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*...GROWTH EQUITIES...*

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**GROWTH EQUITIES ACCUMULATION LIMITED  
ABN 69 103 383 151**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2006**

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# ...GROWTH EQUITIES...

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## GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2006.

### Directors

The following persons were directors of Growth Equities Accumulation Limited during the financial year and up to the date of this report:

#### Name

R B Lester  
R D Lester  
W F Cawley

### Principal activities

During the year the principal continuing activities of the company consisted of investments into Australian listed securities.

### Review of operations and results

The company experienced favourable investment conditions during the 2006 financial year. The disciplined investment processes utilised by the Manager enabled it to generate significant profits for the company's shareholders. The profit for the year for the company was \$1,558,398 (2005: Profit of \$437,201).

The directors declared a dividend of \$0.01 fully franked per share which was paid in October 2005. All shareholders at that time utilised the Dividend Reinvestment Plan (DRP) to increase their investment in the company. The directors intend to maintain their stated dividend policy of, 'endeavouring to pay an increased dividend each year', and will make the DRP available to shareholders once again.

### Dividends

Dividends paid to members during the financial year were as follows:

	2006 \$	2005 \$
Final ordinary dividend for the year ended 30 June 2006 of \$0.01 cents (2005 - Nil) per fully paid share paid on 1 October 2005	<u>52,461</u>	<u>-</u>
	<u>52,461</u>	<u>-</u>

No other dividends was declared for the current financial year.

### Significant changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the company other than reflected in the accounts or notes thereto.

### Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

## GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT (Continued)

### Directors' benefits

During or since the end of the financial period, no director of the company has received or become entitled to receive a benefit because of a contract that the director, or a firm of which the director is a member, or an entity in which the director has a substantial interest, made with the company, or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director received, or became entitled to receive, the benefit other than:

- (i) a benefit included in the aggregate amount of emoluments received or due and receivable by the directors and set out in a note to these accounts, if any; or
- (ii) the fixed salary of a full time employee of the company, or an entity that the company controlled, or a related body corporate.

### Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

### Insurance or Indemnification

The company has not paid, or agreed to pay, any insurance premiums to cover the liability of any Directors or Officers, or any former Directors or Officers, of the company against any claims arising from the performance of their duties to the company.

The company has not indemnified, or agreed to indemnify, any Directors or Officers, or any former Directors or Officers, of the company against any liabilities arising from the performance of their duties to the company.

### Information on directors

<b>Russell Bryce Lester</b>	Director
Qualifications	Bachelor of Economics; Graduate Diploma of Applied Finance & Investment.
Experience	Board member since January 2003. Director of Lester Group of Companies. Experience in Banking and Finance Industry.
<b>Richard Denis Lester</b>	
Qualifications	Diploma in Agricultural Business; Certificate in Real Estate Management of Valuations; Licensed Valuer; Licensed Real Estate & Business Agent.
Experience	Board member since January 2003. Director of Wesfarmers Ltd and Lester Group of Companies. Extensive experience in property development.
<b>William Francis Cawley</b>	Director
Qualifications and Experience	Board member since January 2003. Director of Lester Group of Companies. Extensive experience in business management.

**GROWTH EQUITIES ACCUMULATION LIMITED**  
**DIRECTORS' REPORT (Continued)**

**Meetings of directors**

The number of meetings of the company's board of directors held during the year ended 30 June 2006, and the number of meetings attended by each director were:

	Number of meetings attended	Number of meetings held whilst a director
R D Lester	2	2
W F Cawley	2	2
R B Lester	2	2

**Environmental regulation**

The company is not subject to any significant environmental regulations in respect of its activities.

**Auditors' independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

**Auditor**

PKF have been appointed as Auditors in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.



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R B Lester  
Director

Perth, WA  
18 August 2006

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

**TO: The Directors of**

**GROWTH EQUITIES ACCUMULATION LIMITED**

As lead engagement partner for the audit of Growth Equities Accumulation 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 auditor 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.

This declaration is in respect of Growth Equities Accumulation Limited.



**Ian Olson**  
Partner  
PKF  
Chartered Accountants

Dated at Perth on this 18 day of August 2006

## GROWTH EQUITIES ACCUMULATION LIMITED

### DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2006

#### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Growth Equities Accumulation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



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R B Lester  
Director

Perth, WA  
18 August 2006

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# ...GROWTH EQUITIES...

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## GROWTH EQUITIES ACCUMULATION LIMITED

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Revenue from operations	3	2,448,528	850,077
Performance fees	4	(282,427)	-
Other expenses	4	<u>(93,796)</u>	<u>(86,085)</u>
<b>Profit before income tax</b>		2,072,305	763,992
Income tax expense	5	<u>(513,907)</u>	<u>(326,791)</u>
<b>Profit for the year</b>		<u>1,558,398</u>	<u>437,201</u>
<b>Profit attributable to members of Growth Equities Accumulation Limited</b>	14	<u><u>1,558,398</u></u>	<u><u>437,201</u></u>

The above income statement should be read in conjunction with the accompanying notes.

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	268,389	164,892
Trade and other receivables	7	<u>243,981</u>	<u>32,258</u>
<b>Total current assets</b>		<u>512,370</u>	<u>197,150</u>
<b>Non-current assets</b>			
Other financial assets	8	8,422,365	6,370,792
Deferred tax assets	9	<u>84,728</u>	<u>-</u>
<b>Total non-current assets</b>		<u>8,507,093</u>	<u>6,370,792</u>
<b>Total assets</b>		<u>9,019,463</u>	<u>6,567,942</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	296,058	39,818
Current tax liabilities	11	<u>-</u>	<u>2,937</u>
<b>Total current liabilities</b>		<u>296,058</u>	<u>42,755</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	<u>928,363</u>	<u>326,791</u>
<b>Total non-current liabilities</b>		<u>928,363</u>	<u>326,791</u>
<b>Total liabilities</b>		<u>1,224,421</u>	<u>369,546</u>
<b>Net assets</b>		<u>7,795,042</u>	<u>6,198,396</u>
<b>Equity attributable to equity holders</b>			
Issued capital	13	5,385,321	5,294,612
Retained earnings	14	<u>2,409,721</u>	<u>903,784</u>
<b>Total equity</b>		<u>7,795,042</u>	<u>6,198,396</u>
Net tangible assets per share before providing for tax on unrealised capital gains		1.6491	1.2488
Net tangible assets per share after providing for tax on unrealised capital gains		1.4736	1.1863

The above balance sheet should be read in conjunction with the accompanying notes.

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# ...GROWTH EQUITIES...

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## GROWTH EQUITIES ACCUMULATION LIMITED

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

	Issued capital \$	Retained earnings \$	Total \$
<b>At 1 July 2004</b>	5,174,928	466,583	5,641,511
Profit for the year	-	437,201	437,201
Issue of share capital	<u>119,684</u>	<u>-</u>	<u>119,684</u>
<b>At 30 June 2005</b>	5,294,612	903,784	6,198,396
Profit for the year	-	1,558,398	1,558,398
Issue of share capital	90,709	-	90,709
Dividends paid	<u>-</u>	<u>(52,461)</u>	<u>(52,461)</u>
<b>At 30 June 2006</b>	<u>5,385,321</u>	<u>2,409,721</u>	<u>7,795,042</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		475,890	359,138
Interest received		9,227	23,291
Payments to suppliers		<u>(91,603)</u>	<u>(96,726)</u>
<b>Net cash inflows from operating activities</b>	21	<u>393,514</u>	<u>285,703</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for financial assets purchases		(779,351)	(3,200,755)
Proceeds from financial assets sales		<u>451,086</u>	<u>2,206,133</u>
<b>Net cash outflows from investing activities</b>		<u>(328,265)</u>	<u>(994,622)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares		90,709	119,684
Proceeds from borrowings		-	5,445
Dividend paid		(52,461)	-
Repayment of loan		<u>-</u>	<u>(14,626)</u>
<b>Net cash inflows from financing activities</b>		<u>38,248</u>	<u>110,503</u>
Net increase/(decrease) in cash and cash equivalents		103,497	(598,416)
Cash and cash equivalents at the beginning of the financial year		<u>164,892</u>	<u>763,308</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>268,389</u></u>	<u><u>164,892</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

## GROWTH EQUITIES ACCUMULATION LIMITED

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

#### 1. CORPORATE INFORMATION

The financial report of Growth Equities Accumulation Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 18 August 2006.

Growth Equities Accumulation Limited is an Australian public company limited by shares, incorporated and domiciled in Australia. Its registered office is located at Level 2, 47 Stirling Highway, Nedlands, Western Australia.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

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

##### (b) Statement of compliance

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

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 2 (k) below.

##### (c) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading are measured at fair value through the profit and loss account. Gains or losses on investments held for trading are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the balance sheet date.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the company commits to purchase the asset.

##### (d) Trade and other receivables

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

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

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(e) Trade and other payables**

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

**(f) 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 the 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:

- except where the deferred income tax asset relating to the deductible temporary differences 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. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**(g) Cash and cash equivalents**

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (if any).

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company 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.

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 pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

##### (i) Revenue recognition

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

###### *Interest*

Revenue is recognised as the right to the interest payment is established.

###### *Dividends*

Dividends is recognised when the shareholders' right to receive the payment is established.

##### (j) Comparatives figures

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

##### (k) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below

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

	30-Jun-05	1-Jul-04
	\$	\$
Total equity under AGAAP	6,525,187	5,648,787
<i>Adjustments to retained earnings (net of tax):</i>		
Derecognition of formation expenses (A)	-	(7,276)
Recognition of deferred tax liabilities on held for trading financial assets (B)	(326,791)	-
Total equity under AIFRS	<u>6,198,396</u>	<u>5,641,511</u>

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (k) Impact of adoption of AIFRS(Continued)

##### (ii) Reconciliation of profit before tax under previous AGAAP to that under AIFRS

	<i>30-Jun-05</i>
	<u>\$</u>
Prior year profit before tax as previously reported	756,716
Formation expenses (A)	<u>7,276</u>
Prior year profit before tax under AIFRS	<u>763,992</u>

(A) Formation expenses are charged to the income statement when incurred under AASB 138 'Intangible assets', but it was amortised over a few years under previous AGAAP. This has caused a decrease in opening total equity and a increase in profit for the prior year.

(B) A provision for deferred tax liabilities was recognised on revaluations of held-for-trading financial assets at fair value under AASB 112 'Income taxes', but was not recognised under previous AGAAP. This has resulted in an decrease in total equity.

##### (iii) Explanation of material adjustments to the cashflow statements

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

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>3. REVENUE</b>		
<b>From operations</b>		
Dividends received	686,506	354,073
Interest received	10,334	22,255
	<u>696,840</u>	<u>376,328</u>
<i>Net gains on financial assets held-for-trading</i>		
Unrealised gains on financial assets held-for-trading	2,002,107	826,329
Realised losses on financial assets held-for-trading	(250,419)	(352,580)
	<u>1,751,688</u>	<u>473,749</u>
	<u>2,448,528</u>	<u>850,077</u>
<b>4. EXPENSES</b>		
<b>Profit/(Loss) before income tax includes the following specific expenses:</b>		
Performance fees	<u>282,427</u>	<u>-</u>
Bank fees	-	4
Brokerage fees	5,717	15,983
Management fees	88,079	70,098
	<u>93,796</u>	<u>86,085</u>
<b>5. INCOME TAX EXPENSE</b>		
<b>(a) Income tax expense</b>		
Deferred tax	516,844	326,791
Under/(Over) provided in prior years	(2,937)	-
	<u>513,907</u>	<u>326,791</u>
<i>Income tax expense reported in income statement</i>		
<i>Deferred income tax (revenue)/expense included in income tax expense comprises:</i>		
Increase in deferred tax assets (note 9)	(84,728)	-
Increase in deferred tax liabilities (note 12)	601,572	326,791
	<u>516,844</u>	<u>326,791</u>

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>5. INCOME TAX EXPENSE (CONTINUED)</b>		
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(Loss) before income tax	<u>2,072,306</u>	<u>763,992</u>
Tax at the Australian tax rate of 30% (2005 - 30%)	621,692	229,198
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Imputation gross up on dividend received	84,368	43,205
Realised loss on financial assets held-for-trading	75,126	105,774
Tax offset for franked dividends	<u>(264,342)</u>	<u>(130,278)</u>
	516,844	247,899
Overprovision in prior years	(2,937)	-
Underprovision of deferred tax in prior years	<u>-</u>	<u>78,892</u>
Income tax expense	<u>513,907</u>	<u>326,791</u>
<b>6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS</b>		
Cash at bank	<u>268,389</u>	<u>164,892</u>
	<u>268,389</u>	<u>164,892</u>
The cash at bank earns interest at floating rates based on daily bank rates.		
<b>Reconciliation to cash at the end of the year</b>		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:		
Balance as above	<u>268,389</u>	<u>164,892</u>
Balance as per cash flow statements	<u>268,389</u>	<u>164,892</u>

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	240,847	30,231
Other receivables	3,134	2,027
	<u>243,981</u>	<u>32,258</u>

Trade receivables and other receivables are non-interest bearing and are generally on 30-days terms.

<b>8. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS</b>		
Listed shares – at fair value	<u>8,422,365</u>	<u>6,370,792</u>
<u>Investment in entities not being subsidiaries or associates</u>		

Name	Principal Activity	Fair Value \$
ANZ Bank	Bank	604,923
Billabong International Limited	Sports Apparel & Accessories	77,410
Boom Logistics Limited	Lifting & Logistics Services	383,910
Commonwealth Bank	Bank	450,761
City Pacific	Diversified Financials	536,524
HGL Limited	Capital Goods	488,328
IINET Limited	Softwares and Services	40,590
Just Group Limited	Retailing	410,400
K&S Corporation Limited	Logistics, Transports & Warehousing	151,200
Leighton Holdings	Contructions	607,250
National Australia Bank	Bank	334,020
PCH Group Limited	Industrial Services	349,605
Port Bouvard Limited	Real Estate	984,788
Peet and Company Limited	Real Estate	556,988
QBE Insurance	Insurance	984,000
Sunland Group Limited	Real Estate	475,844
Tassal Group Limited	Agriculture	126,814
Toll Holdings Limited	Transports & Warehousing	421,500
Waterco Limited	Pool & Spa Products	18,470
Westpac Bank	Bank	<u>419,040</u>
		<u>8,422,365</u>

Listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. There would have been a material liability for capital gains tax if these assets had been sold at reporting date. As the nature of the company's business is long term investment, it does not intend to liquidate its investment portfolio. The fair value method used was based on published price quotation in an active market.

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>9. NON-CURRENT ASSETS – DEFERRED TAX ASSETS</b>		
<b>(i) Gross movements</b>		
<i>The overall movement in deferred tax accounts is as follows :</i>		
Opening balance	-	-
Credit to income statement (Note 5)	84,728	-
	<u>84,728</u>	<u>-</u>
Closing balance	<u>84,728</u>	<u>-</u>
<b>(ii) Deferred tax asset</b>		
<i>The movement in deferred tax asset for each temporary difference during the year is as follows :</i>		
At 1 July	-	-
Accrued performance fees	84,728	-
	<u>84,728</u>	<u>-</u>
At 30 June	<u>84,728</u>	<u>-</u>
<b>10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES</b>		
Trade payables	8,187	34,373
Other payables	287,871	5,445
	<u>296,058</u>	<u>39,818</u>
Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.		
<b>11. CURRENT LIABILITIES - CURRENT TAX LIABILITIES</b>		
Provision for income tax	-	2,937
	<u>-</u>	<u>2,937</u>
<b>12. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES</b>		
<b>(i) Gross movements</b>		
<i>The overall movement in deferred tax accounts is as follows :</i>		
Opening balance	326,791	-
Charge to income statement (Note 5)	601,572	326,791
	<u>928,363</u>	<u>326,791</u>
Closing balance	<u>928,363</u>	<u>326,791</u>
<b>(ii) Deferred tax liability</b>		
<i>The movement in deferred tax liability for each temporary difference during the year is as follows :</i>		
At 1 July	326,791	-
Fair value adjustments	600,632	326,791
Accrued interest	940	-
	<u>928,363</u>	<u>326,791</u>
At 30 June	<u>928,363</u>	<u>326,791</u>

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>13. ISSUED CAPITAL</b>		
Ordinary shares - fully paid	<u>5,385,321</u>	<u>5,294,612</u>

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. At 30 June 2006 there were 5,289,844 fully paid shares on issue (2005: 5,225,077 fully paid shares)

#### Movement in ordinary shares

Date	Details	Number of shares	Issue Price	\$
1 Jul 2005	Opening balance	5,225,077		5,294,612
1 Sept 2005	Issue of shares	21,062	1.362	28,687
1 Oct 2005	Dividend reinvestment	37,580	1.396	52,461
1 Mar 2006	Issue of shares	<u>6,125</u>	1.561	<u>9,561</u>
30 June 2006	Closing balance	<u>5,289,844</u>		<u>5,385,321</u>

	2006 \$	2005 \$
<b>14. RETAINED EARNINGS</b>		
Movements in retained profits were as follows:		
Retained profits at the beginning of the financial year	903,784	466,583
Profit for the year	1,558,398	437,201
Dividends paid	<u>(52,461)</u>	<u>-</u>
Retained profits at the end of the financial year	<u>2,409,721</u>	<u>903,784</u>

#### 15. RELATED PARTY TRANSACTIONS

##### (a) Parent entity

The parent entity, Balwyn Holdings Pty Ltd, owns 95.20% (2005: 95.69%) of the issued capital of the company.

##### (b) Directors

The names of the persons who were directors of the company during the year ended 30 June 2006 and to the date of this report are as follows:

#### Name

R B Lester  
R D Lester  
W F Cawley

All of these persons were also directors during the year ended 30 June 2005.

No director was paid any remuneration by the company in respect of his position as a director of the company.

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

(c) **The following related parties hold shares in the company:-**

R D Lester	97,998 shares (2005: 77,500 shares)
L P Lester	30,215 shares (2005: 30,000 shares)
Balwyn Holdings Pty Ltd	5,035,817 shares (2005: 5,000,000 shares)
R B Lester and N S Lester	40,286 shares (2005: 40,000 shares)

(d) **Transactions with a related party**

The following transactions occurred with a related party:

	2006	2005
	\$	\$
<b>Growth Equities Pty Ltd</b>		
Performance fees	282,427	-
Management fees	88,079	70,098
	<u>370,506</u>	<u>70,098</u>

(e) **Outstanding balances arising from management fees and performance fees**

The following balances are outstanding at the reporting date in relation to transactions with a related party:

	2006	2005
	\$	\$
<b>Growth Equities Pty Ltd</b>		
Performance fees	282,427	-
Management fees	8,187	5,993
	<u>290,614</u>	<u>5,993</u>

## 16. DIVIDENDS PAID

*Declared and paid during the year:*

Dividend on ordinary shares:

Final franked dividends for 2006: \$0.01 cents (2005: Nil)	52,461	-
	<u>52,461</u>	<u>-</u>

### **Franking credit balance**

The amount of franking credits available for the subsequent financial year are:

490,198	<u>231,457</u>
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

#### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- (a) Credit risk exposures  
The credit risk on financial assets of the company which have been recognised on the balance sheet is generally the fair value amount. There are no significant concentrations of credit risk within the company
- (b) Interest rate exposure  
All financial assets and financial liabilities are non-interest bearing except for cash balance which are at a floating interest rate.
- (c) Market risk exposure  
The company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as held-for-trading financial assets that have been measured at fair value through the profit and loss account.

#### 18. FINANCIAL INSTRUMENTS

##### Fair value

The fair value of cash and cash equivalents, held-for-trading financial assets and monetary financial assets and liabilities approximates their carrying values.

#### 19. SEGMENT INFORMATION

The company operates in one primary business segment being investment company and in one secondary geographical segment being Australia.

#### 20. EVENTS OCCURRING AFTER BALANCE SHEET DATE

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

# ...GROWTH EQUITIES...

## GROWTH EQUITIES ACCUMULATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>21. CASH FLOW STATEMENT</b>		
<i>Reconciliation of profit after income tax to net cash inflows from operating activities</i>		
Profit for the year	1,558,398	437,201
<b>Adjustments for:</b>		
Realised losses on financial assets held-for-trading	250,419	352,580
Unrealised gains on financial assets held-for-trading	(2,002,107)	(826,329)
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in trade receivables	(210,616)	5,064
(Increase)/Decrease in other receivables	(1,107)	1,037
Increase in deferred tax assets	(84,728)	-
Increase/(Decrease) in trade payables	2,194	(5,196)
Increase/(Decrease) in other payables	282,426	(5,445)
Decrease in current tax liabilities	(2,937)	-
Increase in deferred tax liabilities	601,572	326,791
Net cash inflow from operating activities	<u>393,514</u>	<u>285,703</u>

## **INDEPENDENT AUDIT REPORT TO MEMBERS OF GROWTH EQUITIES ACCUMULATION 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 Growth Equities Accumulation Limited, for the year ended 30 June 2006.

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 and International Standards on Auditing, 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 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.

### **Independence**

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

The auditor's independence declaration given to the relevant directors would be in the same terms if it had been given at the time the audit report was made.

**Audit opinion**

In our opinion, the financial report of Growth Equities Accumulation Limited is in accordance with:

(a) The Corporations Act 2001, including:

- (i) giving a true and fair view of the company'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 on this 18th day of August 2006