

29 September 2006

Company Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

We refer to the ASX Appendix 4E "Preliminary Final Report to the ASX" for the year ended 30 June 2006 lodged with ASX on 13 September 2006. This report was lodged on the basis that the accounts had not yet been audited.

Upon completion of the audit, the annual audited accounts differ from the results reported in the Appendix 4E as follows:

1. Consolidated net loss after income tax

Loss reported in the Appendix 4E	(8,148,518)
Adjust for:	
Reversal of write off of goodwill on consolidation	<u>5,877,197</u>
Loss reported in the audited accounts	<u>(2,271,321)</u>

2. Basic loss per share

Basic loss per share reported in the Appendix 4E	<u>(9.34 cents)</u>
Basic loss per share reported in the audited accounts	<u>(2.54 cents)</u>

On 30 June 2006 the Company issued 60,000,000 fully paid ordinary shares at a deemed issue price of 7.5 cents per share as consideration for the acquisition of 100% of the issued capital of Capital Pacific Pty Ltd ("Capital Pacific"). At the time of lodging the Appendix 4E, the Company had not yet had an opportunity to complete the impairment testing required to assess the recoverable amount of Capital Pacific. Therefore, the directors formed the conservative view that until impairment testing had been complete, that goodwill be written off in its entirety.

Since the lodgement of the Appendix 4E, the Company has now tested the goodwill for impairment in accordance with AASB 136 (see Note 10). This has resulted in a reversal of that goodwill written off in the amount of \$5,877,197.

AUTHORISED BY:

Blair Sergeant
Managing Director



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C o r p o r a t i o n L i m i t e d

A B N 3 6 0 9 8 4 5 5 4 6 0

2006 ANNUAL FINANCIAL REPORT

CORPORATE DIRECTORY

Directors

Mr Blair Sergeant - Managing Director
Mr Patrick Davin - Executive Director
Mr Michael Leshner - Executive Director

Auditors

PKF Chartered Accountants
Level 7, BGC Centre
28 The Esplanade
Perth Western Australia 6000

Company Secretary

Mr Blair Sergeant

Bankers

National Australia Bank
1238 Hay Street
West Perth Western Australia 6005

Principal and Registered Office

Level 1, 189 Hay Street
Subiaco Western Australia 6008
Telephone: 61 8 9382 2869
Facsimile: 61 8 9382 1322

Solicitors

Steinpreis Paganin
Level 4
16 Milligan Street
Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000
Telephone: 61 8 9323 2000
Facsimile: 61 8 9323 2033

Stock Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

ASX Code: OPC

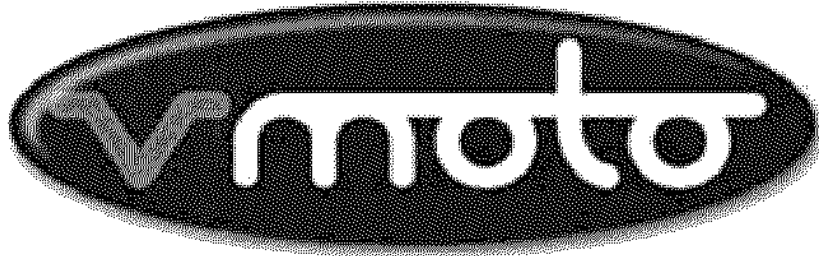
Optima Corporation Limited is a public company listed on the Australian Stock Exchange and incorporated in Western Australia.

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OPERATIONS REVIEW

By far the most significant event for the year ended 30 June 2006, was the acquisition of Capital Pacific Pty Ltd, the owner of Vmoto Motorcycles Australia, which includes Vmoto scooters, Vmoto ATV's (All Terrain Vehicles) and Vmoto motorcycles.



www.vmoto.com.au

Shareholders overwhelmingly approved this acquisition at a general meeting held on 30 June 2006 and consequently, Mr Patrick Davin, co-founder and current Managing Director of Vmoto, was appointed to the Board of Optima as a director.

Importantly, the results reported herein do not reflect in any way the performance of Vmoto during the financial year ended 30 June 2006, however the Board is extremely excited at the opportunities Vmoto presents to the Company and looks forward to reporting results of the brand in future years.

WEST

The performance of *West* during the year ended 30 June 2006 produced mixed results in so much as despite significant revenue growth, total sales were significantly less than the Board's expectations.

Consequently, the Board was forced to re-examine the current strategy which resulted in the decision to focus exclusively on wet suit sales. Following this change in strategy, the Board has been able to reduce overheads substantially and focus its efforts on reinforcing the brand's credible reputation as a premium surfing wetsuit manufacturer. Although disappointing, the Board felt that it was clear that the costs associated with producing, marketing and branding 2-3 apparel lines per year could not be justified based on the level of apparel sales achieved in the competitive USA market.

Inevitably, the phasing out of the apparel line will result in a reduction in total gross sales. This will be matched however with a significantly reduced operating loss and provides the brand with a greater opportunity to reach break-even sooner rather than later.

CREATURES OF LEISURE

Creatures continue to perform reasonably well, reflecting its world wide reputation as one of the preeminent surf accessory brands. The relative ease in securing new retail accounts throughout the USA is a reflection of the strength of the brand, however, the market segments in which the brand is most dominant are relatively small. Therefore, despite providing a significantly easier selling proposition when compared to *West*, total sales posted for the 2006 financial year of A\$1.10m was similar in size and at a lower gross margin.



CORPORATE

The Company appointed Mr Michael Leshner to the full-time CEO position, effective 1 September 2006. Mr Leshner is a highly experienced and well respected US surf industry executive, being the former Director of Sales and Marketing in the US with iconic surf wear brands Billabong and Hurley International, as well as holding senior executive roles with Quiksilver.

OPERATIONS REVIEW (cont'd)

Following the acquisition of Vmoto, Mr Patrick Davin joined the Board and Mr Anthony Ho resigned as Director and Company Secretary.

The consolidated entity also assumed \$250,000 in longer term, unsecured and non-interest bearing debt as a result of the Vmoto acquisition.

SUMMARY AND OUTLOOK

The focus of the group is now very much on the international opportunities presented by Vmoto, together with a resolve to ensure Vmoto remains as the #1 scooter brand in Australia.

Vmoto has 65 dealers throughout Australia and has recently established distribution networks in New Zealand (eight dealers) and the United States (three dealers). Vmoto's state of the art production facilities are all situated in the Peoples' Republic of China, one of which is currently the world's largest producer of scooters.

All Vmoto scooters carry full volume compliance having passed the Australian Design Rules ("ADR") (some of the most stringent in the world). In addition to ADR compliance, the Vmoto brand and trade mark is also registered in over 15 countries worldwide.

Vmoto's global headquarters and distribution centre is located in Perth, Western Australia.

Initial focus for international expansion will centre on USA, New Zealand, Malaysia, Singapore and the United Arab Emirates where for the most part, compliance of several models has already been completed and in some cases, sales have commenced.

The Board is currently completing a strategic review of the *West* and *Creatures* businesses in the USA and as part of that process, will consider all available options.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Optima Corporation Limited (the "Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditors' report thereon.

Directors

The Directors of the Company at any time during or since the financial year are:

Mr Blair Sergeant BBus, Post Grad Dip Corp Admin, ACIS, ASCPA
Managing Director and Company Secretary - appointed 29 January 2004

Mr Sergeant graduated with a Bachelor of Business and a Post Graduate Diploma in Business (Corporate Administration), both from Curtin University, Western Australia. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practicing Accountants.

Mr Sergeant is currently a non-executive director or company secretary to a number of companies listed on the Australian Stock Exchange.

Mr Patrick Dennis Davin
Executive Director - appointed 30 June 2006

Mr Davin is one of the original founders of Capital Pacific Pty Ltd ("Capital Pacific"), the owner of Vmoto Motorcycles Australia ("Vmoto"), establishing the company in 1999 through his long term association with Chinese industry. He has been Managing Director of Capital Pacific since its inception and has directly overseen the growth of Vmoto to the number one position in the Australian Scooter market. He has extensive contacts in Chinese business and industry and spends more than 3 months in China on an annual basis.

Mr Davin is also co-founder and a non-executive director of Australian listed mining company Ferraus Limited, and worked for some of Perth's leading mining companies in senior marketing roles prior to starting his own businesses in 1995.

Mr Davin will be retiring and seeking re-election by shareholders at the 2006 Annual General Meeting.

Mr Robert Michael Leshner
Executive Director - appointed 13 July 2004

Mr Leshner has extensive experience in the surfing and leisure products industry in the USA. From 1998-2000, he was the Director of Sales for Hurley International, achieving multi-million dollar sales in its first year. Mr Leshner spent 14 years as the Director of Sales for Billabong U.S.A. and has also worked with Quiksilver USA.

He has served recently as the Chief Executive Officer for the Surf, Skate and Snow aggregator company Fusion International Partners. Mr Leshner was previously the Chief Executive Officer for Counter Culture Clothing, a boutique surf clothing company in California.

Mr Leshner will be retiring by rotation and seeking re-election by shareholders at the 2006 Annual General Meeting.

Mr Anthony Ho, BComm, CA
Non-Executive Director and Company Secretary - appointed 16 October 2001, resigned 30 June 2006

Mr Jeffrey Pool
Non-Executive Director - appointed 3 March 2005, resigned 18 July 2006

DIRECTORS' REPORT (cont'd)

Directorships in other listed entities

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship	
		From	To
Mr B Sergeant	GVM Metals Limited	2004	Present
	Millepede International Limited	2002	Present
Mr A Ho	Piquant Blue Limited	2003	Present
	Capitol Health Limited	2005	Present
Mr M Leshner	Nil	-	-
Mr J Pool	Nil	-	-
Mr P Davin	Ferrous Limited	2005	Present

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 30 June 2006 are:

Director	Board Meetings	
	Held while Director	Attended
Mr B Sergeant	5	5
Mr P Davin	1	1
Mr A Ho	5	4
Mr M Leshner	5	5
Mr J Pool	5	5

There is presently no audit committee as all audit issues are addressed by the full board.

Principal Activity

The principal activity of the Company during the financial year ended 30 June 2006 was the marketing of surfing leisure wear and products in the USA.

Operating and Financial Review

Results

The consolidated entity incurred a loss of \$2,271,321 (2005: \$2,539,428) after income tax for the year ended 30 June 2006.

Operating review

A review of operations for the financial year is set out in the Operations Review.

Financial review

Liquidity and funding

The consolidated entity had the following interest bearing-liabilities as at 30 June 2006:

- short term unsecured debt of \$500,000, of which \$300,000 was repaid subsequent to balance date; and
- ANZ bank overdraft facility, the balance of which was \$1,261,871 as at 30 June 2006.

The facilities with the ANZ bank were assumed as a result of the acquisition of Vmoto and will be used exclusively in the operations of the Vmoto business.

DIRECTORS' REPORT (cont'd)

Operating and Financial Review (cont'd)

The consolidated entity also assumed \$250,000 in longer term, unsecured and non-interest bearing debt as a result of the Vmoto acquisition.

During the first quarter, both *West* and *Creatures* signed agreements with a well respected commercial finance company specialising in "factoring" in order to release additional working capital to the consolidated entity.

This facility has provided much needed working capital in an efficient and timely manner, providing significant cash flow improvements to fund continuing growth.

Subsequent to balance date, the Company completed a placement of 23,984,667 shares at an issue price of 7.5 cents each to raise a total of \$1,798,850 (before costs).

Impact of legislation and other external requirements

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

Significant Changes in the State of Affairs

The consolidated entity's net assets increased by \$3,454,414 to \$5,189,488 (2005: \$1,735,074) over the year. The increase in net assets principally comprised:

- ▲ an increase in the carrying amount of trade debtors of \$257,683, mainly due to the increase in sales of surfing leisure wear and products in the United States and the acquisition of Capital Pacific Pty Ltd ("Capital Pacific"), the owner of Vmoto Motorcycles Australia on 30 June 2006;
- ▲ an increase in inventories of \$784,205 mainly as a result of the acquisition of Vmoto;
- ▲ a decrease in cash assets of \$185,936 due to a higher level of working capital requirements; and
- ▲ goodwill of \$5,877,195 arising on acquisition of Capital Pacific.

Fully paid ordinary share capital increased during the year as follows:

- ▲ On 21 September 2005, the Company issued 2,751,500 shares at an issue price of 10c per share, to raise gross proceeds of \$275,150. The shares were issued pursuant to a Share Purchase Plan;
- ▲ On 6 April 2006, the Company successfully raised \$937,500 through the issue of 12,500,000 fully paid ordinary shares at 7.5 cents each;
- ▲ On 30 June 2006, the Company issued 60,000,000 fully paid ordinary shares at a deemed issue price of 7.5 cents per share as consideration for the acquisition of 100% of the issued capital of Capital Pacific Pty Ltd.

Dividends

No dividend has been declared or paid by the Company to the date of this Report.

Events Subsequent to Balance Date

Other than as noted in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT (cont'd)

Likely Developments

The Company will now focus its efforts on the international expansion of the recently acquired Vmoto Motorcycles.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years are discussed in the Operating and Financial Review.

Directors' Interests

The relevant interest of each director in the shares and options issued by the companies within the consolidated entity at the date of this report is as follows:

Director	Ordinary shares	Options
Mr B Sergeant ⁽¹⁾	2,789,039	-
Mr P Davin	20,000,000	-
Mr A Ho	350,001	-
Mr M Leshner ⁽²⁾	293,000	1,000,000

- includes 557,000 shares held indirectly by Mr Sergeant as a trustee for and beneficiary of the Rio Grande Do Norte Superannuation Fund.
- 293,000 shares and 1,000,000 options held indirectly by Nefco Nominees Pty Ltd as trustee for Mr Leshner and his wife.

Options

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
31 March 2007	20 cents	12,955,000

None of these options were exercised during the year and up to the date of this report. No options have been granted during or since the end of the financial year. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Environmental regulations

The Board confirms that the Company has adequate systems in place to manage and comply with environmental regulations as they apply to the Company.

DIRECTORS' REPORT (cont'd)

Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, PKF.

Insurance Premiums

As at the date of this report no insurance policies have been entered into.

Non-audit services

During the year, PKF, the Company's auditor has not performed any other services in addition to their statutory duties.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included with the Independent Audit Report.

Details of the amounts paid to the auditor of the Company, PKF, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated 2006 \$	Consolidated 2005 \$
Statutory audit:		
- audit and review of financial reports	40,400	15,347
Services other than statutory audit	-	-

Auditors' Independence Declaration to the Directors

Refer to page 52 of the Financial Report.

Dated at Perth, Western Australia this 29th day of September 2006.

Signed in accordance with a resolution of the Directors:



Blair Sergeant
Managing Director

REMUNERATION REPORT

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and executives of the consolidated entity. Broadly, the consolidated entity's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest quality.

Directors

Non-executive directors receive a fixed monthly fee for their services. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 General Meeting, is not to exceed \$120,000 per annum. The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Executives

Executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services.

REMUNERATION REPORT (cont'd)

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the named officers of the Company and the consolidated entity for the year are:

		PRIMARY		POST- EMPLOYMENT	SHARE BASED PAYMENTS	OTHER COMPENSATION		
		Salary & fees \$	Non-monetary benefits \$	Superannuation benefits \$	Valuation of Options ^(a) \$	Insurance premiums \$	Total \$	Value of options as proportion of remuneration %
Directors								
<i>Non-executive</i>								
Mr A Ho (resigned 30 June 2006)	2006	24,000	-	-	-	-	24,000	-
	2005	24,000	-	-	-	-	24,000	-
Mr J Pool (appointed 3 March 2005)	2006	48,924	-	-	-	-	48,924	-
	2005	10,447	-	-	1,780	-	12,227	15%
<i>Executive</i>								
Mr B Sergeant	2006	100,802	-	6,750	-	-	107,552	-
	2005	62,500	-	5,625	-	-	68,125	-
Mr M Leshar (appointed 13 July 2004)	2006	86,244	-	-	-	-	86,244	-
	2005	29,854	-	-	1,780	-	31,634	6%
Mr P Davin (appointed 30 June 2006)	2006	-	-	-	-	-	-	-
Total, all directors								
	2006	259,970	-	6,750	-	-	266,720	
	2005	126,801	-	5,625	3,560	-	135,986	

REMUNERATION REPORT (cont'd)

		PRIMARY		POST-EMPLOYMENT	EQUITY COMPENSATION	OTHER COMPENSATION	Total	Value of options as proportion of remuneration %
		Salary & fees \$	Non-monetary benefits \$	Superannuation benefits \$	Valuation of Options \$	Insurance premiums \$		
Executives								
Mr W Fryer Managing Director Optimoney Australia Pty Ltd	2006	2,300	-	-	-	-	2,300	-
	2005	16,400	-	-	-	-	16,400	-
Mr J Watson President/ CEO West Surfing Products (USA) Inc.	2006	24,126	-	-	-	765	24,891	-
	2005	103,628	-	-	-	3,471	107,099	-
Total, all executives								
	2006	26,426	-	-	-	765	27,191	
	2005	120,028	-	-	-	3,471	123,499	

- (a) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
14 June 2005	31 March 2007	\$0.00178	\$0.20	\$0.11	26.32%	5.70%	0.00%

Further details of options granted are set out under "Options" in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

This statement summarises the corporate governance practices adopted by the Board. Optima's objective is to achieve best practice in corporate governance, and the Company's officers and employees are committed to achieving this objective.

In addition to the information contained in this statement, the Company's website at www.optimacorp.com.au contains details of its corporate governance procedures and practices.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the latter part of this statement.

Board of Directors

Role of the Board

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders by:

- ▲ setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- ▲ overseeing the financial position and monitoring the business and affairs of the Company;
- ▲ establishing corporate governance, ethical, environmental and health and safety standards;
- ▲ ensuring significant business risks are identified and appropriately managed; and
- ▲ ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors.

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

The Board comprises three Directors all of which are executive Directors.

The Directors are subject to election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM. The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The Directors have a broad range of qualifications, experience and expertise in the surfing leisure wear and products and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors, whether they are retiring by rotation and seeking re-election by shareholders at the 2006 Annual General Meeting, are set out in the Directors' Report.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T (c o n t ' d)

Independence of non-executive directors

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Company does not currently have any independent directors.

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

Meetings

The Board held 5 scheduled meetings during the reporting year and no unscheduled meetings were held during that year. Senior management attended and made presentations at the Board Meetings as considered appropriate and were available for questioning by Directors.

Board committees

The Board has not formally constituted an audit committee. The entire board currently undertakes the duties of an audit committee which includes:

- ▲ supervising the engagement of the external auditor and monitoring their performance;
- ▲ reviewing the effectiveness of management information and other systems of internal control;
- ▲ reviewing all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- ▲ reviewing significant transactions that are not a normal part of the Company's business;
- ▲ reviewing the year-end and interim financial information and ASX reporting statements;
- ▲ monitoring the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- ▲ reviewing the Company's financial statements and accounting procedures.

The Company's auditor is required to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

Evaluation of Board performance

During the reporting year an evaluation of the Board and key executives was carried out on an informal basis. As the activities of the Company develop, it will establish more formal evaluation procedures, including quantitative measures of performance.

Remuneration policies

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are capped at \$120,000 per annum.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Attendance at Board and Committee meetings

The attendance of Directors at Board meetings during the year ended 30 June 2006 is detailed in the Directors' Report.

Managing business risks and internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following:

- ▲ Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Periodic reports are provided to the Board. Quarterly, half yearly and annual reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- ▲ The Managing Director and the Chief Financial Officer are required to confirm in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
- ▲ The Company has written policies covering health, safety and the environment.

Ethical standards

The Board is committed to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- ▲ professional conduct;
- ▲ dealings with suppliers, advisers and regulators;
- ▲ dealings with the community; and
- ▲ dealings with other employees.

Trading in the Company's securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities whilst in possession of price sensitive information. The Managing Director (or in the case of the Managing Director, another Director) must be notified of any proposed transaction and must give clearance for the transaction to proceed.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Optima Corporation Limited.

Information disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to shareholders and the market on the Company's website.

Analysts and press briefings are conducted following the release of half-year results, full-year results and major announcements and, from time to time, briefings with major shareholders are conducted in order to promote a better understanding of the Company. In conducting briefings, the Company takes care to ensure that any price sensitive information included in the content of briefings has already been made available to all shareholders and the market.

CORPORATE GOVERNANCE STATEMENT (c o n t ' d)

Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through:

- ▲ continuous disclosure in the form of public announcements on ASX;
- ▲ annual and quarterly reports to shareholders;
- ▲ investor briefings;
- ▲ the meeting chairman's address delivered at the Annual General Meeting; and
- ▲ notices of all meetings of shareholders and explanatory notes of proposed resolutions.

In addition, information for shareholders is available on Optima's website: www.optimacorp.com.au, including recent announcements, presentations, past and current reports to shareholders, biographical information on Directors and information relating to operations.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors.

Retirement benefits for non-executive directors

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

ASX Guidelines on Corporate Governance

Pursuant to ASX Listing Rules the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have not been followed in the reporting year. The Company sets out below an explanation of the areas where Optima does not presently comply with ASX best practice recommendations.

Composition of the Board

A majority of the Board of directors is not comprised of independent directors under the ASX definition of independent. The Company is in its early stages of development and does not consider it appropriate nor cost effective to adopt this recommendation.

Each individual member of the Board is satisfied that whilst the Company may not comply with this particular best practice recommendation, the Board always acts with independence and in accordance with the Statement of Corporate Governance.

Website

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

Board committees

The Company does not presently have a separate audit, nomination or remuneration committee. The Company is in its early stages of development and as such, the entire Board conducts the function of such committees. The duties of such committees have been considered and adopted by the Board. The board invites persons with relevant industry and financial experience when required to carry out the functions of such committees.

CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue		2,229,980	858,937	-	-
Cost of goods sold		(1,427,329)	(420,623)	-	-
Gross profit		802,651	438,314	-	-
Other income	2	11,752	46,092	11,752	46,092
Operational expenses		(791,389)	(681,234)	-	-
Marketing and distribution expenses		(1,575,289)	(1,620,573)	(23,462)	(31,191)
Corporate and administrative expenses		(380,941)	(446,007)	(215,650)	(300,030)
Occupancy expenses		(135,683)	(134,186)	(48,369)	(36,460)
Other expenses	2	(179,787)	(41,834)	(11,552)	(42,017)
Intangible assets written off	10	-	(100,000)	-	(100,000)
Provision against value of investments in controlled entities		-	-	(4,500,000)	(363,974)
Provision for doubtful amount against unsecured loans to controlled entities		-	-	(1,916,223)	(2,574,829)
Loss before income tax and finance costs		(2,248,686)	(2,539,428)	(6,703,504)	(3,402,409)
Income tax	4	-	-	-	-
Finance costs		(22,635)	-	(22,636)	-
Loss after income tax and finance costs attributable to equity holders of the parent	17	(2,271,321)	(2,539,428)	(6,726,140)	(3,402,409)
Basic loss per share	21	(2.54 cents)	(3.48 cents)		

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as the diluted loss per share.

The consolidated income statements are to be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

		Consolidated		Company	
	Note	2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	453,536	639,472	372,579	568,012
Trade and other receivables	6	731,970	474,287	1,498	4,740
Inventories	7	1,565,917	781,712	-	-
Other assets	8	21,194	40,726	-	-
Total Current Assets		2,772,617	1,936,197	374,077	572,752
NON CURRENT ASSETS					
Receivables	6	1,055	1,055	970,034	1,317,118
Property, plant and equipment	9	225,213	277,226	-	-
Intangible assets	10	5,894,579	-	-	-
Other financial assets	11	-	-	-	-
Total Non Current Assets		6,120,847	278,281	970,034	1,317,118
TOTAL ASSETS		8,893,464	2,214,478	1,344,111	1,889,870
CURRENT LIABILITIES					
Trade and other payables	12	1,204,061	450,728	118,077	133,151
Employee benefits	13	15,879	28,676	12,780	10,592
Interest-bearing loans	14	2,167,065	-	500,000	-
Other liabilities	15	38,470	-	-	-
Total Current Liabilities		3,425,475	479,404	630,857	143,743
NON CURRENT LIABILITIES					
Interest-bearing loans	14	278,501	-	-	-
Total Non Current Liabilities		278,501	-	-	-
TOTAL LIABILITIES		3,703,976	479,404	630,857	143,743
NET ASSETS		5,189,488	1,735,074	713,254	1,746,128
EQUITY					
Issued capital	16	13,526,734	7,833,468	13,526,734	7,833,468
Reserves	16	(10,668)	(43,137)	3,560	3,560
Accumulated losses	17	(8,326,578)	(6,055,257)	(12,817,040)	(6,090,900)
TOTAL EQUITY		5,189,488	1,735,074	713,254	1,746,128

The consolidated balance sheets are to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Cash receipts in the course of operations		2,118,721	474,645	-	-
Cash payments in the course of operations		(3,968,497)	(3,895,303)	(356,899)	(315,393)
Interest received		13,920	43,924	13,920	43,924
Net cash used in operating activities	26	(1,835,856)	(3,376,734)	(342,979)	(271,469)
Cash flows from investing activities					
Payments for investments	11	-	-	-	(1,399)
Proceeds from sale of investment	24	75	-	75	-
Cash acquired on acquisition of subsidiary	23	30,575	-	-	-
Payment for plant and equipment		(3,294)	(310,692)	(2,573)	(317)
Payments for intellectual property rights		(68,374)	(150,000)	-	(100,000)
Net cash used in investing activities		(41,018)	(460,692)	(2,498)	(101,716)
Cash flows from financing activities					
Proceeds from the issue of shares and options		1,212,650	1,095,500	1,212,650	1,095,500
Proceeds from the exercise of options		-	1,493,450	-	1,493,450
Share issue costs		(19,384)	(28,500)	(19,384)	(28,500)
Payment for loan to a controlled entities		-	-	(1,543,222)	(3,489,684)
Payments for loans to other entities		-	(1,055)	-	(1,055)
Proceeds from borrowings		500,000	7,778	500,000	-
Repayment of borrowings		(2,328)	(970)	-	-
Net cash provided by/(used in) financing activities		1,690,938	2,566,203	150,044	(930,289)
Net decrease in cash held		(185,936)	(1,271,223)	(195,433)	(1,303,474)
Cash at the beginning of the financial year		639,472	1,910,695	568,012	1,871,486
Cash at the end of the financial year	5	453,536	639,472	372,579	568,012

The consolidated statements of cash flows are to be read in conjunction with the accompanying notes.

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

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2004	5,278,896	-	(3,515,829)	1,763,067
Currency translation differences	-	(46,697)	-	(46,697)
Total	5,278,896	(46,697)	(3,515,829)	1,716,370
Loss for the year	-	-	(2,539,428)	(2,539,428)
Total income/ expense for the year	5,278,896	(46,697)	(6,055,257)	(823,058)
Shares issued	1,095,500	-	-	1,095,500
Transaction costs from issue of shares	(34,378)	-	-	(34,378)
Exercise of options	1,493,450	-	-	1,493,450
Cost of share based payment	-	3,560	-	3,560
Balance as at 30 June 2005	7,833,468	(43,137)	(6,055,257)	1,735,074
Balance as at 1 July 2005	7,833,468	(43,137)	(6,055,257)	1,735,074
Currency translation differences	-	32,469	-	32,469
Total	7,833,468	(10,668)	(6,055,257)	1,767,543
Loss for the year	-	-	(2,271,321)	(2,271,321)
Total income/ expense for the year	7,833,468	(10,668)	(8,326,578)	(503,778)
Shares issued	5,712,650	-	-	5,712,650
Transaction costs from issue of shares	(19,384)	-	-	(19,384)
Balance as at 30 June 2006	13,526,734	(10,668)	(8,326,578)	5,189,488

These statements of changes in equity are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED 30 JUNE 2006

Company	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2004	5,278,896	-	(2,688,491)	2,590,405
Currency translation differences	-	-	-	-
Total	5,278,896	-	(2,688,491)	2,590,405
Loss for the year	-	-	(3,402,409)	(3,402,409)
Total income/ expense for the year	5,278,896	-	(6,090,900)	(812,004)
Shares issued	1,095,500	-	-	1,095,500
Transaction costs from issue of shares	(34,378)	-	-	(34,378)
Exercise of options	1,493,450	-	-	1,493,450
Cost of share based payment	-	3,560	-	3,560
Balance as at 30 June 2005	7,833,468	3,560	(6,090,900)	1,746,128
Balance as at 1 July 2005	7,833,468	3,560	(6,090,900)	1,746,128
Currency translation differences	-	-	-	-
Total	7,833,468	3,560	(6,090,900)	1,746,128
Loss for the year	-	-	(6,726,140)	(6,726,140)
Total income/ expense for the year	7,833,468	3,560	(12,817,040)	(4,980,012)
Shares issued	5,712,650	-	-	5,712,650
Transaction costs from issue of shares	(19,384)	-	-	(19,384)
Balance as at 30 June 2006	13,526,734	3,560	(12,817,040)	713,254

These statements of changes in equity are to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Optima Corporation Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue in accordance with a resolution of directors on 29 September 2006.

(a) Statement of compliance

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

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and loss for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 1 (v) below.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004).
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004)

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of these standards and amendments is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

Going concern basis

The directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- ⌘ Despite not meeting the expectation of the Board, sales in the USA for both the *West* and *Creatures* business continue to rise;
- ⌘ Rationalisation of both *West* and *Creatures* businesses including significant cost reductions is ongoing;
- ⌘ The Company acquired Capital Pacific Pty Ltd, owner of Vmoto Scooters and Motorcycles ("Vmoto"), on the 30 June 2006 and as a consequence, the operating result of Vmoto for the year ended 30 June 2006 is not reflected in these accounts;
- ⌘ In the first 3 months of operations in which the Company has owned Vmoto, the brand has performed in line with expectations and profitably. The Board therefore believes that it is reasonable to expect this to continue; and
- ⌘ Subsequent to balance date, the Company raised \$1,798,850 (before costs), the funds used to repay debt and provide working capital.

Based on the above, the directors are confident that the consolidated entity will be able to continue operations into the foreseeable future.

(c) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(d) Foreign currency translation

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

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

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries (West Surfing Products (USA) Inc. and Creatures of Leisure (USA) Inc.) is United States dollars (US\$).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Optima Corporation Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(e) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods of services of the same nature with any cash consideration are not recognised as revenue.

Sale of goods

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest income

Interest income is recognised as it accrues.

(f) Trade and other receivables

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors are to be settled within 60 days and are carried at amounts due.

NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

(g) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(h) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

(i) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Refer to note 1(p).

(j) Property, Plant and Equipment

Items of property, plant and equipment are stated at the lower of cost and recoverable value. Property, plant and equipment are depreciated on a straight line or diminishing value basis so as to write off the net cost of each asset over its expected useful life. The method and rate of depreciation used is as follows:

Plant and equipment	20%
Office equipment	20%
Leasehold improvements	20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(m) Goods and Services Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

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

(n) Inventories

Raw materials and stores, work in progress and finished goods are carried at the lower of cost allocated and net realisable value.

Costs include direct materials and other direct costs necessary to bring inventories to their present location and condition.

(o) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

(p) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(r) Share-based payment transactions

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

NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

The Company operates an incentive scheme to provide these benefits, known as the Optima Employee Option Scheme ("Scheme") approved at the general meeting on 5 November 2001.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Sholes model.

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

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

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

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

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

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

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

(s) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(t) Income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

NOTES TO THE FINANCIAL STATEMENTS (c o n t ' d)

- ▲ except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▲ in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Optima Corporation Limited Limited and its subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(u) Intellectual Property

Significant costs associated with licence rights are deferred and amortised on a straight line basis over the period of their expected benefit.

The amortisation period has currently been set by the directors at 5 years. The unamortised balance is to be reviewed at least annually and where the balance exceeds the value of expected benefits, the difference is to be charged to the statement of financial performance.

(v) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

Note	AGAAP	Consolidated 1 July 2004 Transition impact	AIFRS	AGAAP	Consolidated 30 June 2005 Transition impact	AIFRS	AGAAP	Company 1 July 2004 Transition impact	AIFRS	AGAAP	Company 30 June 2005 Transition impact	AIFRS
CURRENT ASSETS												
Cash and cash equivalents	1,910,695	-	1,910,695	639,472	-	639,472	1,871,486	-	1,871,486	568,012	-	568,012
Trade and other receivables	15,438	-	15,438	474,287	-	474,287	534	-	534	4,741	-	4,741
Inventories	-	-	-	806,023	(24,313)	781,712	-	-	-	-	-	-
Other assets	13,858	-	13,858	45,995	(5,269)	40,726	-	-	-	-	-	-
Total Current Assets	1,939,991	-	1,939,991	1,965,779	(29,582)	1,936,197	1,872,020	-	1,872,020	572,753	-	572,753
NON CURRENT ASSETS												
Receivables	-	-	-	1,055	-	1,055	412,385	-	412,385	1,328,294	(11,176)	1,317,118
Plant and equipment	(1) 34,834	1,171	36,005	288,203	(10,977)	277,226	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	362,575	-	362,575	-	-	-
Total Non Current Assets	34,834	1,171	36,005	289,258	(10,977)	278,281	774,960	-	774,960	1,328,294	(11,176)	1,317,118
TOTAL ASSETS	1,974,825	1,171	1,975,996	2,255,037	(40,559)	2,214,478	2,646,980	-	2,646,980	1,901,047	(11,176)	1,889,871
CURRENT LIABILITIES												
Trade and other payables	159,658	-	159,658	456,815	(6,087)	450,728	54,476	-	54,476	133,151	-	133,151
Employee benefits	2,100	-	2,100	28,676	-	28,676	2,100	-	2,100	10,592	-	10,592
Total Current Liabilities	161,758	-	161,758	485,491	(6,087)	479,404	56,576	-	56,576	143,743	-	143,743
NON CURRENT LIABILITIES												
Payables	50,000	-	50,000	-	-	-	-	-	-	-	-	-
Total Non Current Liabilities	50,000	-	50,000	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	211,758	-	211,758	485,491	(6,087)	479,404	56,576	-	56,576	143,743	-	143,743
NET ASSETS	1,763,067	1,171	1,764,238	1,769,546	(34,472)	1,735,074	2,590,404	-	2,590,404	1,757,304	(11,176)	1,746,128
EQUITY												
Issued capital	5,278,896	-	5,278,896	7,833,468	-	7,833,468	5,278,896	-	5,278,896	7,833,468	-	7,833,468
Reserves	(1), (2) -	1,171	1,171	-	(43,137)	(43,137)	-	-	-	-	3,560	3,560
Accumulated losses	(3,515,829)	-	(3,515,829)	(6,063,922)	8,665	(6,055,257)	(2,688,492)	-	(2,688,492)	(6,076,164)	(14,736)	(6,090,900)
TOTAL EQUITY	1,763,067	1,171	1,764,238	1,769,546	(34,472)	1,735,074	2,590,404	-	2,590,404	1,757,304	(11,176)	1,746,128

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(ii) Reconciliation of loss after tax as presented under AGAAP to that under AIFRS

	Note	CONSOLIDATED For the year ended 30 June 2005			COMPANY For the year ended 30 June 2005		
		AGAAP	Transition impact	AIFRS	AGAAP	Transition impact	AIFRS
Revenue		858,937	-	858,937	-	-	-
Cost of sales		(420,623)	-	(420,623)	-	-	-
Gross profit		438,314	-	438,314	-	-	-
Other income		46,092	-	46,092	46,092	-	46,092
Operational expenses		(681,234)	-	(681,234)	-	-	-
Marketing and distribution expenses	(1)	(1,620,497)	(76)	(1,620,573)	(31,191)	-	(31,191)
Corporate and administrative expenses	(2)	(442,447)	(3,560)	(446,007)	(296,470)	(3,560)	(300,030)
Occupancy expenses		(134,186)	-	(134,186)	(36,460)	-	(36,460)
Other expenses	(1)	(54,135)	12,301	(41,834)	(30,841)	(11,176)	(42,017)
Intangible assets written off		(100,000)	-	(100,000)	(100,000)	-	(100,000)
Provision against value of investments in controlled entities		-	-	-	(363,974)	-	(363,974)
Provision for doubtful amount against unsecured loans to controlled entities		-	-	-	(2,574,829)	-	(2,574,829)
Loss before income tax		(2,548,093)	8,665	(2,539,428)	(3,387,673)	(14,736)	(3,402,409)
Income tax		-	-	-	-	-	-
Loss after income tax attributable to equity holders of the parent		(2,548,093)	8,665	(2,539,428)	(3,387,673)	(14,736)	(3,402,409)

- Translation differences that arose prior to the date of transition to AIFRS in respect of all foreign entities have been presented as a separate component of equity. On disposal of any foreign operation, the related cumulative translation difference will be transferred to the income statement as part of the gain or loss on disposal. The exemption available under AIFRS has not been utilised.
- The consolidated entity applied AASB 2 to its active share-based payment arrangements at 1 July 2005. The consolidated entity granted equity-settled share-based payments in 2005.

Under previous GAAP, the consolidated entity did not account for equity settled share based payments. Such payments are now recognised at fair value in accordance with AASB 2.

The effect in the consolidated entity of accounting for equity-settled share-based payment transactions at fair value is to increase corporate and administrative expenses by \$3,560 for the year ended 30 June 2005. The expense recognised for the consumption of employee services received as consideration for share options granted will be deductible for tax purposes when the share options are exercised.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. REVENUES AND EXPENSES				
(a) Other income				
Interest income	11,752	46,092	11,752	46,092
(b) Other expenses				
Write down of inventories	9,017	9,970	-	-
Increase in provision for doubtful debts	133,094	593	-	-
Other	37,676	31,271	11,552	42,017
	179,787	41,834	11,552	42,017
(c) Employee benefits expense				
Wages and salaries costs	557,917	603,656	75,000	62,500
Superannuation costs	6,750	5,625	6,750	5,625
Increase in liability for annual leave	(6,545)	26,576	2,189	8,492
Expense of share based payments	-	3,560	-	3,560
	558,122	639,417	83,939	80,177
(d) Depreciation expense	204,063	56,244	2,573	317
3. AUDITOR'S REMUNERATION				
Audit services:				
- audit and review of financial reports	40,400	15,347	40,000	15,347
4. INCOME TAX				
(a) Income tax benefit	-	-	-	-
(b) Numerical reconciliation between tax benefit and pre-tax net loss				
Loss before income tax benefit	(2,271,321)	(2,539,428)	(6,726,140)	(3,402,409)
Income tax credit calculated at 30%	681,396	761,828	2,017,842	1,020,723
Tax effect on amounts which are not tax deductible:				
Goodwill on consolidated written off	-	-	-	-
Intangible assets written off	-	(30,000)	-	(30,000)
Amounts provided against investments	-	-	(1,350,000)	(109,192)
Amounts provided against loans to controlled entities	-	-	(574,867)	(772,449)
Amounts provided against other loans	(39,928)	(178)	-	-
Losses of foreign subsidiaries not regarded as deductible	(67,901)	(609,418)	-	-
Sundry amounts	(4,070)	-	(1,214)	-
Capital raising costs	1,163	10,313	1,163	10,313
Deferred tax asset not brought to account	(570,660)	(132,545)	(92,924)	(119,395)
Income tax credit	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)				
Potential at 30% (2005: 30%)	-	-	-	-
(d) Unrecognised temporary differences				
Temporary differences for which deferred tax assets have not been recognised:				
Employee benefits provision	4,764	8,603	3,834	3,178
Provision for doubtful receivables	114,928	-	1,347,316	938,567
Capital raising costs	4,652	8,251	4,652	8,250
Unrecognised deferred tax assets relating to the above temporary differences	124,344	16,854	1,355,802	949,995
Temporary differences for which deferred tax liabilities have not been recognised:				
Prepayments	-	12,218	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	-	12,218	-	-
(e) Tax Rates				
The potential tax benefit at 30 June 2006 in respect of tax losses not brought into account has been calculated at 30% for Australian entities. This same rate applied for the year ended 30 June 2005.				
5. CASH AND CASH EQUIVALENTS				
Bank balances	453,536	639,472	372,579	568,012
6. TRADE AND OTHER RECEIVABLES				
<i>Current</i>				
Trade receivables	942,212	392,858	-	-
Less: Provision for doubtful debts	(383,094)	-	-	-
	559,118	392,858	-	-
Other receivables	172,852	81,429	1,498	4,740
	731,970	474,287	1,498	4,740

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Non-Current</i>				
Loan to controlled entities	-	-	5,460,032	4,444,618
Less: Provision for non-recovery	-	-	(4,491,053)	(3,128,555)
	-	-	968,979	1,316,063
Loans to other entities	1,055	1,055	1,055	1,055
	1,055	1,055	970,034	1,317,118

The loans to controlled and other entities are unsecured, interest free and of no fixed term.

7. INVENTORIES

Finished goods	1,393,388	739,368	-	-
Work in progress	163,493	19,386	-	-
Raw materials	9,036	22,958	-	-
	1,565,917	781,712	-	-

8. OTHER ASSETS

Prepayments	-	40,726	-	-
Other assets	21,194	-	-	-
	21,194	40,726	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PROPERTY, PLANT & EQUIPMENT

	Consolidated					Company				
	Plant & equipment	Motor vehicles	Office furniture & equipment	Leasehold improvements	Total	Plant & equipment	Motor vehicles	Office furniture & equipment	Leasehold improvements	Total
Year ended 30 June 2006										
At 1 July 2005, net of accumulated depreciation	132,615	-	104,932	39,679	277,226	-	-	-	-	-
Additions	2,324	-	317	3,311	5,952	-	-	-	2,573	2,573
Acquisition of subsidiary	39,230	41,367	61,263	-	141,860	-	-	-	-	-
Disposals	(10,174)	-	-	-	(10,174)	-	-	-	-	-
Depreciation charge for the year	(129,010)	-	(27,413)	(44,285)	(200,708)	-	-	-	(2,573)	(2,573)
Effects of movements in foreign exchange	4,245	-	5,517	1,295	11,057	-	-	-	-	-
At 30 June 2006, net of accumulated depreciation	39,230	41,367	144,616	-	225,213	-	-	-	-	-
At 30 June 2006										
Cost	200,461	41,367	191,983	51,794	485,605	-	-	-	-	-
Accumulated depreciation	(161,231)	-	(47,367)	(51,794)	(260,392)	-	-	-	-	-
Net carrying amount	39,230	41,367	144,616	-	225,213	-	-	-	-	-
Year ended 30 June 2005										
At 1 July 2004, net of accumulated depreciation	6,912	-	27,922	-	34,834	-	-	-	-	-
Additions	154,662	-	96,305	47,188	298,155	-	-	317	-	317
Depreciation charge for the year	(28,959)	-	(19,295)	(7,509)	(55,763)	-	-	(317)	-	(317)
At 30 June 2005, net of accumulated depreciation	132,615	-	104,932	39,679	277,226	-	-	-	-	-
At 30 June 2005										
Cost	164,836	-	124,886	47,188	336,910	-	-	317	-	317
Accumulated depreciation	(32,221)	-	(19,954)	(7,509)	(59,684)	-	-	(317)	-	(317)
Net carrying amount	132,615	-	104,932	39,679	277,226	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INTANGIBLES

	Consolidated			Company		
	Goodwill	Licences and trademarks	Total	Goodwill	Licences and trademarks	Total
Year ended 30 June 2006						
Balance at 1 July 2005	-	-	-	-	-	-
Additions	5,877,195	17,384	5,894,579	-	-	-
Balance at 30 June 2006	5,877,195	17,384	5,894,579	-	-	-
At 30 June 2006						
Cost	6,238,634	367,384	6,606,018	-	-	-
Accumulated amortisation and impairment	(361,439)	(350,000)	(711,439)	-	-	-
Net carrying amount	5,877,195	17,384	5,894,579	-	-	-
Year ended 30 June 2005						
Balance at 1 July 2004	-	-	-	-	-	-
Additions	-	100,000	100,000	-	100,000	100,000
Amortisation	-	(100,000)	(100,000)	-	(100,000)	(100,000)
Balance at 30 June 2005	-	-	-	-	-	-
At 30 June 2005						
Cost	361,439	100,000	461,439	-	100,000	100,000
Accumulated depreciation	(361,439)	(100,000)	(461,439)	-	(100,000)	(100,000)
Net carrying amount	-	-	-	-	-	-

On the 30 June, The Company acquired Capital Pacific Pty Ltd ("Capital Pacific"), the owner of the Vmoto Scooters and Motorcycles ("Vmoto"). The consideration paid for Capital Pacific was \$4.5m, resulting in goodwill on acquisition of \$5,877,195.

Impairment tests

The recoverable amount of Capital Pacific is based on the net present value of projected earnings before interest, tax and depreciation. Those calculations use cash flow projections based on historical operating results and five-year forecasts. Growth rates of 15% per annum are considered appropriate given the industry grew by over 30% in 2005, is up 45% in 2006 and is projected to continue growing at similar rates for the near future. The proposed international expansion of Vmoto into new markets over the next 5 years is also assumed to provide significant growth in those projections, notwithstanding that overall growth is still only assumed at 15%.

A pre-tax discount rate of 12% per cent has been used in discounting the projected cash flows. The calculated recoverable amount exceeds the carrying amount of the goodwill of Capital Pacific such that no impairment of the goodwill has occurred.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
11. INVESTMENTS				
Investment in controlled entities	-	-	4,863,899	363,974
Less: Provision for diminution in value of investment	-	-	(4,863,899)	(363,974)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. TRADE AND OTHER PAYABLES

Current

Trade creditors	712,107	200,123	18,489	21,281
Other creditors and accruals	491,954	250,605	99,588	111,870
	<u>1,204,061</u>	<u>450,728</u>	<u>118,077</u>	<u>133,151</u>

13. EMPLOYEE BENEFITS

Liability for annual leave	<u>15,879</u>	<u>28,676</u>	<u>12,780</u>	<u>10,592</u>
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Share based payments

Employee Share Option Scheme

The Company operates an incentive scheme to provide these benefits, known as the Optima Employee Option Scheme ("Scheme") approved at the general meeting on 5 November 2001. No employee options have been granted under this Scheme during the financial year.

14. INTEREST BEARING LIABILITIES

Current

Lease liabilities	19	76,489	-	-	-
Bank overdraft facility		1,261,871	-	-	-
Bank facilities		328,705	-	-	-
Unsecured loan facilities		<u>500,000</u>	-	<u>500,000</u>	-
		<u>2,167,065</u>	-	<u>500,000</u>	-

Non-current

Unsecured non interest bearing loan facilities	19	<u>278,501</u>	-	-	-
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The carrying amounts of non-current assets pledged as security are:

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Plant and equipment	<u>39,230</u>	-	-	-

Financing arrangements

The consolidated entity has access to the following lines of credit:

Total facilities available:

Bank overdraft facility	1,249,000	-	-	-
Bank facilities	450,000	-	-	-
Unsecured loan facility	-	-	500,000	-
Unsecured non interest bearing loan facility	<u>750,000</u>	-	-	-
	<u>2,449,000</u>	-	<u>500,000</u>	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. INTEREST BEARING LIABILITIES (cont'd)

Facilities utilised at end of the year:

Bank overdraft facility	1,261,871	-	-	-
Bank facilities	328,705	-	-	-
Unsecured loan facility	-	-	500,000	-
Unsecured non interest bearing loan facility	750,000	-	-	-
	<u>2,340,576</u>	<u>-</u>	<u>500,000</u>	<u>-</u>

Facilities not utilised at end of the year:

Bank overdraft facility	-	-	-	-
Bank facilities	121,295	-	-	-
Unsecured loan facility	-	-	-	-
Unsecured non interest bearing loan facility	-	-	-	-
	<u>121,295</u>	<u>-</u>	<u>-</u>	<u>-</u>

Bank facilities and bank overdraft facilities

The bank facilities and bank overdraft facilities have the following securities:

- ⌘ First Registered Company Charges (Mortgage Debentures) dated 1 March 2005 over all the assets and undertaking of:
 - Capital Pacific Pty Ltd ACN 083 623 447 (Charge Number 1138804)
 - Blueglen Holdings Pty Ltd ACN 097 400 596 (Charge Number 1138797)

(These are to be fixed and floating charges over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the companies).

- ⌘ First Registered Company Charge Number 1257135 (Mortgage Debenture) dated 18 January 2006 over all the assets and undertaking of Accume Nominees Pty Ltd ACN 116 304 333 as trustee for The Edith Unit Trust.

(This is a fixed and floating charge over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the company).

- ⌘ First Registered Company Charge Number 1276769 (Mortgage Debenture) dated 14 March 2006 over all the assets and undertaking of Vmoto Scooters & Motorcycles (NZ) Pty Ltd ACN 111 189 112.

(This is a fixed and floating charge over all present and future assets, undertaking (including goodwill) and unpaid/uncalled capital of the company).

- ⌘ First Registered Mortgage number 3209365 dated 1 March 2005 over Certificate of Title Volume 1751 Folio 551 given by Blueglen Holdings Pty Ltd ACN 097 400 596 over the property situated at 12 Gladstone Street, Perth WA 6000.

- ⌘ First Registered Mortgage number 3209367 dated 1 March 2005 over Certificate of Title Volume 2118 Folio 837 given by Capital Pacific Pty Ltd ACN 083 623 447 over the property situated at 49 Gladstone Street, Perth WA 6000.

- ⌘ Individual Guarantee and Indemnity dated 1 March 2005 limited to the amount of \$2,080,000 plus interest, costs and other amounts by William Cohn Ali and Patrick Dennis Davin as sureties on account of Capital Pacific Pty Ltd ACN 083 623 447.

- ⌘ Individual Guarantee and Indemnity dated 1 March 2005 limited to the amount of \$423,000 plus interest, costs and other amounts by Patrick Dennis Davin as Surety on account of Blueglen Holdings Pty Ltd ACN 097 400 596.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. INTEREST BEARING LIABILITIES (cont'd)

- ▲ Individual Guarantee and Indemnity dated 21 March 2006 limited to the amount of \$200,000 plus interest, costs and other amounts by Greg Burns as surety on account of Vmoto Scooters & Motorcycles (NZ) Pty Ltd ACN 111 189 112.
- ▲ Deed of Subordination dated 1 March 2005 between:
 - Patrick Dennis Davin
 - William Cohn All
 - Capital Pacific Pty Ltd
 - Australia and New Zealand Banking Group Limited
- ▲ Unlimited Cross Guarantee and Indemnity dated 14 March 2006 between:
 - Capital Pacific Pty Ltd ACN 083 623 447
 - Blueglen Holdings Pty Ltd ACN 097 400 596
 - Accume Nominees Pty Ltd ACN 116 304 333
 - Vmoto Scooters & Motorcycles (NZ) Pty Ltd ACN 111 189 112.

Unsecured loan facility

\$250,000 of this unsecured facility bears no interest. \$500,000 of this unsecured facility bears interest at 9.0% pa.

Finance lease facility

The finance lease liabilities are secured by the leased assets, as in the event of default, the assets revert to the lessor.

15. OTHER LIABILITIES

Unearned revenue	38,470	-	-	-
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16. ISSUED CAPITAL AND RESERVES

Issued capital

159,340,751 [2005: 84,089,251] fully paid ordinary shares

13,526,734	7,833,468	13,526,734	7,833,468
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The following movements in issued capital occurred during the year:

	Number of Shares 2006	Number of Shares 2005	2006 \$	2005 \$
Balance at beginning of year	84,089,251	65,667,001	7,833,468	5,278,896
Issue of Shares at 7.5 cents each	72,500,000	-	5,437,500	-
Issue of Shares at 10.0 cents each	2,751,500	10,955,000	275,150	1,095,500
Exercise of Options at 20.0 cents each	-	7,467,250	-	1,493,450
Share issue costs	-	-	(19,384)	(34,378)
Balance at end of year	159,340,751	84,089,251	13,526,734	7,833,468

Options

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
31 March 2007	20 cents	12,955,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. ISSUED CAPITAL AND RESERVES (cont'd)

None of these options were exercised during the year and up to the date of this report. No options have been granted during or since the end of the financial year. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Reserves				
Reserves at the beginning of the year	(43,137)	-	3,560	-
Share based payment	-	3,560	-	3,560
Currency translation differences	32,469	(46,697)	-	-
Reserves at the end of the year	(10,668)	(43,137)	3,560	3,560

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 13 for further details of equity benefits. It is also used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

17. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(6,055,257)	(3,515,829)	(6,090,900)	(2,688,491)
Loss for the year	(2,271,321)	(2,539,428)	(6,726,140)	(3,402,409)
Accumulated losses at the end of the year	(8,326,578)	(6,055,257)	(12,817,040)	(6,090,900)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The principal activities of the consolidated entity are in surf leisure wear and products.

Geographical Segments

In presenting information based on geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Australia \$A		United States \$A		Consolidated \$A	
Primary reporting Geographical segments	2006	2005	2006	2005	2006	2005
Revenue						
Segment revenue	1,200	28,590	2,228,780	830,347	2,229,980	858,937
Unallocated interest revenue					11,752	46,092
					2,241,732	905,029
Result						
Segment result	(359,859)	(505,378)	(1,923,214)	(2,080,142)	(2,283,073)	(2,585,520)
Unallocated interest revenue					11,752	46,092
					(2,271,321)	(2,539,428)
Depreciation and amortisation	(2,742)	(2,352)	(197,966)	(53,892)	(200,708)	(56,244)
Assets						
Segment assets	7,460,585	587,216	1,432,879	1,627,262	8,893,464	2,214,478
Liabilities						
Segment liabilities	(3,216,310)	(144,909)	(487,666)	(334,495)	(3,703,976)	(479,404)

	Australia \$A		United States \$A		Consolidated \$A	
Primary reporting Geographical segments	2006	2005	2006	2005	2006	2005
Segment assets	321,517	587,216	1,432,879	1,627,262	1,754,396	2,214,478
Acquisitions of non-current assets	144,433	317	4,262	309,293	148,695	309,610
Depreciation of non-current assets	(2,742)	(2,352)	(201,321)	(53,892)	(204,063)	(56,244)

Secondary reporting

Business segments

The principal activity of the consolidated entity is marketing and distribution of surfing leisure wear and products. More than 90% of segment revenue and segment profits/(losses), and more than 90% of segment assets, relate to these operations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. FINANCIAL INSTRUMENTS DISCLOSURE

The Group's principal financial instruments comprise bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

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

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% and 4.10%, depending on account balances.

The following annual interest rates apply to the Group's credit facilities:

Bank overdraft facility	9.64%
Lease liabilities	7.48% to 7.74%

All other financial assets and liabilities are non-interest bearing.

Foreign currency risk

The consolidated entity is exposed to foreign currency on sales, purchases and borrowings that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily US Dollars.

At this stage, the Group does not seek to hedge this exposure.

Credit risk

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is generally the carrying amount, net of any provision for doubtful debts.

The Group continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies.

The total credit risk exposure of the consolidated entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases.

Sensitivity analysis

In managing interest rate and currency risks the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the consolidated entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.

Fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The following table details the fair value (2005: net fair value) of financial assets and liabilities:

	Consolidated 2006		Consolidated 2005	
	Carrying amount \$	Fair Value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents	453,536	453,536	639,472	639,472
Trade and other receivables	733,025	733,025	475,342	475,342
Total financial assets	1,186,561	1,186,561	1,114,814	1,114,814
Financial liabilities				
Trade and other payables	1,204,061	1,204,061	450,728	450,728
Interest bearing loans	2,167,065	2,167,065	-	-
Total financial liabilities	3,371,126	3,371,126	450,728	450,728
Net financial assets/ (liabilities)	(2,184,565)	(2,184,565)	664,086	664,086

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
20. COMMITMENTS				
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	94,934	118,320	18,863	44,280
Later than one year but not later than five years	-	175,515	-	101,475
	94,934	293,835	18,863	145,755

The consolidated entity leases property under non-cancellable operating leases expiring from 6 months to one year. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

Royalty fees payable

Conditional upon the Company generating future sales of the *West* and *Creatures* products, the following royalty fees are payable.

West Surfing Products (USA) Pty Ltd

West Surfing Products (USA) Pty Ltd entered into a Licensing Agreement to manufacture, market, use, sell and distribute *West* products in the USA. The licence term expires on 31 December 2013, with rights to extend for two further terms of 10 years each.

Pursuant to this agreement, royalty fees are payable on an annual basis calculated based on annual gross sales revenue as follows:

Sales revenue (US\$)	Royalty Fee
Up to and including \$500,000	5%
\$500,001 to \$1,000,000	4.5%
Over \$1,000,000	4%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

In addition, an annual sponsorship fee is payable of 1.5% of the annual gross sales revenue. The annual gross sales revenue is calculated after the deduction of any taxes or state royalties payable in relation to the manufacture or sale of *West* products.

Creatures of Leisure (USA) Inc

The Company entered into a Distribution Agreement to market, use, sell and distribute products designed and manufactured by Creatures of Leisure. The licence term expires on 31 October 2009, with rights to extend for a further term of 10 years.

Pursuant to this agreement, royalty fees are payable on a quarterly basis calculated based on sales income as follows:

Sales income (US\$)	Royalty Fee
Up to and including \$700,000	10%
\$700,001 to \$1,400,000	7%
\$1,400,001 to \$2,800,000	6%
Over \$2,800,000	5%

The sales income is calculated based on all revenue received on a cash basis from the sale of Creatures of Leisure products.

21. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2006 was based on the loss attributable to ordinary shareholders at \$2,271,321 (2005: \$2,539,428) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 89,332,195 (2005: 73,037,722) calculated as follows:

	Number 2006	Number 2005
Issued ordinary shares at 1 July	84,089,251	65,667,001
Effect of shares issued on 15 October 2004	-	269,644
Effect of shares issued on 28 October 2004	-	399,384
Effect of shares issued on 10 November 2004	-	111,074
Effect of shares issued on 17 November 2004	-	535,589
Effect of shares issued on 22 November 2004	-	60,548
Effect of shares issued on 29 November 2004	-	1,479,238
Effect of shares issued on 14 December 2004	-	507,041
Effect of shares issued on 20 December 2004	-	462,671
Effect of shares issued on 22 December 2004	-	86,342
Effect of shares issued on 31 December 2004	-	411,121
Effect of shares issued on 7 January 2005	-	14,384
Effect of shares issued on 14 January 2005	-	2,301
Effect of shares issued on 22 March 2005	-	3,031,384
Effect of shares issued on 21 September 2005	2,133,355	-
Effect of shares issued on 6 April 2006	2,945,205	-
Effect of shares issued on 30 June 2006	164,384	-
Issued ordinary shares at 30 June	89,332,195	73,037,722

Diluted earnings per share do not show an inferior view of the earnings performance of the Company than is shown by earnings per share and is not disclosed for this reason.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 2006	Entity interest 2005
<i>Parent entity</i>			
Optima Corporation Limited	Australia		
<i>Controlled entities</i>			
Capital Pacific Pty Ltd	Australia	100%	-
Optimoney Australia Pty Ltd	Australia	-	75%
West Surfing Products (USA) Pty Ltd	Australia	100%	100%
Vmoto Scooter and Motorcycles (NZ) Pty Ltd*	Australia	50%	50%
Creatures of Leisure (USA) Inc	USA	100%	100%
West Surfing Products (USA) Inc	USA	100%	100%

* Capital Pacific Pty Ltd has a 50% interest in the issued capital of Vmoto Scooter and Motorcycles (NZ) Pty Ltd ("Vmoto NZ"). As at 30 June 2006, Vmoto NZ had net assets of \$13,374. These net assets were not brought into the accounts of the consolidated entity at 30 June 2006. Subsequent to balance date, it has been agreed that Capital Pacific Pty Ltd will acquire the remaining 50% for consideration of \$1.

23. ACQUISITION OF SUBSIDIARIES

On 30 June 2006, the consolidated entity acquired 100% of the issued capital of Capital Pacific Pty Ltd ("Capital Pacific") for \$4,500,000 satisfied by the issue of 60,000,000 fully paid ordinary shares at a deemed issue price of 7.5 cents per share. The Company markets and distributes motor cycles. The subsidiary did not contribute to the consolidated net loss for the year.

It is impractical to disclose the consolidated entity's revenue and net profit or loss had the acquisition of Capital Pacific taken place on the 1 July 2005 as a result of Capital Pacific having operated several other businesses during that period which have not been acquired by Optima as at 30 June 2006 and which will no form part of the consolidated entity's operations in future financial years.

The acquisition had the following effect on the consolidated entity's assets and liabilities.

	Recognised on acquisition	Carrying amounts
Consideration:		
Issue of 60,000,000 fully paid ordinary shares at 7.5 cents each ¹	4,500,000	4,500,000
Fair value of net assets of entity acquired:		
Cash and cash equivalents	(1,231,296)	(1,231,296)
Trade and other receivables	268,294	268,294
Inventories	728,952	728,952
Other assets	21,194	21,194
Intangible assets	17,384	17,384
Property, plant and equipment	141,860	141,860
Trade and other payables	(601,417)	(601,417)
Other liabilities	(38,470)	(38,470)
Interest-bearing loans	(683,696)	(683,696)
Net identifiable assets and liabilities	(1,377,195)	(1,377,195)
Goodwill on acquisition	5,877,195	
Consideration	4,500,000	

1. In determining the fair value of the shares to be issued, reference was made to the market value of Optima shares as traded on the ASX during the period of negotiation. During this period, Optima shares traded at a low of 6.70 cents, a high of 9.00 cents and volume weighted average price of 7.75 cents.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. DISCONTINUED OPERATIONS

The following controlled entity was disposed of during the year:

Name	Date Disposed of	Consolidated Entity's Interest	Consideration	Contribution to Consolidated Net Loss
Optimoney Australia Pty Ltd	10 August 2005	75%	\$75	(\$3,150)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

Mr Blair Sergeant	Managing Director (Executive)
Mr Patrick Davin	Director (Executive) – appointed 30 June 2006
Mr Michael Leshner	Director (Executive)
Mr Jeff Pool	Director (Non-Executive) – resigned 18 July 2006
Mr Anthony Ho	Director (Non-Executive) – resigned 30 June 2006

(ii) Executives

Mr Wally Fryer	Director (Optimoney Australia Pty Ltd)
Mr Jim Watson	President/ CEO (West Surfing Products (USA) Inc.) – resigned 23 August 2005

(b) Remuneration of key management personnel by the consolidated entity

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services.

Directors

Non-executive Directors receive a fixed monthly fee for their services. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 General Meeting, is not to exceed \$120,000 per annum.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Executives

Executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services.

Service contracts

The consolidated entity has entered into service contracts with each key management person. The service contract outlines the components of compensation paid to the key management personnel and are reviewed on an annual basis.

Mr Blair Sergeant, Managing Director, has a contract of employment dated 23 February 2004 with the Company. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The Managing Director has no entitlement to termination payment in the event of removal for misconduct.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

The following table provides the details of all key management personnel and the nature and amount of the elements of their remuneration for the year.

		PRIMARY		POST- EMPLOYMENT	SHARE BASED PAYMENTS	OTHER COMPENSATION	
		Salary & fees \$	Non-monetary benefits \$	Superannuation benefits \$	Valuation of Options \$	Insurance premiums \$	Total \$
Directors							
<i>Non-executive</i>							
Mr A Ho	2006	24,000	-	-	-	-	24,000
	2005	24,000	-	-	-	-	24,000
Mr J Pool (appointed 3 March 2005)	2006	48,924	-	-	-	-	48,924
	2005	10,447	-	-	1,780	-	12,227
<i>Executive</i>							
Mr B Sergeant	2006	100,802	-	6,750	-	-	107,552
	2005	62,500	-	5,625	-	-	68,125
Mr M Leshner (appointed 13 July 2004)	2006	86,244	-	-	-	-	86,244
	2005	29,854	-	-	1,780	-	31,634
Mr P Davin (appointed 30 June 2006)	2006	-	-	-	-	-	-
Total, all directors	2006	259,970	-	6,750	-	-	266,720
	2005	126,801	-	5,625	3,560	-	135,986

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

		PRIMARY		POST- EMPLOYMENT	EQUITY COMPENSATION	OTHER COMPENSATION	
		Salary & fees \$	Non-monetary benefits \$	Superannuation benefits \$	Valuation of Options \$	Insurance premiums \$	Total \$
Executives							
Mr W Fryer Managing Director Optimoney Australia Pty Ltd	2006	2,300	-	-	-	-	2,300
	2005	16,400	-	-	-	-	16,400
Mr J Watson President/ CEO West Surfing Products (USA) Inc.	2006	24,126	-	-	-	765	24,891
	2005	103,628	-	-	-	3,471	107,099
Total, all executives							
	2006	26,426	-	-	-	765	27,191
	2005	120,028	-	-	-	3,471	123,499

The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
14 June 2005	31 March 2007	\$0.00178	\$0.20	\$0.11	26.32%	5.70%	0.00%

Shareholder approval was granted on 14 June 2005 for the issue of these options to directors. The issue of options was designed to encourage the recipient to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Further details of options granted are set out under "Options" in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Transaction	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Directors					
Mr A Ho	Secretarial and accounting fees (i)	40,054	29,000	40,054	29,000
		<u>40,054</u>	<u>29,000</u>	<u>40,054</u>	<u>29,000</u>

A company associated with Mr Ho, provides general accounting and secretarial services in connection with the operations of the Company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Liabilities at 30 June 2006 arising from the above transaction</i>				
Current liabilities				
Other creditors and accruals	2,615	2,000	2,615	2,000

Equity instruments

Option holdings of key management personnel

The movement during the year in the number of options over ordinary shares exercisable at \$0.20 on or before 31 March 2007 held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2005	Held at date of appointment	Granted as remuneration	Exercised	Other changes*	Held at date of resignation	Held at 30 June 2006
Directors							
Mr B Sergeant	-	N/A	-	-	-	N/A	-
Mr P Davin	N/A	-	-	-	-	N/A	-
Mr M Leshar	1,000,000	N/A	-	-	-	N/A	1,000,000
Mr J Pool	1,000,000	N/A	-	-	-	N/A	1,000,000
Mr A Ho	-	N/A	-	-	-	-	N/A
Executives							
Mr W Fryer	-	N/A	-	-	-	-	N/A
Mr J Watson	-	N/A	-	-	-	-	N/A

All options vested on the date of issue. No options held by specified directors are vested but not exercisable.

*Other changes represents the net movement in options that were expired or were forfeited during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Equity holdings and transactions of key management personnel

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2005	Held at date of appointment	Additions/ Purchases	Received on exercise of options	Sales	Held at date of resignation	Held at 30 June 2006
Directors							
Mr B Sergeant	2,439,039	N/A	100,000	-	-	N/A	2,539,039
Mr P Davin	N/A	20,000,000	-	-	-	N/A	20,000,000
Mr M Leshner	243,000	N/A	50,000	-	-	N/A	293,000
Mr J Pool	-	N/A	-	-	-	N/A	-
Mr A Ho	300,001	N/A	50,000	-	-	350,001	N/A
Executives							
Mr W Fryer	-	N/A	-	-	-	-	N/A
Mr J Watson	-	N/A	-	-	-	-	N/A

26. RECONCILIATION OF CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES

Cash flows from operating activities

Loss for the year	(2,271,321)	(2,539,428)	(6,726,140)	(3,402,409)
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Adjustments for:

- Goodwill on consolidation written off	-	-	-	363,974
- Amounts set aside to provisions	(12,797)	26,576	1,918,412	2,574,829
- Depreciation	200,708	55,763	2,753	317
- Share based payment expenses	-	3,560	-	3,560

Operating loss before changes in working capital and provisions	(2,083,410)	(2,453,529)	(4,804,975)	(459,729)
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(Increase) in write off against intangibles	-	100,000	4,500,000	100,000
(Increase) in receivables	(257,684)	(458,848)	1,075	(4,206)
(Increase) in inventories	(784,205)	(781,712)	-	-
(Increase)/ decrease in other assets	19,532	(26,868)	2,168	-
(Decrease)/ increase in payables	1,269,911	244,223	(41,247)	92,466
Net cash from/(used in) operating activities	(1,835,856)	(3,376,734)	(342,979)	(271,469)

Non-cash financing and investing activities

On 30 June 2006, the Company acquired a 100% interest in Capital Pacific Pty Ltd for a consideration of 60,000,000 fully paid ordinary shares at a deemed issue price of 7.5 cents each. This acquisition is not reflected in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. NON-DIRECTOR RELATED PARTIES

Non-director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in Note 22. Details of dealings with these entities are set out below.

Transactions

The loans to controlled entities are unsecured, interest-free and of no fixed term. The loans are provided primarily for capital purchases and working capital purposes.

Receivables

Aggregate amounts receivable from non-director related parties (Note 10):

	Company	
	2006	2005
	\$	\$
<i>Non-current</i>		
Unsecured loans to controlled entities	5,460,032	4,444,618
Provision for non recovery	(4,491,053)	(3,128,555)
	968,979	1,316,063

28. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of this matter as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent Liabilities

Litigation

Optima Corporation Limited is defending an action (jointly with Great Waves Pty Ltd, the licensor of Creatures of Leisure) brought by the previous Creatures of Leisure distributor in the USA. Based on legal advice received, the action is without merit. While liability is in no way admitted, if the defence of the action is unsuccessful, damages may arise.

In the director's opinion, disclosure of any further information would be prejudicial to the interests of the Company.

29. SUBSEQUENT EVENTS

Subsequent to balance date:

- (a) Mr Jeffrey Pool resigned as a non-executive director of the Company on 18 July 2006.
- (b) the Company completed a placement of 23,984,667 shares at an issue price of 7.5 cents each to raise additional working capital of \$1,798,850 (before costs). Application of funds raised was as follows:

General working capital	1,408,900
Repayment of debt	300,000
Brokerage	89,950
	\$1,798,850

The financial effect of these transactions has not been brought to account in the financial statements for the year.

DIRECTORS' DECLARATION

In the opinion of the Directors of Optima Corporation Limited:

- (a) the financial statements and notes, set out on pages 15 to 48, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity and of the Company as at 30 June 2006 and their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the remuneration disclosures that are contained in the Remuneration Report on page 8 to 10 of the Directors Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the ASIC Class Order 06/105 Calculation of director and executive remuneration/Corporations Act Regulation 2M.6.04.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director for the financial year ended 30 June 2006.

Dated at Perth, Western Australia this 29th day of September 2006.

Signed in accordance with a resolution of the Directors:



Blair Sergeant
Managing Director

INDEPENDENT AUDIT REPORT TO MEMBERS OF OPTIMA CORPORATION LIMITED

Scope

The financial report and directors' responsibility

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

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

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

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

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

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

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



Chartered Accountants
& Business Advisers

Independence

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

Audit opinion

In our opinion the financial report of Optima Corporation Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of Optima Corporation Limited's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

PKF
Chartered Accountants

Ian Olson
Partner

Dated at Perth this 29th day of September 2006



Chartered Accountants
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF OPTIMA CORPORATION LIMITED**

As lead engagement partner for the audit of Optima Corporation Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF
Chartered Accountants

Ian Olson
Partner

Dated at Perth this 29th day of September 2006