Balance at 1 July 2005	5,938,951	(613,034)	17,774	5,343,691
Issue of Shares	45,000	-	-	45,000
Loss for the year	-	(624,346)	-	(624,346)
Provision for diminution in carrying value of goodwill	-	(1,640,744)	-	(1,640,744)
Share based payments	-	-	3,080	3,080
Balance at 30 June 2006	5,983,951	(2,878,124)	20,854	3,126,681

Parent Company Statement of Changes in Equity
for the year ended 30 June 2006

	Ordinary Shares	Retained Earnings	Reserve	Total
Balance at 1 July 2004	-	-	-	-
Proceeds on the issue of shares	5,938,951	-	-	5,938,951
Profit for the year	-	17,224	-	17,224
Balance at 30 June 2005	5,938,951	17,224	-	5,956,175
Balance at 1 July 2005	5,938,951	17,224	-	5,956,175
Profit for the year	-	23,658	-	23,658
Provision for diminution in carrying value of goodwill		(428,000)	-	(428,000)
Proceeds on the issue of shares	45,000	-	-	45,000
Balance at 30 June 2006	5,983,951	(387,118)	-	5,596,833

10.0 Notes to the Financial Statements

Note 1: Basis of Preparation

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

The company changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in note 18. The accounting policies set out below have been applied in preparing the financial statements for the full year ended 30 June 2006, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 18), the company's date of transition.

There has been no material impact of changes in these accounting policies.

The financial report covers Real Brand Holdings Limited and its subsidiary company. Real Brand Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Real Brand Holdings Limited. Control exists where Real Brand Holdings Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Real Brand Holdings Limited to achieve the objectives of Real Brand Holdings Limited.

A list of controlled entities is contained in Note 18 of the accounts.

All inter-company balances and transactions between entities in the economic entity, including any unrealized 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 from the date control was obtained or until the date control ceased.

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

(b) Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability 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 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 tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventory and work in progress

Inventories and work in progress are measured at the lower of cost and net realizable value. Cost of manufactured units includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating activity. Costs are assigned on the basis of weighted average costs.

(d) Property, plant and equipment

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

Plant and Equipment

Plant and Equipment are measured on the cost basis.

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

Note 1: Basis of Preparation Continued

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overhead.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalized lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation rate
Plant and Equipment – electrical	30-60%
Furniture	10-20%

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 value 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 the retained earnings.

(e) Financial Instruments

Financial instruments are originally recorded 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:

Financial assets at fair value through profit and loss

A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

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

Held-to-Maturity Investments

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

Available-for-Sale Financial Instruments

Available-for-sale financial instruments include any financial assets not included in the above categories. Available-for-sale financial instruments 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 instruments 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 value of all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses 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 in the income statement.

(f) Impairment

At each reporting date, the company the company 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 assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Note 1: Basis of Preparation Continued

(g) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in the intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

(h) 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 cashflows to be made for those benefits.

(i) Provisions

Provisions are recognized 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.

(j) Cash

For the purpose of the statement of cash flows, cash includes:
/ cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
/ investments in money market instruments with less than 14 days to maturity.
/ Cash floats and cash in bank.

(k) Revenue

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Royalty income is recognized on an accrual basis, when the right to receive the income has been established.

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

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

(l) 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 statement of financial position are shown inclusive of GST.

(m) Comparative Figures

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

(n) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at their fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognized in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized directly in equity to the extent that the gain or loss is directly recognized in equity, otherwise the exchange difference is recognized in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentational currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; Income and expenses are translated at average exchange rates for the period; and Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognized in the income statement in the period in which the operation is disposed.

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

Critical accounting estimates and judgements: Impairment testing

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Critical estimates and judgements relating to the impairment testing of the assets of the group are as follows:

Carrying value of investment in Real Brand & Business Pty Limited and Goodwill on Consolidation

The Directors of Real Brand Holdings Limited have conducted an impairment testing review of the carrying value of the carrying value of the goodwill on consolidation. As a result of this impairment testing, they have provided for an amount of \$1,640,744, to reduce the value of the goodwill on consolidation, and the carrying value of the investment in the subsidiary to an amount of \$2,200,000. In determining the fair value of the investment, the Directors have considered the length of contracts being worked on as well as the inherent risk associated with the delivery of those contracts.

2.0 Revenue

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Consultancy Fees	1,962,332	85,581	-	-
Interest received - other	28,657	20,135	28,657	18,544
Royalties	101,905	77,006	-	-
Government Grants	95,039	-	-	-
	2,187,933	182,722	28,657	18,544

3.0 Expenses

Loss from ordinary activities before income tax has been determined after:

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Loss from ordinary activities before income tax has been determined after:				
Auditors remuneration	28,360	27,500	-	-
Accounting fees	111,675	17,936	-	-
Depreciation	21,940	4,599	-	-
Licencing fees	8,922	92,134	-	-
Production	221,409	57,333	-	-
Travel	532,147	94,587	-	-
Borrowing costs	-	9,736	-	-
Consulting	1,361,488	285,448	-	-
Rent	59,191	30,056	-	-
Office	233,388	70,449	-	-
Other	230,679	88,204	4,999	1,320
Share based payments	3,080	17,774	-	-
Provision for diminution in carrying value of subsidiary	-	-	428,000	-
Provision for diminution in goodwill	1,640,744	795,756	432,999	1,320

4.0 Auditors Remuneration

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial report	28,360	27,500	-	-

5.0 Income Tax

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Income Tax Expense	-	-	-	-

6.0 Trade and other Receivables

Current

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Trade debtors – other	712,373	75,812	-	-
Trade debtors – related parties	29,073	-	-	-
Other debtors and prepayments	45,746	79,522	23,458	27,037
Provision for doubtful debts	-	-	-	-
Production in progress	453,149	-	-	-
	1,240,341	155,334	23,458	27,037

Trade and other Receivables

Non-Current

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Deposits and advances controlled entities	-	-	2,844,052	1,617,115
Less: provision for impairment of receivables	-	-	-	-
	-	-	2,844,052	1,617,115

7.0 Other Assets

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Loans	188,748	126,319	-	-

8.0 Plant and Equipment

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Computer Equipment				
At Cost	20,392	27,383	-	-
Accumulated Depreciation	(4,213)	(12,655)	-	-
	16,179	14,728	-	-
Property, plant and equipment				
At cost	75,450	38,789	-	-
Accumulated Depreciation	(37,432)	(7,050)	-	-
	38,018	31,739	-	-
	54,197	46,467	-	-

9.0 Other Financial Assets

Non-Current

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Investment in controlled entities at Fair Value	-	-	2,200,000	2,628,000
Total Investments	-	-	2,200,000	2,628,000

Refer to Note 1 for critical accounting estimates and judgements used in determining fair value and any potential impairment testing of this asset.

10.0 Intangibles

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Goodwill on consolidation	2,200,000	3,840,744	-	-

Refer to Note 1 for critical accounting estimates and judgements used in determining fair value and any potential impairment testing of this asset..

11.0 Current Liabilities

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Trade creditors – related parties	121,522	44,235	-	-
Trade debtors – others	542,015	408,061	2,889	-
Trade creditors – production production in progress	327,211	-	-	-
Sundry creditors	99,972	39,476	-	-
	1,090,720	491,772	2,889	-

12.0 Interest Bearing Liabilities

Non-Current

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Loans – related parties	18,000	18,000	-	-
	18,000	18,000	-	-

13.0 Issue of Securities

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
36,585,750 fully paid ord shares	5,983,951	5,938,951	5,983,951	5,938,951
Ordinary Shares	Number	Number	Number	Number
Opening Balance as at 1 July	35,835,750	-	35,835,750	-
12 July 2004	-	3,000,000	-	3,000,000
7 December 2004	-	4,695,750	-	4,695,750
9 March 2005	-	28,140,000	-	28,140,000
9 June 2006	750,000	-	750,000	-
Closing Balance	36,585,750	35,835,750	36,585,750	35,835,750
Options – Exercisable at 25c, expiry date 30 November 2008				
Opening Balance	8,300,000	-	8,300,000	-
Issue of Options	-	8,300,000	-	8,300,000
Closing Balance	8,300,000	8,300,000	8,300,000	8,300,000
Employee Options – Exercisable , expiry date 30 November 2008				
Opening Balance	345,000	-	345,000	-
Issue of Options, 9 March 2005	-	345,000	-	345,000
Closing Balance	345,000	345,000	345,000	345,000
Employee Options – Exercisable , expiry date 30 June 2008				
Opening Balance	-	-	-	-
Issue of Options, 9 June 2006	220,000	-	220,000	-
Closing Balance	220,000	-	220,000	-

Each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

Issue of Securities continued

Shares

2005

On the 12th July 2004 the Company issued 3,000,000 ordinary shares at \$0.0001 each to Shareholders.

On the 7th December 2004 the Company issued 4,695,750 ordinary shares at \$0.16 each to Shareholders.

On the 9th March 2005 the Company issued 28,140,000 ordinary shares at \$0.20 each to Shareholders.

2006

On the 9th June 2006 the Company issued 750,000 ordinary shares at \$0.06 each to Shareholders.

Ordinary shares participate in dividends and proceeds of the winding up of the Parent Entity in proportion to the number of shares held.

At the Shareholders' Meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

Options:

For information relating to share options issued to key personnel during the financial year, refer to Note 19, Share-based payments.

14.0 Asset Backing

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Net tangible asset backing (cents per share)	2.4 cents	14.9 cents
Basic earnings per share (cents per share)	6.3 cents	4.98 cents
Earnings used in calculation of earnings per share	(2,265,090)	(613,034)
Weighted average number of units on issue used in calculation of earnings per unit	35,898,249	14,250,545
Weighted average of options outstanding	7,925,322	5,035,027

Options on issue at the end of the financial year have not been included in the calculation of diluted EPS as the Company incurred a net loss for the financial year. Any conversion of these Options would decrease the net loss per Share, and as such, these Options were not considered dilutive.

15.0 Directors and Director Related Parties

Directors Remuneration	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
V Bruce	202,400	62,592
R Poole	64,000	-
P Suriano	-	9,124
	282,485	76,609

Directors Equity Holdings

Directors Equity Holdings	Balance 1 July 2005	Change	Balance 30 June 2006
Ordinary Shares			
V Bruce	9,480,000	-	9,480,000
R Poole	1,490,000	-	1,490,000
V Bruce	212,500	-	212,500
Options			
V Bruce	-	-	-
R Poole	2,500,000	-	2,500,000
P Suriano	300,000	-	300,000

Directors and Related Party Transactions and Balances

Directors and Related Parties and Transactions	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$	Parent 30 June 2006 \$	Parent 30 June 2005 \$
Receivables (see Note 6)				
Organic Brands Pty Limited	29,073	-	-	-
Payables (see Note 12)				
Reality Energy Attitude Life Pty Limited	22,428	-	-	-
Entertainment Marketing & Enterprise Pty Limited	17,694	-	-	-
Arthur Phillip Pty Limited	-	-	-	-

R Poole is a director of Arthur Phillip Pty Limited during the period. During the period, Arthur Phillip Pty Limited has provided accounting, administration, company secretarial and management services to the company, amounting to \$29,500 (2005: \$nil). During the year ended 30 June 2005, A fee for the costs of capital raising was paid to Arthur Phillip Pty Limited. The fee amounted to \$193,000.

R Poole is a director of Organic Brands Pty Limited during the period. During the period, Organic Brands Pty Limited was provided with creative services by REAL, amounting to \$26,430 (2005: \$nil).

Aggregate amounts included in the determination of loss from ordinary activities before income tax that result from transactions with related parties are as follows:

	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Revenue	26,430	-
Fees and charges	311,985	76,609

Remuneration Practices

Under the Listing Rules, the maximum fee payable to Directors, except Non Executive Directors, may not be increased without prior approval from the Company at a general meeting. Non-Executive Directors must be paid a fixed sum – the board has set the amount payable to Non-Executive Directors in aggregate at \$200,000 per annum. Presently, Philip Suriano is entitled to receive \$30,000 per annum and 300,000 Options with an exercise price of \$0.25 per share, a vesting date of 8 December 2005 and expiry date of 30 November 2008.

No Non-Executive Director shall be paid a commission or a percentage of profits or a commission on a percentage of operating revenue, and no Executive Director shall be paid a commission of operating revenue.

If a Director, being willing, is called on to perform extra services, or to make any special exertions in going or residing abroad or otherwise for the Company, the Company may remunerate that Director by payment of a fixed sum determined by the Board and that remuneration may be either in addition to or in substitution for that Directors share in the fixed pool of funds available to the Directors.

Each Director may also be paid all traveling and other expenses properly incurred by them in attending, participating in and returning from meetings of the Board or any committee of the Board or general meetings of the Company or otherwise in connection with the business of the Company.

As remuneration for Virginia Bruce's services, the Company agrees to pay \$880 per day, limited to \$202,400 per annum for the first 2 years, subject to performance review and discretionary bonuses for performance. In addition, the Company agrees to pay a non-discretionary cash bonus to Virginia Bruce up to a total amount of \$265,000 payable out of the profits of Real Brand Holdings Limited. The amount of the non-discretionary bonus paid each year must not exceed 30% of earnings before interest and tax for the year. Payment will be made progressively out of annual profits until the full amount of the bonus is paid.

The term of agreement with Virginia Bruce is 4 years from 9 December 2004. Prior to the expiry of the term, but not before 9 December 2006, either party may terminate the agreements by giving 12 months written notice to the other party. The Company may, in lieu of giving notice, elect to pay Virginia Bruce the equivalent of what she would have earned over the 12 month period, based on the average monthly fees earned during the three months prior to termination. After expiry of the term, the parties may agree to renew the agreement for such further term and upon such conditions as the parties may agree.

16.0 Notes to the Statements of Cashflow

Reconciliation of Net Cash from/(used in) operating activities to Net loss from ordinary activities after income tax	Economic Entity 30 June 2006 \$	Economic Entity 30 June 2005 \$
Nett cash (used in) operating activities	11,147,816]	(831,320)
Decrease/(Increase) in creditors and accrued expenses	(536,519)	53,421
(Decrease)/Increase in receivables	631,857	177,584
(Decrease)/Increase in work in progress	453,152	-
Employee share based remuneration	(3,080)	117,774)
Depreciation	(21,940)	(3,935)
Provision for diminution in value of goodwill	1,640,744	-
Income tax	-	8,990
Net loss from ordinary activities after Income Tax	(2,265,090)	(613,034)

Cash and Cash Equivalents

Cash *	552,115	1,684,599
	552,115	1,684,599

	Parent 2006 \$	Parent 2005 \$
Nett cash (used in) operating activities	30,127	8,234
(Decrease)/Increase in trade and other payables	(6,469)	-
Income tax paid	-	8,990
Provision for diminution in carrying value of subsidiary	(428,000)	-
Net loss from ordinary activities after Income Tax	(404,342)	17,224
Cash and Cash Equivalents		
Cash *	532,212	1,684,022

* At 30 June 2006, USD 100,000 (AUD 135, 971) is pledged as security in respect of a performance bond provided in respect of the contract with the Doha Asian Games Organising Committee. Refer to Note 20 Contingent Liabilities for further details.

17.0 Particulars Relating to Controlled Entities

Controlled Entities	Place of Incorp	Class of shares	2006 %	2005 %
Real Brand and Business Pty Limited	NSW	Ord	100	100

On 11 March 2005 the parent entity acquired 100% of Real Brand and Business Pty Limited, with Real Brand Holdings Limited entitled to all profits earned from 11 March 2005 for a purchase consideration of \$2,628,000

18.0 Impacts of the adoption of Australian Equivalents Financial Reporting Standards

Effect of A-IFRS on the income statement for financial year ended 30 June 2006.

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS. The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 July 2005 is shown below:

Reconciliation of Equity at 1 July 2005	30 June 2005 \$	Effect of adoption \$	1 July 2005 \$
Current Assets			
Cash and cash equivalents	1,684,599	-	1,684,599
Trade and other receivables	155,334	-	155,334
Other	126,319	-	126,319
Total Current Assets	1,966,252	-	1,966,252
Non - Current Assets			
Property, plant and equipment	46,467	-	46,467
Other intangible assets	3,726,852	113,892	3,840,744
Other	-	-	-
Total non-current Assets	3,773,319	113,892	3,887,211
Total Assets	5,739,571	113,892	5,853,463

Reconciliation of Equity at 1 July 2005	30 June 2005 \$	Effect of adoption \$	1 July 2005 \$
Current Liabilities			
Trade and other payables	491,772	-	491,772
Total Current Liabilities	491,772	-	491,772
Non - Current Liabilities	18,000	-	18,000
Total non - Current Liabilities	18,000	-	18,000
Total Liabilities	509,772	-	509,772
Net Assets	5,229,799	113,892	5,343,691
Equity			
Share capital	5,938,951	-	5,938,951
Reserves	-	17,774	17,774
Retained earnings	(709,152)	96,118	(613,034)
Total Equity	5,229,799	113,892	5,343,691
The adjustment to retained earnings are as follows:			\$
Reversal of amortization of goodwill			113,892
Share based payments			(17,774)
Retained earnings adjustments			96,118

Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Reconciliation of Profit (loss) for 2005	30 June 2005 \$	Effect of adoption \$	30 June 2005 \$
Revenue from Sales or Services			
Other revenue from ordinary activities	182,722	-	182,722
Auditing and accounting	45,436	-	45,436
Borrowing cost	9,736	-	9,736
Consulting fees	285,448	-	285,448
Depreciation and amortization expense	117,827	(113,892)	3,935
Licencing fees	92,134	-	92,134
Office expense	70,134	-	70,449
Production expense	57,333	-	57,333
Rent	30,056	-	30,056
Employee benefits expense	-	17,774	17,774
Travel expense	94,587	-	94,587
Other expenses from ordinary activities	88,204	-	88,204
Profit / (Loss) from ordinary activities before income tax expense	(709,152)	95,454	(613,034)
Income tax expense relating to ordinary activities	-	-	-
Profit / (Net Loss) from ordinary activities after related income tax	(709,152)	96,118	(613,034)

Notes to the reconciliation of profit or loss for 2005

Amortisation of Goodwill

The consolidated entity elected to measure Goodwill on transition to A-IFRS at fair value and has used that fair value as the item's deemed cost at that date. The effect of the revaluation to fair value for Goodwill previously amortised is an increase in the carrying amount of Goodwill by \$113,228 at 30 June 2005. A reduction in amortisation expense of \$113,228 is recognised under A-IFRS for the financial year ended 30 June 2005.

Share-based payments

For the year ended 30 June 2005, share-based payments of \$17,774 (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve. These adjustments had no material tax or deferred tax consequences.

19.0 Shared-based Payments

The following share based payment arrangements existed at 30 June 2006:

Economic Entity	Full Year 30 June 2006		Full Year 30 June 2005	
	No of options	Exercise price	No of Options	Exercise price
Outstanding at the beginning of the financial year	345,000	-	-	-
Granted	220,000	10 cents	345,000	25 cents
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at period end	565,000	-	345,000	-
Exercisable at period end	565,000	-	345,000	-

Parent Company

Economic Entity	Full Year 30 June 2006		Full Year 30 June 2005	
	No of options	Exercise price	No of Options	Exercise price
Outstanding at the beginning of the financial year	345,000	-	-	-
Granted	220,000	10 cents	345,000	25 cents
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at period end	565,000	-	345,000	-
Exercisable at period end	565,000	-	345,000	-

The options outstanding at 30 June 2006 had a weighted average exercise price of \$0.10 and a weighted average contractual life of 2.08 years. The weighted fair average value of the options granted during the year was \$0.014.

The price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.10
Weighted average life of the option	2.08 years
Underlying share price	\$0.05
Expected share price volatility	80%
Risk free interest rate	6%

Historic volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$3,080 (2005:\$17,774) and relates in full to equity settled share based payment transactions.

20.0 Contentment Liabilities or Contingent Assets

As a condition of the contract in respect of the provision of services to the Doha Asian Games Organising Committee, Real Brand Holdings Limited was required to provide a performance bond of US\$ 100,000 (AUD equivalent of \$135,971). In the event that the deliverables are not met in respect of the contract for the provision of services to the Doha Asian Games Organising Committee, this bond may be forfeited. Provided that all of the deliverables are met, this bond will be released to Real Brand Holdings Limited in February 2007. At 30 June 2006, the directors believe that 22 of 23 deliverables had been met, with the final deliverable being supplied in July 2006.

Apart from the above, there are no contingent liabilities or contingent assets of the company at 30 June 2006.

21.0 Dividends

No dividends have been declared or paid during the year ended 30 June 2006 or in the prior period, and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2006.

22.0 Events Subsequent to Reporting Date

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

23.0 Segment Reporting

The business operates in one segment

Secondary Reporting – Geographical Segments	2006 \$	2005 \$
Revenue		
Australia	271,975	182,772
United States of America	102,685	-
Middle East	1,726,606	-
China	86,667	-
Total	2,187,933	187,772

All segments assets are located in Australia

24.0 Financial Instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which has been recognised on the statement of financial performance, other than investments in shares is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Rate	Floating Interest rate	Fixed 1 year or less	Non-interest bearing	Total
2006					
Financial Assets					
Cash and Deposits	3%	552,115	-	-	552,115
Receivables	0%	-	-	787,192	789,192
Other financial assets	0%	-	-	188,748	188,748
Total Financial Assets	-	552,115	-	975,940	1,528,055

Financial Instruments continued

	Rate	Floating Interest rate	Fixed 1 year or less	Non-interest bearing	Total
2006					
Financial Liabilities					
Trade and Other creditors	0%	-	-	1,090,720	1,090,720
Interest bearing liabilities	6%	18,000	-	-	18,000
Total financial liabilities	-	18,000	-	1,090,720	1,108,720

	Rate	Floating Interest rate	Fixed 1 year or less	Non-interest bearing	Total
2005					
Financial Assets					
Cash and Deposits	3%	1,684,599	-	-	1,684,599
Receivables	0%	-	-	155,334	155,334
Other financial assets	0%	-	-	126,319	126,319
Total Financial Assets	-	1,684,599	-	281,653	1,966,25
Financial Liabilities					
Trade and Other sundry creditors	0%	-	-	491,772	491,772
Interest bearing liabilities	6%	18,000	-	-	18,000
Total financial liabilities	-	18,000	-	491,772	509,772

• Weighted average rate return

25.0 Reserves

Employee Option reserve

The Employee Options Reserve records items recognised as expenses on valuation of employee share options.

26.0 Company Details

The registered office of the company is:

Real Brand Holdings Limited
Level 14
15-19 Bent Street
SYDNEY NSW 2000

The principal places of business are:

Real Brand Holdings Limited
93 Palmer Street
WOOLLOOMOOLOO NSW 2011

11.0 Directors Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 44 to 75 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 2006 and of the performance for the year ended on that date of the company;

2. The Chief Executive Officer and the Chief Financial 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.

On behalf of the Directors

RJ Poole

Chairman

A handwritten signature in black ink, appearing to be 'RJ Poole', written over a horizontal line.

Sydney, 13th September 2006

12.0 Independent Audit Report

Scope:

We have audited the financial report of Real Brand Holdings Limited and controlled entities for the financial year ended 30 June, 2006 as set out on pages 44 to 76

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the result of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

INDEPENDENCE

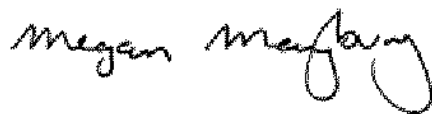
In conducting our audit we followed applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 43 of the financial report has not changed as at the date of providing our audit opinion.

AUDIT OPINION

In our opinion, the financial report of Real Brand Holdings Limited is in accordance with:

- a) The Corporations Act 2001, including;
 - i) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June, 2006 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia



M J Maybury, Partner
13th September 2006

13.0 Shareholders Information

(a) Distribution of shareholders

Size of holding	Number of holders	Number of shares	%
100,001 and over	26	30,833,500	84.28%
10,001 – 100,000	214	5,396,750	14.75%
5,001 – 10,000	34	337,000	0.92%
1,001 – 5,000	7	18,500	0.05%
1–1,000	-	-	-
	281	36,585,750	100.00%

(b) The number of Shareholdings held in less than marketable parcels is 40.

(c) The names of the substantial Shareholders listed in the holding company's register as at 1 October 2006 are:

Shareholder	Shares	%
Reality Energy Attitude Life	9,480,000	25.91%
Ironwood Investments Pty	4,397,000	11.75%
Arthur Phillip Nominees Pty	3,750,000	10.25%
M J H Nightingale & Co Pty Ltd	2,317,500	7.24%
Brovest Pty Ltd	2,586,250	7.07%

(d) Largest Shareholders – ordinary Shares

Shareholder	Shares Issued	%
Reality Energy Attitude Life	9,480,000	25.91%
Ironwood Investments Pty	4,297,000	11.75%
Arthur Phillip Nominees Pty	3,750,000	10.25%
M J H Nightingale & Co Pty Ltd	2,650,000	7.24%
Brovest Pty Ltd	2,586,250	7.07%
Ms Amanda Poole	1,490,000	4.07%

Shareholder	Shares Issued	%
Mr Kenneth Alan Rising &	852,500	2.33%
Clodene Pty Ltd	825,000	2.25%
Charter Pacific Corporation	600,000	1.64%
Stratford Gem Pty Ltd	560,000	1.53%
Ms Christine Anne Barnes	500,000	1.37%
Mornington Investments Pty	500,000	1.37%
Port Brassey Pty Ltd	480,000	1.31%
Brand Projects Pty Limited	380,000	1.04%
Ms Christine Barnes	300,000	0.82%
Quevy Holdings Pty Ltd	300,000	0.82%
Mr Christian Robert Bernecker	200,000	0.55%
Mrs Melissa Suriano	200,000	0.55%
Ardroy Securities Pty Ltd	192,750	0.53%
M & L Nominees Pty Ltd	150,000	0.41%
Morestall Pty Ltd	150,000	0.41%
Total	30,443,500	83.21%

(e) Voting rights

There are no restrictions on voting rights. On a show of hands every member present in person, attorney, or by proxy shall have one vote and upon a poll each Share shall have one vote. Option holders have no voting rights until the Options are exercised.

(f) Audit Committee

At the date of the Directors Report, the Company has a committee of two Non-Executive Directors which meets with the Company's external auditors at least once during each half year. These meetings take place prior to the finalization of the half year financial statements and Annual Report and prior to the signing of the Audit Report.

(g) Distribution of option holders – Exercisable at 25 cents, expiry date 30 November 2008

Size of holding	Number of holders	Number of shares	%
1-1,000		-	-
1,001 – 5,000		-	-
5,001 – 10,000		-	-
10,001 – 100,000		-	-
100,001 and over	4	8,300,000	100
Totals	4	8,300,000	100

(h) 20 largest option holders – exercisable at 25 cents, expiry date 20 November 2008

Shareholder	Options Issued	% of options
Arthur Phillip Nominees Pty Limited	4,000,000	48.19
Amanda Poole	2,500,000	30.12
Brovest Pty Limited	1,500,000	18.07
Philip Suriano	300,000	3.61
	8,300,000	100

(i) 20 largest option holders – exercisable at 25 cents, expiry date 20 November 2008

Size of holding	Number of holders	Number of shares	%
1-1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	6	345,000	100
100,001 and over	-	-	-
Totals	6	345,000	100

(j) 20 largest Employee option holders – exercisable at 25 cents, expiry date 20 November 2008

Shareholder	Options Issued	% of options
Belinda Cendron	100,000	28.99
Alexandra Maze	100,000	28.99
Diana Kluytmans	50,000	14.49
Margie Tierney	50,000	14.49
Addison Marshall	25,000	7.25
Alana Terry	20,000	5.8
	345,000	100

(k) Distribution of Employee option holders – Exercisable at 10 cents, expiry date 30 June 2008

Size of holding	Number of holders	Number of shares	%
1-1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	20,000	9.1
100,001 and over	1	200,000	90.9
Totals	2	220,000	100

(l) 20 largest Employee option holders – exercisable at 10 cents, expiry date 30 June 2008

Size of holding	Number of holders	Number of shares	%
Paul Morgan	200,000		90.9
Jesse Warburg	20,000		9.1
	220,000		100



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